iBtex. TEXTILE INTELLIGENCE CENTRE
INFORMATION BUREAU TEXPROCIL

TEXPROCIL NEWS CLIPPINGS

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. 50 of 2018 March 12, 2018

USD 65.01 | EUR 80.09 | GBP 90.10 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19529	40850	**79.96**

Domestic Futures Price (Ex. Gin), March

Rs./Bale	Rs./Candy	USD Cent/lb
20940	43802	**85.74**

International Futures Price

NY ICE USD Cents/lb (May 2018)	84.52
ZCE Cotton: Yuan/MT (Jan 2018)	15,215
ZCE Cotton: USD Cents/lb	**92.61**
Cotlook A Index – Physical	**94.40**

Cotton guide: The active contract on ICE gained by 243 points in last week and settled at 84.52 cents. The contract 41 points gap up at 82.50. Price mad eth low of 81.71 in the initial part of the week. Buying at lower levels was witnessed which led to the sharp surge and the market mad eth weekly high of 86.60 cents. Price settled at 84.52 by the weekend.

Strong export demand has led to the surge in the ICE cotton. The exports in last week were at 636 vs. 412 in the previous week. Sharp surge in exports set the bullish tone for cotton futures. Stock on ICE is down by 73% y-o-y at 87328 bales.

The monthly report released for the month of March by USDA lowered the USA ending stock to 5 million bales from 5.5 in Feb estimate. Stocks were lowered on lower production and higher export estimates. Production is reduced 233,000 bales to 21.0 million.

The USDA increased the world ending stock estimate by 500,000 bales and the major that can be attributed to increase is the rise in Sudan's 2017/18 production forecast is raised 730,000 bales based on reports of new tec. The world ending stock is now estimated at 88.85 million bales vs. 88.55 last month.

However the world cotton production stood unchanged from the previous month estimate at 118.90 million bales. There were preliminary estimates of crossing 120+ million bales. We believe such number could not be achieved because India's figure for this year still remains a question mark and likely to range 33.20 to 33.60 million bales lower from early seasonal estimates while higher than last year figure. On the US front, the production number was at 21.03 compared to 21.26 million bales in Feb report.

The broad trend is up in the global market and the active contract on ICE is forecasted to trade in the range of 83.75-85.30. High volatility is expected in the market with profit taking.

The Cotton Association of India (CAI) has, in its latest estimate, lowered the crop size by 8 lakh bales (of 170 kg each) to 367 lakh bales against the earlier estimate of 375 lakh bales. For the 2017-18 season, beginning from October 1, 2017, the CAI reduced the crop estimate to 367 lakh bales citing severe infestation of cotton with pink bollworm.

On the domestic front spot has gained from 40100 to 40500. All India cotton arrivals stood at an average of 130,000 to 135,000 bales/day. It includes 40,000 in Maharashtra, 35,000 in Gujarat, 44,000 in Andhra Pradesh/Telangana state and 16,000 bales in other states.

Lastly on the future front the active March future made the high of 21280 during the session. Price witnessed buying at lower levels and settled at 20940 up by 320 points. For the day the trading range would be Rs. 20800 to Rs. 21100.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

US tariff to have little impact on global economy

After weeks of speculation, it became official – US President Donald Trump has signed an order to slap a 25% tariff on global steel imports and 10% on aluminium, acting on the Commerce Department's recent recommendation.

On Thursday, defying opposition from his own party, Trump put his signature on paper imposing stiff and sweeping new tariffs on imported steel and aluminium. However he softened the impact by agreeing to exempt for now, Canada and Mexico.

Well, steelmakers are delighted.

Companies that use steel however, like automakers, aren't so happy about the prospect of higher costs. More broadly, market watchers are now concerned that this could be the catalyst for global trade wars, especially with US trading partners already threatening retaliation.

Since the announcement was made last week, financial markets across the globe sank on fears of retaliatory action.

It was made worse when Gary Cohn, the head of President Donald Trump's National Economic Council, resigned late Tuesday.

Wall Street has viewed Cohn, a former Goldman Sachs executive, as level headed and was regarded as the chief architect of business-friendly corporate tax cuts signed into law last year. Cohn is against the tariffs.

On Wednesday, the Dow Jones Average fell about 350 points at its low on Cohn's resignation.

This sort of reaction isn't surprising, as in the past, protectionism measures have typically caused financial markets to fall.

Should other countries retaliate by imposing tariffs of their own, it will flatten US exports and subsequently lower corporate earnings.

So firstly, how significant are these tariffs, and exactly how much damage will these tariffs cause?

Truth be told, the tariffs now lack details.

On the surface, it looks to hurt manufacturers and increase cost particularly for automakers.

US automakers will be among the most impacted. The sector accounted for 26% of US steel demand in 2017, behind the construction industry's 40%, according to data provider Statista.

However will it sharply hurt earnings of corporate America and will it really slice off a few billion US dollars from the US' gross domestic product?

Fisher Investments MarketMinder says recent history and current political considerations suggest it is lower than most seem to think.

Tit-for-tat war has begun…

In retaliation to Trump, the European Union is preparing punitive tariffs on iconic US brands produced in key Republican constituencies, raising political pressure on Trump to ditch his plan for taxing steel imports.

Targeting 2.8 billion euros (US$3.5bil) of US goods, the EU aims to apply a 25% tit-for-tat levy on a range of consumer, agricultural and steel products imported from the US if Trump follows through on his tariff threat, according to a list drawn up by the European Commission and obtained by Bloomberg News.

Historically this has happened before. And the world did not get into an economic funk. The good news is the implementation of those tariffs had been short-lived.

Trump is not the first president to impose steel tariffs.

For instance, the Obama administration slapped tariffs on steel, twice, actually. China hit back at tyre tariffs by imposing tariffs on US autos. It also added levies to polysilicon from the US, a component in solar panels, in response to the solar tariffs. But that was it – no sweeping trade war.

Similarly, President George Bush imposed steel tariffs in 2002.

“Within a month, the EU threatened to retaliate with tariffs on motorcycles, textiles and orange juice. In December 2003, the US lifted the tariffs after the World Trade Organisation ruled them illegal,” said Fisher Marketminder.

Thus, many feel that history suggests that Trump’s successors will seek to revert his policies, particularly if the protectionist policies result in economic losses.

Trump has said he would reconsider the Trans-Pacific Partnership should the US get a better deal, barely a year after he blasted the agreement and abandoned the trade deal.

So the livelihood of these tariffs aren’t a sure bet either.

How big is the impact of steel tariffs?

According to Fisher Investments MarketMinder, based on 2016 data, global steel production totalled 1,629.6 million tonnes.

“The US imported just 30.9 million. So based on some rough back-of-the-envelope maths, the steel tariff hits just 1.9% of global steel production. And that is if no countries are excluded and all steel types are targeted, both things the administration hasn’t specified yet,” said Fisher Investments MarketMinder.

Secondly, while the administration says the tariffs are primarily aimed at China, that nation exported just 108.1 million of the 808.4 million tons it produced. Of those exports, only 2.4 million tonnes went to North American Free Trade Agreemet or Nafta nations (the World Steel Organisation doesn’t provide a detailed country breakdown, so Nafta is the closest proxy for the US).

“It is difficult to envision this causing a hard landing in the world’s second-largest economy, particularly considering the Chinese have been trying to slow output for years, sensing an oversupplied global market.

“As for aluminium, according to the US Census Bureau, the US imported US$16.2bil worth of bauxite and aluminium last year, less than 1% of 2017 GDP,” said Fisher Investments MarketMinder.

What about Asia?

The news gets even better.

While Asia produces more than two-thirds of the world’s steel, it will be minimally affected when compared to the rest of America’s trading partners, according to ratings agency Moody’s.

“In Asia, the direct economic effects at the macro level would be very small as exports of aluminum and steel to the U.S. typically amount to less than 1% of GDP or exports,” Moody’s said in a research note Friday.

It added that the direct impact on steel companies would be manageable for the steel sector and rated steel-makers in Asia, because steel is predominantly traded within the region.

“The direct impact is moderate on Korean steelmakers, too low on all the rest of Asia,” it added.

However, if tariffs were imposed across large sectors of the economy, then pandemonium could occur.

Fisher Investments MarketMinder says trade wars involving sweeping tariffs across large swaths of the global economy can have crippling economic effects. The Tariff Act of 1930 – aka Smoot-Hawley – sparked the last full-blown trade war.

The Act imposed nearly 900 tariffs across most sectors and had a dramatic impact on trade. US imports declined over 40% within two years, major trading partners retaliated and global trade fell 66% (from US$5.3bil in 1929 to US$1.8bil in 1933), likely exacerbating the Great Depression.

Smoot-Hawley had a cocktail of harmful consequences. It upset the operation of the international financial system. This is because free trade and free international capital flows go together.

Countries that borrow abroad must export in order to service their debts. Smoot-Hawley and foreign retaliation made exporting more difficult. Hence the result was widespread defaults on foreign debts, financial distress and the collapse of international capital flows, wrote Barry Eichengreen, professor of economics at the University of California, Berkeley in a 2016 article titled What's the problem with protectionism.

So in the current context, Fisher Investments MarketMinder belives tariffs targeting one or two industries do not have sufficient scope to have such a deleterious effect.

There are other tariffs

If one recalls, these aren't the only tariffs the Trump administration has adopted.

Fisher Investments MarketMinder said that last November, it imposed tariffs on Canadian lumber. They also targeted Canadian aerospace imports in October 2017, but they lifted the tariffs in January 2018 once the International Trade Commission decided the imported planes weren't harming the US.

In January, the US added tariffs on solar panels and washing machines.

Trump has even talked about imposing a "reciprocal tax" where the US would hit countries with tariffs at the same rates they levy on US goods and services, though others in the administration have stated there is no formal proposal for such a tax at this time.

"So far, none of these have invited sweeping blowback, just the tit-for-tat typical of the last 20-plus years. Canadian Prime Minister Justin Trudeau considered banning US coal exports and spoke of targeting certain industries in Oregon, home to Senator Wyden, one of the biggest proponents of lumber tariffs," said Fisher Investments MarketMinder.

In a similar vein, the EU is reportedly mulling tariffs on Harley-Davidson motorcycles – headquartered in House Speaker Paul Ryan's home state, Wisconsin. Kentucky bourbon, produced in Senate Majority Leader Mitch McConnell's home state, is also in their sights.

To put things in perspective, these moves are deemed political, and none of those products are significant economic contributors to the US.

Source: thestar.com- Mar 10, 2018

HOME

****

Japan and EU spar with US in Brussels over trade and tariffs

US Trade Representative Robert Lighthizer met at the weekend with his EU and Japanese counterparts, but the meeting offered little new clarity amid fears of a global trade war.

The talks came days after President Donald Trump announced new tariffs on US imports of aluminum and steel.

The meeting, which was planned before Trump's Friday (AEDT) trade announcement, was Europe and Japan's first chance to press their case for an exemption to the tariffs of 25 per cent on steel and 10 per cent on aluminum. Trump said that countries with a "security relationship" with the United States could push to be excluded.

The rollout has left countries confused about their chances at getting onto the no-tariff list, and in at least one case, Australia's, the deed seemed to have been accomplished with a phone call from the country's prime minister to Trump.

In Brussels, the capital of the European Union, the weekend's meetings appeared inconclusive.

"I had a frank discussion with the US side about the serious pending issue of steel/aluminum tariffs," the top EU trade official, Cecilia Malmström, wrote on Twitter after the meeting. "As a close security and trade partner of the US, the EU must be excluded from the announced measures. No immediate clarity on the exact US procedure for exemption however, so discussions will continue next week."

Lighthizer made no public comment after the meetings with Malmström and Japanese Trade Minister Hiroshige Seko, which stretched several hours.

The 28-nation European Union, which negotiates trade policy as a bloc, has warned it will challenge the tariffs at the World Trade Organisation (WTO). The EU is also readying a list of countermeasures targeting about $US3.5 billion in annual trade. Many of the measures would raise tariffs on US products from politically-sensitive areas, such as the home districts of congressional leaders, and range from motorcycles to bourbon to peanut butter.

It remains unclear how hard it would be for the European Union to win an exemption. When Trump unveiled the new tariffs, he exempted Canada and Mexico. On Saturday (AEDT), he appeared to add Australia to the list.

Australian Prime Minister Malcolm Turnbull "is committed to having a very fair and reciprocal military and trade relationship. Working very quickly on a security agreement so we don't have to impose steel or aluminum tariffs on our ally, the great nation of Australia!" Trump wrote on Twitter.

Trump cited national security concerns as the legal basis for the tariffs, a permissible reason under WTO rules. But EU leaders, most of whom are also NATO allies, say the argument is illegitimate because even during crisis they could still be expected to be reliable sources of the materials. Instead, they said, Trump is bolstering domestic industries in violation of international trade rules.

Some European policymakers said they worried the tariffs were part of a broader assault by the Trump administration on ties between Europe and Washington, which has been the backbone of the post-World War II Western order.

The United States was "the steward, the leader, of establishing, of developing a system of international relations," Norbert Röttgen, an ally of German Chancellor Angela Merkel who is the head of the foreign affairs committee of the lower house of Germany's parliament, said at a conference in Brussels. "Now we have a different approach".

"We are living in historic times of unravelling," he said.

Source: afr.com- Mar 11, 2018

HOME

****

Chinese demand raises Australian wool prices

Australia famously rode to prosperity on the sheep's back during the 20th century, fine tuning Merino breeds to produce a soft, durable and natural fiber.

Demand comes from Europe and has now extended to Asia, and China in particular. But high wool prices are having an impact on clothing makers. Australia provides about 90 per cent of the world's exported fine wool used in clothing manufacturing.

Prices for very fine wool used for clothing have hit a record high, thanks in large part to ferocious demand from Chinese garment makers. That's more than three times the price during the early 1990s.

Those who can shift their wool are still making hay. Unlike most agricultural commodities, wool can hold its value for many years if properly stored.

Australia's wool output is set to grow just 1.4 per cent over the next 12 months. Australia's sheep count is at 70.4 million, representing the fourth lowest level on record.

That is well under half the flock in the early 1990s. However, Australia's modest growth is still expected to outpace global competitors. World-wide wool output is expected to increase 0.5 per cent this year amid unfavorable weather conditions in competitors Argentina and South Africa.

New Zealand production is also forecast to be stagnant as farmers cull sheep and lambs to capitalise on high meat prices.

Source: fashionatingworld.com- Mar 10, 2018

HOME

****

China biggest buyer of Italian textiles

Exports of Italian textiles to non-EU countries in 2017 were up by 1.8 per cent.

The greatest contribution to growth was made by the domestic market, mostly involving production destined for subsequent export.

Exports of Italian textiles to China and Hong Kong grew by 12 per cent over the first ten months of 2017.

Exports to the US were up, as were those to Spain while those to the UK and Germany were flat and exports to France and Romania fell.

In the January-October period, exports of knits were up by 2.4 per cent after two years of negative results. Over the same time span, exports of combed wool fabrics were up by 5.5 per cent while exports of worsted wool fabrics fell by 4.5 per cent.

Cotton, which was up after the first two quarters by 1.2 per cent, instead closed out the ten month period with a loss of 0.9 per cent.

Linen was also down by 5.3 per cent and pure silk dropped by 9.2 per cent. Silk fabrics of chemical composition were instead up by 5.5 per cent.

The trade surplus for the sector was up by 0.4 per cent compared to 2016.

The surplus of the textile sector accounts for 25.4 per cent of the trade balance of the overall fashion-textile production chain although textiles account for only 15 per cent of total sales.

Source: fashionatingworld.com- Mar 10, 2018

HOME

****

US tax reform to have adverse effects on seafood, garment, footwear sectors

The US has imposed anti-dumping duties on many import items from China. Under the US tax reform law, corporate income tax will fall from 35 percent to 21 percent.

Most of the profits to be made by US companies from overseas business will bear no tax, or will be taxed at a maximum of 10.5 percent.

In addition, the US has applied policies to reduce the trade deficit, protect domestic goods and apply high anti-dumping duties on imports.

Nguyen Tri Hieu, a respected economist, said in Phap Luat newspaper that Vietnamese products with a high proportion of China-sourced input materials and liable to US anti-dumping duties will face the highest risk. Of these, product items with high export turnover, including seafood, textiles and garments, footwear and steel, would be affected the most.

Hieu said the US policies were ‘unpleasant’ and ‘unpredictable’. However, the common principles pursued by the Trump administration are restricting imports and protecting local production.

There will be policies associated with tax reform which will cause adverse effects to economies which export products to the US.

Hai Quan newspaper quoted Truong Dinh Hoe, secretary general of VASEP, as saying that the US has been applying anti-dumping duties against Vietnam’s seafood exports to the country over the last 10 years. This was done with an aim to protect domestic production.

Hoe admitted that with tax reform, Vietnam’s seafood exports to the US will meet ‘heaped-up difficulties’.

In addition, steel manufacturing will also suffer from the US policy on domestic protection.

Mostly recently, the US imposed anti-dumping and countervailing duties on galvanized steel and cold rolled steel products imported from Vietnam because of Chinese origin.

The former bears anti-dumping and countervailing duties of 199 percent and 39 percent, respectively, and cold rolled steel 256.8 percent and 256 percent, respectively.

According to the US Department of Commerce, Vietnamese exporters will not have to pay anti-dumping and countervailing duties if they can prove that steel exports to the US are made in Vietnam or other third countries.

Nguyen Van Sua, vice chairman of the Vietnam Steel Association, said Vietnam steel would bear an unjust punishment because of the inaccurate accusation of having Chinese origin. Sua said the association is considering suing the US before the WTO if the US does not change its decision.

Source: vietnamnet.vn- Mar 11, 2018

HOME

****

11 nations sign CPTPP trade pact in Santiago

Eleven countries signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) without the United States last week in Chile's capital Santiago. The trade pact will reduce tariffs in nations that jointly account for more than 13 per cent of the global economy — a total of $10 trillion in gross domestic product (GDP).

The original 12-member agreement, the Trans-Pacific Partnership (TPP), was thrown into limbo in early 2017 when President Donald Trump withdrew from the deal three days after he assumed office, citing protection of US jobs.

The 11 remaining nations — Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam — finalized a revised trade pact in January. That agreement will become effective when at least six member nations have completed domestic procedures to ratify it, possibly before the end of this year.

The agreement's final version was released in New Zealand on February 21.

"Today, we can proudly conclude this process, sending a strong message to the international community that open markets, economic integration and international cooperation are the best tools for creating economic opportunities and prosperity," Chilean President Michelle Bachelet was quoted as saying by global news wires.

The revised agreement does away with many US demands in the original TPP, including rules to ramp up intellectual property protection of pharmaceuticals. Even without the United States, the deal will span a market of nearly 500 million people, making it one of the world's largest trade agreements.

With the primary target to slash trade tariffs between member countries, the agreement seeks to harmonise non-tariff measures that create obstacles to trade through regulations, or make them transparent and fair. There are commitments to enforce minimum labour and environmental standards as well.

It also includes a controversial Investor-State Dispute Settlement mechanism, which allows companies to sue governments when they believe a change in law has affected their profits.

Source: fibre2fashion.com- Mar 12, 2018

HOME

****

Bangladesh aims to upsurge apparel trade with Canada, seeks duty-free access post-LDC

Canada has offered to partner with Bangladesh's garment manufacturers in developing the country's biggest export sector that aims to become a US $ 50 billion industry by 2021.

Benoit Prefontaine, High Commissioner of Canada to Bangladesh, conveyed the message to Bangladesh Garment Manufacturers and Exporters Association (BGMEA) during a courtesy call at BGMEA Complex, Dhaka, on March 6, 2018.

BGMEA's President Md Siddiqur Rahman, Senior Vice President Faruque Hassan, Vice President SM Mannan Kochi, Vice President (Finance)

Mohammed Nasir, BGMEA Directors and senior officials of the Canadian High Commission in Dhaka attended the meeting.

Insiders say that various issues in Bangladesh's readymade garment industry including a special focus on how Canada and BGMEA can collaborate for the development of the sector in Bangladesh were discussed at the meeting.

Mohammed Nasir told Apparel resources that BGMEA has sought Canada's cooperation in increasing the volume of garment exports to the North American country. "We have also requested Canada to maintain our 'duty-free' access to their market once we graduate out of Least Developed Country (LDC) club."

(Bangladesh is expecting to graduate out of the LDC club this month as it believes it has surpassed all the conditions set by the UN monitoring agency.)

Canada presently offers Bangladesh the duty-free access to its market under the LDC tag. Also, there is a 5 per cent cash incentive in place for Bangladesh's exporters to export to traditional markets like the US, Germany (and Canada itself).

According to the latest data by Export Promotion Bureau (EPB), during July-February 2018, Bangladesh exported US $ 633 million worth of apparel products to the Canadian market which accounts for 85 per cent of the total export (US $ 737 million) to the North American country.

The readymade garments (RMG) is Bangladesh's biggest export sector with 3.6 million (approx.) workforces, occupying over 82 per cent of the country's total export basket, with a net worth of nearly US $ 30 billion.

The country's apparel manufacturers and exporters believe they can give a big boost to the industry and turn it into a US $ 50 billion-sector in four years. Bangladesh Government also has big hopes from the sector and considers it has the potential to become a US $ 60 billion industry in six years.

LightCastle Partners, a Bangladesh-based think tank, said in a recent survey that the readymade garment industry, along with five other sectors, has been identified as the highest potential growth sector for the coming decades...

And an agreement with Canada will further bolster export figures of Bangladesh.

Source: apparelresources.com- Mar 10, 2018

HOME

****

Vietnam records US$33.62bn in export value in Jan-Feb

Vietnam had six groups of export commodities gaining at least US$1 billion in export value in the first two months of 2018.

This was revealed by the General Department of Customs.

The result was one more group than that in the first two months of 2017. The new "billion dollar" goods item was seafood, which was the largest export product of the agricultural sector.

In the first two months of this year, the export value of seafood reached $1.1 billion, up 20.4 per cent over the same period last year. However, its export value in February reduced 37.3 per cent month-on-month to $430 million.

Five others included the group of telephone and its parts; the group of computer, electronic products and their parts; the group of other machines, equipment, tools and components; the group of footwear; and the group of textile and garment.

The department said all export commodities gaining billion-dollar export value achieved double-digit growth rate in export value.

During the first two months of this year, the export value of telephone and its parts reached $6.63 billion, a year-on-year increase of 41.7 per cent, the largest export value among all.

Textiles and apparels gained a surge of 22.3 per cent year-on-year in export value to reach $4.3 billion. This was considered the highest growth rate in export value of the textile and garment industry in recent years.

Computers, electronic products and their parts had an estimated export value of $4 billion, up 19.2 per cent over the same period last year. The export value was $2.27 billion for footwear products, up 11.9 per cent, and $1.27 billion for wood and wooden products, up 20.1 per cent compared to the same period last year.

By the end of February, the total national export value was estimated at $33.62 billion, a year-on-year increase of 22.9 per cent. Of this, $19.57 billion came from the six groups of commodities earning a billion dollars in export value, accounting for 58.2 per cent of the total export value.

Source: vietnamnews.vn- Mar 12, 2018

HOME

****

Pakistan: Policy reforms must to maximise GSP Plus benefits

The business community has called for more policy reforms to get maximum benefits from Generalised Scheme of Preferences (GSP) Plus status awarded to Pakistan by European Union; providing Pakistani products easy access to the EU markets.

Lahore Chamber of Commerce and Industry Standing Committee on Economic Reforms Chairman Kashif Anwar said that the extended status of GSP Plus would provide another opportunity to Pakistan to boost its exports. He said that a comprehensive strategy is needed to attain benefits of GSP Plus status.

The former LCCI vice president praised the efforts of Federal Minister for Commerce Pervaiz Malik and Federal Secretary for Commerce Muhammad Younus Dhaga for their serious and practical efforts including lobbying at different levels for the extension of status to Pakistan.

He also stressed the private sector to work together to take full advantage of the GSP Plus status, which has been granted till 2023.

He pointed out that GSP Plus had given better market access for products made in Pakistan to the entire European Union. It is very much now in the hands of the business community, both here in Pakistan and the EU, to utilise this facility available for boosting trade between the two sides," he said.

Kashif Anwar said that GSP Plus status is monitored and reviewed after every two years and Pakistan is still eligible for the preferential trade facility. He suggested that industry with the assistance of government should take full advantage of GSP Plus and increase exports of its traditional and non-traditional products to the EU member states.

Presently, more than 80pc of Pakistan's exports to the EU consist of textile and clothing. Almost 72pc of exports to the EU went to five countries, including the UK, Germany, Spain, the Netherlands and Italy.

Source: nation.com.pk- Mar 11, 2018

HOME

****

Pakistan: GSP+ not a panacea for dwindling exports

The good news from Brussels is that Pakistan's Generalised Scheme of Preferences Plus status has been extended for another two years.

The bad news is that our exports will continue to enjoy duty-free access in their single largest market without the government and businesses having to set their own house in order.

The GSP+ preferential tariff scheme covers more than 6,000 tariff lines from a few developing countries that meet the relevant criteria.

More than 78 per cent of Pakistan's exports benefit from GSP+ treatment.

The textile and clothing sector, the lynchpin of Pakistan's exports, is the largest beneficiary in terms of the margin of preference.

The EU's average applied most-favoured-nation tariffs for textiles and clothing are 6.5pc and 9.5pc respectively; however, under GSP+, almost the entire sector is entitled to duty-free access in the EU.

According to the European Commi-ssion's data, Pakistan's total exports to the EU in 2014 (the first year of the GSP+ treatment) went up by 21.63pc to €5.51 billion from €4.53bn in 2013.

During the last three years, Pakistan's exports to the EU could not sustain the substantial growth in 2014. In 2015, 2016, and 2017, the exports to the EU were €6.07bn (10.16pc growth), €6.29bn (3.62pc growth), and €6.67bn (5.72pc growth), respectively.

Cumulatively between 2014 and 2017, exports to the EU went up by 20.68pc. In 2013, 2014, 2015 and 2016, Pakistan's textiles and clothing exports to the EU were €3.14bn, €3.89bn, €4.56bn, and €4.87bn, respectively.

This means in 2014, under GSP+, textiles and clothing exports to the EU went up by a substantial 23.88pc; however, in the following two years, the growth decelerated to 17.22pc and 6.79pc, respectively.

Between 2010 and 2013, without the GSP+ facility, Pakistan's exports to the EU increased 17.02pc from €3.87bn to €4.53bn; while between 2014 and 2017 (under GSP+), exports to the EU jumped by 20.68pc.

Cumulatively, there has not been substantial export growth under the GSP+. One reason may be the depreciation of the euro.

In 2014, on average, one euro exchanged for $1.33; in 2015 as well as 2016, the exchange rate came down to 1.11 before increasing marginally to 1.13 in 2017. The euro depreciation may have made Pakistan's exports more expensive in the EU market.

However, in 2014, 2015, 2016 and 2017, imports of EU countries from the rest of the world were €1,692bn, €1,730bn, €1,712bn, and €1,853bn, respectively. This shows that despite the euro's depreciation, EU global imports went up 9.51pc between 2014 and 2018.

In fact, in 2017, EU's global imports increased 8.2pc compared with 3.6pc growth in its imports from Pakistan. Therefore, the depreciation did not contribute significantly to growth decline of Pakistan's exports from 2015 onward. Therefore, we need to look at domestic, particularly supply side, factors.

Between 2013-14 and 2016-17, cotton production contracted 16.43pc. The production of cotton yarn, which grew 8.6pc in 2013-14, rose 1.08pc in 2014-15, 1.37pc in 2015-16, and 0.65pc in 2016-17.

Likewise, according to the State Bank of Pakistan's data, the production of cotton cloth, which registered 0.68pc growth in 2013-14, grew by 0.10pc in 2014-15, 1.19pc in 2015-16, and 0.42pc in 2016-17. The exporters probably had exportable surplus, which they utilised in the first year of GSP+ facility.

However, in subsequent years, the supply-side constraints made export growth difficult. Besides, despite more than 6,000 tariff lines in GSP+, only on about 760 tariff lines, are Pakistan's exports to the EU more than $1m.

Unilateral preferential arrangements, like the GSP+, have their inherent disadvantages. They create dependency, becoming a barrier to competitiveness by preventing the recipient country from undertaking much-needed structural reforms to boost exports.

Nor do exporters feel compelled to be cost-efficient when they have duty-free access to their largest market. As a rule, the higher the margin of preference and broader the product overage, the greater is the dependence.

GSP+ may thus be compared to welfare transfers within an economy. As long as a person gets regular and considerable cash support from the government, he has little incentive to work and stand on his own feet.

Hence, unilateral arrangements are at best a short-term solution to a country's export problems. In the long term, they may even exacerbate these problems by taking away the incentive to be competitive.

The GSP+ presents a dilemma to the recipients, too. While it aims to encourage exports from vulnerable economies, the eligibility criteria entails that the recipient country's share in the EU's total GSP-covered imports be less than two per cent.

This means that a considerable sustained increase in Pakistan's exports may result in its exclusion from GSP+.

Source: dawn.com- Mar 12, 2018

HOME

****

NATIONAL NEWS

FICCI survey detects 'visible signs' of capital goods recovery

As per a recent survey conducted by the Federation of Indian Chambers of Commerce and Industry (FICCI) on the domestic manufacturing sector, there were visible signs of revival in capital goods, along with a significant improvement in export outlook.

The survey further noted that for the fourth quarter, that is, January to March of this fiscal, the percentage of respondents reporting higher production increased significantly compared to the same period last year. Furthermore, the proportion of respondents reporting higher output growth during Q-4 increased to 55 percent from 47 percent in Q-3, the chamber said.

In terms of order books, 51 percent of the respondents in Q-4 are expecting a higher number of orders as against 42 percent of Q3, thus indicating a sign of revival.

In terms of capacity addition and utilization, the survey results revealed that though capital goods showed visible signs of revival, the future investment outlook remains pessimistic, as 64 percent respondents in Q-3 reported that they are not planning any capacity additions for the next six months.

High raw material prices, low domestic and export demand, exchange rate appreciation, increasing imports, excess capacities and a shortage of working capital finance remain some of the major constraints which are affecting expansion plans of the respondents.

Furthermore, overall capacity utilisation in manufacturing remained low and averaged at 77 percent for Q-3.

In some sectors like electronics and electrical, automotive, capital goods, textiles, textiles machinery, leather and footwear, metal and metal products and machine tools, average capacity utilisation either increased or remained almost the same in Q-3.

The inventory scenario, the FICCI said, remained more or less the same, as 90 percent respondents reported that they maintained either more or same level of inventory.

The outlook for exports, on the other hand, seemed marginally positive, as 47 percent of the participants expected a rise in the exports for Q-4 while 34 percent expected exports to continue on the same path as that of the corresponding quarter last year. Respondents also stated that Rupee appreciation affected exports during Q-3 by up to 5 percent.

Hiring outlook for the sector remained subdued, as 70 percent of the respondents mentioned that they were not likely to hire additional workforce in the next three months. This proportion declined as compared to the previous quarter, wherein 85 percent of the respondents were not in favour of hiring additional workforce.

Also, the average interest rate paid by the manufacturers remained the same as that of the previous quarter, standing at 11 percent per annum. However, the highest rate continued to be 16 percent per annum, the survey noted.

The cost of production as a percentage of sales for manufacturers in the survey rose significantly for 62 percent respondents in Q-3, primarily due to an increase in the cost of raw materials, wages, power cost and higher tax rates on certain products.

In terms of sectoral performance, the FICCI survey indicated that high growth is expected in automotive and capital goods, moderate growth in cement and ceramics, chemicals and pharmaceuticals, leather and footwear, paper, machine tools, metals and metal products, electronics and electrical and food products, and low growth in textile machinery and textiles sector, in Q4 of this fiscal.

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

HOME

****

Yarn manufacturers, dealers confused over e-way bill

A sense of confusion prevails among yarn dealers and manufacturers in the country's largest man-made fabric (MMF) hub. For, the central government notified that sale and purchase of polyester yarn cannot be done without the e-way bill, while state government recently exempted around 19 items, including textile fabric and yarn, from generating e-way bill for intra-state transfer.

In January-2018, the commercial tax department, Gujarat state, exempted all the verticals in the textile industry, including traders, power loom weavers, yarn manuafcturers and dealers from generating e-way bill for fabrics and yarn movement within the state and city.

As per the notification issued by the commercial tax department, the movement of yarn and fabric is exempted from generating e-way bill for the intra-state transport.

With the government likely to implement the e-way bill law from April 1, 2018, across the country, the yarn dealers are worried whether the notification issued by Gujarat government will be nullified.

"Over 95 per cent of yarn dealers in the city are unable to get registration on the Goods and Service Tax (GST) portal. Without registration one cannot generate e-way bill. Hence, the delivery of yarn will have to be suspended," a yarn dealer Rajesh Surana said.

Surana added, "The transporters are asking for e-way bill for goods valued below Rs 50,000. They (transporters) do not want to take any chance with the GST inspectors. We demand that government should defer the implementation of e-way bill for another six months till the GST portal is made user-friendly."

Talking to TOI, chartered accountant Ramakant Gupta said, "The GST Council is meeting on March 10 and the decision on nation-wide implementation of e-way bill is expected from April 1. It is to be seen whether the notification issued by the commercial tax department of Gujarat state will be allowed or disallowed."

Gupta added, "The GST portal is crashing continuously and traders and dealers are facing lot of difficulties in filing the returns and registering online. In such a circumstance, the delivery of yarn to the units located outside the city limit will stop from April 1."

Source: timesofindia.com- Mar 10, 2018

HOME

****

Amazon India to empower over 62,000 women entrepreneurs

More than 62,000 women entrepreneurs in the country will get a boost through the partnership of Amazon India, Mann Deshi Foundation and Confederation of Women Entrepreneurs (COWE). Aimed at empowering women entrepreneurs associated with these notable organisations, Amazon India will support these women to sell their products on Amazon.in.

"In line with our vision to transform how India buys and sells, we launched 'Amazon Saheli' last year to focus and address challenges faced by Indian women entrepreneurs and help them gain visibility and access to resources. We believe that e-commerce and specifically the e-marketplace model is a great avenue for women entrepreneurs to benefit from the fast-growing digital economy.

We are excited to partner with organisations such as Mann Deshi and COWE, who share the same vision of supporting women entrepreneurs and help them become more economically robust. With the help of our notable partners, we can truly bring a change in the lives of thousands of women entrepreneurs," Gopal Pillai, director & GM, seller services, Amazon India said.

Launched last year in November with SEWA and Impulse Social Enterprise, Amazon Saheli currently has over 900 products such as kurtis, sarees, dupattas listed by women entrepreneurs. Through the programme, Amazon will be conducting extensive training and skill development workshops for its partners to help women entrepreneurs understand nuances related to online selling and, develop skills & capabilities necessary to grow their business on Amazon.in.

The training workshops will comprise of sessions on listing of products, imaging & cataloging, packaging & shipping, inventory & account management and customer service to name a few. The workshops will be free of cost and will offer several exclusive benefits including assisted onboarding and mentorship programmes.

"We have always believed that access to finance isn't the only factor for success. Building business skills and access to markets unlocks the true potential of rural women entrepreneurs. This is where we believe that e-commerce can provide the right reach to these women entrepreneurs through newer markets across the country.

Mann Deshi Foundation is happy to join hands with Amazon India to train and enable our women entrepreneurs to sell online and boost their businesses through Amazon Saheli," Chetna Gala Sinha, founder, Mann Deshi Foundation said.

"We are happy to collaborate with Amazon India for helping women entrepreneurs explore the arena of e-commerce. This partnership will help our members showcase and sell their products to the massive and loyal Amazon customer base across the country.

Amazon is known worldwide for their rich experience and deep understanding of consumers. By imparting relevant training, counseling and handholding to enhance their skills, we are confident that through this partnership we will be able to positively impact hundreds of women entrepreneurs," Sandhya Reddy, national vice president, COWE.

Source: fibre2fashion.com- Mar 12, 2018

HOME

****

Telangana to eject non-textile units from apparel park

India's Telangana state will terminate lease agreements of non-textile industries operating inside the Gundlapochampalli Apparel Park and reallocate the land to apparel units so that the park's objectives are not diluted.

State textiles minister KT Rama Rao has asked officials to take control of the park management and set up artisan training centres there.

As the apparel park is closer to the city, many textile companies are showing interest to establish their units here, newspapers reports from Telangana quoted Rama Rao as saying.

Rama Rao wanted the officials to examine each unit functioning from the apparel park and submit a report on investments made and employment created by each unit within a week.

The Telangana State Industrial Infrastructure Corporation Limited (TSIIC) has agreed to create infrastructure, such as LED streetlights, food court, roads and green spaces, inside the park.

Source: fibre2fashion.com- Mar 11, 2018

HOME

****

Cotton output estimates lowered further in Punjab, Haryana

As the ongoing cotton season is at its fag end with over 80% cotton already having arrived in the markets, the estimate of fibre crop's production in Punjab has been yet again revised downwards with a loss of over 40,000 bales (1 bale=170kg).

Initially, the estimate was put at 12 lakh bales in the start of season in October-November 2017, which was lowered to 11 lakh bales and later to 10.37 lakh bales in the last few months. It has now been lowered to 9.97 lakh bales.

In the latest revision on March 8, cotton output for the 2017-18 crop year has been pegged at less than a million bales. Till February 28, a total of 8 lakh bales had arrived in the markets of Punjab.

In neighbouring Haryana also the estimates of cotton output have been scaled down to 24.30 lakh bales down from earlier estimate of 24.45 lakh bales. However, in Rajasthan the estimates have been revised upwardly by 21,600 bales to 22.14 lakh bales from the earlier estimate of 21.92 lakh bales.

Experts have stated the loss in cotton production could be due to yields being lower than expected. Earlier, the yield was being estimated at 550 kg per acre, which has come down to nearly 515 kg per acre in Punjab. Rates of raw cotton too have come down to nearly Rs 4,950-5,050 per quintal from Rs 5,100-5,200 a month ago.

Deficient rainfall when it was needed most in July-August 2017, and less availability of canal water, according to the state agriculture department, are the major reason behind fall in the cotton yield. The downward trend in the futures trading and liquidity crunch due to fraud in banks are also cited for drop in cotton rates by nearly Rs 150 per quintal in the past few days, the traders said.

“We were expecting the yield to remain over 600 kg per acre. But it is expected to remain low due to deficient rain and hot and humid weather conditions in July,” said Punjab joint director of agriculture Sukhdev Singh.

Bathinda branch manager of the central government agency Cotton Corporation of India (CCI) Brajesh Kasana said, “Earlier it was expected that over 10.40 lakh bales will be produced in Punjab but now going by the fall in yield, we expect an output of nearly 10 lakh bales in Punjab.”

Farmer Partap Singh of Sangat village in Bathinda, who had sown cotton over five acres, said they were expecting good yield like the previous year but it had dropped. Parminder Singh of Katar Singh Wala village in Bathinda said lower yields would dip farmer’s returns.

Source: timesofindia.com- Mar 10, 2018

HOME

****

Technical textiles is the future, embrace it, entrepreneurs told

State minister for handlooms and textiles O S Manian on Saturday urged entrepreneurs to embrace technical textiles, saying it was the only way to take the domestic textiles industry forward, as the country had been facing stiff competition from China, Bangladesh and Vietnam.

"Entrepreneurs looking to start textile ventures should opt for technical textiles rather than traditional textiles," he said speaking at the inauguration of a two-day workshop on technical textiles at the Sardar Vallabhai Patel International School of Textiles and Management (SVPITM) in the city.

Pointing out that the central government had made available several subsidies for entrepreneurs who take up textile ventures, K Phanindra Reddy, principal secretary to the department of handlooms, handicrafts, textiles and khadi, said, "By developing the textile industry, the gaps in gross domestic product (GDP) and per capita income of the nation can be bridged."

The state government has recognised the Sardar Vallabhai Patel International School of Textiles and Management as a nodal centre for the development of technical textiles and sanctioned Rs 25 lakh to set up a technical textile wing, said a communication from the institution.

The proposed wing would impart skills to textile entrepreneurs in the field of technical textiles and also provide solutions for the growth of technical textiles, the communication said.Municipal administration and rural development minister S P Velumani and deputy speaker of the state assembly Pollachi V Jayaraman were present at the function..

Source: nyoooz.com- Mar 11, 2018

HOME

****

‘Make In India’ delivery patchy: Here’s why rethinking is needed

Make-in-India is one of the key cornerstones of the current government to raise growth rates and create employment. It has been almost four years since the initiative was launched, with much hope and fanfare. The government has, since then, initiated several useful steps and reforms to actualise it. The most recent upgrade in credit rating and the 30-odd point jump in the Ease of Doing Business rankings will get us some mileage.

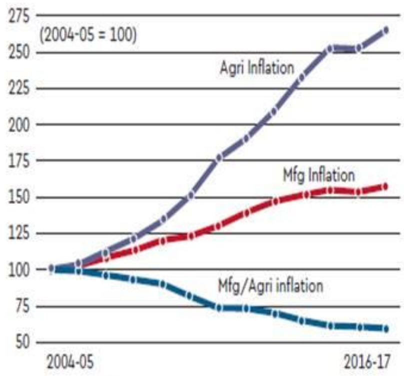
However, it is clear that the delivery of Make-in-India is rather patchy. Several reasons have been advanced for its lacklustre show, including highly overvalued currency, unfavourable ASEAN-India Free Trade Area, tight and unyielding monetary policies, very high real interest rates, high logistics costs, etc. All of them have a degree of truth. But it has to be recognised that beyond all these, an entrepreneur or corporate will invest only if they get remunerative prices and returns are competitive to what the other sectors yield. This last aspect has not been addressed at all by the government or inflation conscience keepers. Had this single factor been corrected, Make-in-India would have had a far better report card to show.

Nature of Indian manufacturing

Indian manufacturing is not high tech where heavy engineering, high-end electronics, aircraft and spacecraft, shipbuilding, etc, dominate. It is relatively low- to medium-grade in its maturity. It has a heavy dominance by industries that prepare or convert produce from agriculture for domestic consumption.

For example, textiles sector (the biggest industry by employment) is dependent on agriculture for cotton supplies and silk, which can account for about 60% of final product costs. Similarly, sugar industry is dependent on sugarcane; cigarette on tobacco; beedi industry on tendu leaves and tobacco; vegetable/cooking oil industry on sunflowers, groundnut, sesame; food processing industry on wheat, maize, fruits, fish, poultry; and dairy industry on milk. Roughly 40-45% of the Indian manufacturing sector depends upon agriculture for inputs, and a few more on inputs from mining. It is important to maintain a balance between input and output prices in these sectors, and they should ideally move in tandem if the manufacturing sector has to stay attractive for investments.

Fast declining relative attractiveness of manufacturing



Source: Appendix Table 5.4, Economic Survey

Year-wise inflation for manufacturing & agricultural products (2004-05 = 100)

	Mfg inflation	Agri inflation	Agri/ Mfg
2005-06	2.4%	3.4%	140.3%
2006-07	5.7%	8.8%	155.4%
2007-08	4.8%	8.0%	167.0%
2008-09	6.2%	9.9%	160.9%
2009-10	2.2%	13.1%	589.6%
2010-11	5.7%	17.0%	297.9%
2011-12	7.3%	7.8%	107.6%
2012-13	5.4%	10.0%	185.5%
2013-14	3.0%	11.2%	370.7%
2014-15	2.4%	4.7%	195.8%
2015-16	-1.1%	3.4%	NA
2016-17	2.6%	5.0%	195.0%

In India, since agriculture feeds industry and industrial final goods are sold to those in rural and agriculture areas, any persistent imbalance could hurt both. Our manufacturing prices are down 41% since 2004-05 in relative terms The terms of trade in international trade mean the prices a country gets for its basket of export goods versus what it pays for its imports and how the relative price moves over a period of time. In domestic trade, it means how the prices that a sector gets for its output moves in relation to the prices it pays for its inputs from other sectors.

Since 2004-05, the terms of trade have been relentlessly moving against manufacturing. If the manufacturing sector has had to pay 165% more for its key inputs from the agricultural sector, it has been able to recover just about 57% from its customers. If agricultural input prices are taken as the base, the manufacturing sector is getting nearly 41% less today for what it sells to other sectors compared to what it pays for agri inputs (see chart). At one level, it helps transfer of income from non-agriculture sectors to rural and agriculture sectors, and thus corrects income skewness. But a consistent increase of this magnitude has continuously eroded the margins of the manufacturing sector to unattractive and unsustainable levels, leading to lack of enthusiasm in investing.

The major reasons

Year-on-year, for almost a decade and a half, agri inflation has been more than parity. This has come about by steep and arbitrary increases in minimum support prices (MSP) announced by the Centre for many crops, especially in 2009-10, 2010-11, 2012-13 and 2013-14, possibly due to electoral compulsions (see table).

Although MSPs are restricted to certain crops, farmers tend to gravitate towards higher MSP-yielding crops till the yield per hectare for other crops equalises with that under MSP. Thus, MSP impacts transmits with a lag on other crops as well. One has witnessed a similar phenomenon in rural wages consequent upon implementation of MGNREGA. On the other hand, the ASEAN-India FTA agreement has more or less put an effective ceiling on the prices that manufacturing can recover for its end-products. Free trade has more or less made recovering cost inflation through domestic price increases an impossibility over the years. India's overvalued currency has played a spoilsport on top of these.

The need for correction

India's growth story, to continue, requires the manufacturing sector to expand and diversify, and create employment for those released from rural and agricultural sectors. As a sector saddled with the responsibility of creating jobs for those entering the market, it should be the one that is relatively more attractive. Unfortunately, things are exactly the opposite for the last decade and a half, relentlessly. Ease of doing business can contribute to encourage entrepreneurship by making the state machinery less intimidating, but it cannot alter the base investment arithmetic of Return on Investments (ROIs).

The approach announced in the recent Union Budget, for MSP fixation, might lend stability and certainty. If MSPs are linked to input prices, which should include manufactured items like fertilisers, pesticides, seeds, etc, the inflation of manufactured products would have a decisive say in agri inflation and hence MSPs. They would get interlocked. Details are awaited on the exact scheme.

Even if a margin of 50% is built in (which should take care of imputed interest, rent and profit, besides inflation of inputs), it would build some parity and hence rein in persistent deterioration of adverse terms of trade against manufacturing. Even so, the heavy backlog built up since 2004-05 would need to be corrected if manufacturing is to see green shoots again. The states also should have a say in future FTAs; they should have a choice of which industries and products to offer for free imports and which products to seek exemption from our overseas importers. States should also have a say in the fixation of MSPs.

Source: financialexpress.com- Mar 12, 2018

HOME

****

TPP redone: Asia-Pacific trade deal unlikely to dent India's exports

The mega Asia-Pacific trade pact signed by 11 nations, including Japan and Singapore, is unlikely to dent India's export prospects meaningfully due to the absence of its key market — the US — in it, official and trade sources said on Friday.

But the deal could see more pressure being piled on India to help conclude the 16-nation Regional Comprehensive Economic Partnership (RCEP) agreement at the earliest without being too emphatic about its own demands in services sector, they added.

However, in the absence of the US, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) has lost much of its potential clout, as it will cut tariffs in nations that together make up for just over 13% of the global economy (with the US, it would have represented 40% of world GDP). "The new trade deal is unlikely to damage our export prospects.

However, a precise assessment of the impact on India will be known once it's ratified by individual members," an official source said here. "The absence of the US in the new deal is a relief for India's garment industry."

The US was the original proponent of the TPP but President Donald Trump decided to withdraw from it as he said it would be "the death blow for American manufacturing". The 11 other nations firmed up a revised trade agreement in January.

That agreement will become effective when at least six members have completed domestic procedures to ratify it, expected to be over by the end of this year. "The CPTPP won't impact India much.

As such, six of the 11 CPTPP countries are already part of the grouping negotiating the RCEP in which India is also a participant," said Biswajit Dhar, professor at Centre for Economic Studies and Planning of JNU.

However, some of the stringent standards originally enshrined in the CPTPP, including in the labour sector, could make their way into the RCEP agreement as well.

The CPTPP comprises member-nations such as Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

The labour-intensive garment industry could breathe easy, as fears of key competitor Vietnam gaining duty-free access to the US, India's single-largest market for such products, abate.

Vietnam has already beaten India as the world's third-largest garment exporter and the threat from the nation had appeared more real, given that the US accounted for 22-30% of India's garment exports in recent years and Indian exporters have to pay duty in the range of 14-32% for the shipment of textiles and garments there.

Source: financialexpress.com- Mar 10, 2018

HOME

****

GST Council meet: E-way bill from April, easier returns delayed

Concerned over the stagnation in revenue flows, the GST Council on Saturday stuck to a plan to start the e-way bill mechanism for tracking inter-state movement of goods above a certain threshold from April 1, but for administrative feasibility, staggered its enforcement on intra-state transport over the next four weeks.

The Council, however, could not reach a consensus on a revamped returns filing system that is at once simpler and militates against evasion, and, therefore, extended the current system where taxpayers practically file only the summary return GSTR-3B till June 30. As per an earlier plan, the GSTR-3B was to be replaced with comprehensive triplicate returns by April 1.

The group of ministers headed by Bihar deputy chief minister Sushil Modi and 'IT experts' will deliberate on how to simplify the returns filing system without compromising on its ability to check evasion and give a report in due course, finance minister Arun Jaitley said. These two are crucial anti-evasion measures—comprehensive returns filing and e-way bill— and have been hanging fire for long due to technical deficiencies, as well as industry's complaints of high compliance burden.

The Council also deferred implementation of other anti-evasion measures, such as reverse charge mechanism (RCM), provision for deduction of tax at source (TDS) and collection of tax at source (TCS) by another quarter, to June 30. The e-way bill mechanism requires a supplier or recipient to generate such bill if goods worth over Rs 50,000 are being moved over a distance of more than 10 kilometres. While the system will be in place for inter-state movement, states in four groups will implement the system for intra-state movements in four weekly phases, to be completed by the end of April.

The scheme, which is designed to curb evasion in business-to-customer transactions, is expected to accrue over Rs 10,000 crore monthly to GST collections. An earlier plan was to implement e-way bill from February 1, but it was deferred after the relevant portal crashed on the first day due to heavy traffic.

The Council reviewed a proposal by tax officials on merging of the triplicate comprehensive returns into one. In its previous meeting, the Council had considered Infosys chairman Nandan Nilekani’s proposal of allowing input tax credit on the basis of invoice uploads. “Tax officials are of the view that Nilekani’s proposal lacks safeguards, as credit can be claimed by uploading fake invoices to the portal also. The government will be able to verify any invoice only after the credit claim has been released to the supplier,” a government official said.

Additionally, the Council extended the tax exemption for exporters by another six months up to September-end, and also deferred the implementation of e-wallet by the same duration. E-wallet was conceived as a permanent solution to exporters’ woes of delayed refund, but the Council said more time was needed to resolve several technical and legal issues. The tax department would undertake a drive to manually correct such errors and disburse remaining claims by March-end, chairperson of central board of excise and customs Vanaja Sarna said.

Source: financialexpress.com- Mar 11, 2018

HOME

****

All-year sales are in fashion

Once upon a time, seasonal sales at brick-and-mortar retailers were highly anticipated events for consumers, usually happening about three times a year—post summer, winter and monsoon—for a period of 15 to 20 days each time. However, in the last couple of years, retailers are offering discounts almost every alternate month. This year, consumers are still enjoying the benefits of end of winter sales even though it is March. Says Rajneesh Mahajan, executive director of Mumbai's Inorbit Mall, "Select brands are continuing with sales and promotions even as the fresh stock for summer is on display.

In fact, a few brands have adopted the strategy of offering discounts all through the year and have a separate section within the store to display discounted merchandise. This helps them to get rid of the old stock, while customers get to see the new stock as well, which many end up purchasing." In 2017-18, brick-and-mortar retailers offered discounts almost every alternate month.

The aggressive discounts started post demonetisation (in mid-December 2016 and continued till March 2017), then the next sale was announced before GST was introduced (from May 2017 till August), and soon after the festive season got over in October, discounts were announced from mid-December, which many retailers are still continuing with. Retailers were forced to offer aggressive discounts as sales declined and inventories piled up to lure customers to their stores.

Rajesh Vig, partner, PricewaterhouseCoopers, feels it's a good strategy, one that helps brands and retailers to not only clear old stocks, but also attract customers to the store, which helps in selling fresh stock at the same time. While sales have improved, experts caution that aggressive discounts are likely to impact margins of retailers by at least 10-15%.

ALDO is continuing with a 50% off, Charles & Keith is offering discounts up to 70%, Global Desi offers 50% off, ethnic wear brand Jashn is still going with a flat 50% discount, 109F and Fusion Beats are offering buy-2-get-1-free offers, noi offering up to 50% discount Kraus and United Colours of Benetton are offering up to 50% off, Steve Madden is giving up to 40% off and Swedish retailer H&M has discount going up to 70% on select items.

"Usually in a year, offline and online retailers hold two large sales during the end of the season. However, this year, despite a pre-GST sale, not everything got sold. Add to that a flat festive season. The ongoing sale is an effort by sellers to not only liquidate old stock, but also slow-moving items," says Rajat Wahi, partner (management consulting) at consulting firm Deloitte India.

Experts say retailers usually hold stock for four to six weeks, which has jumped to more than eight weeks, indicating high inventory due to slow movement from shelves. "With a rather bad festive season, when customers refrained from spending on clothes and other fashion items, discounts are being offered on items that did not sell," said Vasanth Kumar, executive director, Max Fashion.

Vineet Gautam, CEO, Bestseller India, which operates brands such as Vero Moda, Only and Jack and Jones, pointed out that while mid-season sale is a regular phenomenon in the US and Europe, Indian retailers are adopting it now. "The idea is to create a new line of fashion every second or third week so that customers continue to buy new things. So the existing stock is sold at a lesser price by offering discounts to create more shelf space," says Gautam.

As for e-commerce firms such as Flipkart and Amazon, the latter calls the ongoing sales a tactical approach. Meanwhile, despite providing discounts of up to 60% on select items, Harkirat Singh, MD, Aero India, maker of the of the Woodland brand of products, notes that by giving heavy discounts, brands are spoiling consumers.

Source: financialexpress.com- Mar 11, 2018

HOME

****