TEXPROCIL NEWS CLIPPINGS

An ISO 9001:2015 CERTIFIED COMPANY

TEXTILE INTELLIGENCE CENTRE
IBTEX
INFORMATION BUREAU TEXPROCIL

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. 136 of 2019 July 12, 2019

SD 68.54| EUR 77.28 | GBP 86.01 | JPY 0.63

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
21053	44000	**81.78**

Domestic Futures Price (Ex. Warehouse Rajkot), July

Rs./Bale	Rs./Candy	USD Cent/lb
21160	44224	**82.20**

International Futures Price

NY ICE USD Cents/lb (December 2019)	63.08
ZCE Cotton: Yuan/MT (September 2019)	13,160
ZCE Cotton: USD Cents/lb	86.69
Cotlook A Index – Physical	**74.80**

Cotton Guide: The ICE and MCX contracts emanated ebbed enthusiasm with lower volumes and lower prices. Yesterday, the market participants saw the release of 2 major reports, First, the US Export Sales reports and Second, USDA's World Agriculture Demand Supply Report (WASDE).

Export Sales –

Yesterday, the US Export sales data was released. As predicted correctly, the export sales data displayed few buyers as the market lacks enthusiasm owing to only promises being made and no actual action taken (China has not purchased substantial amounts of US cotton as promised to the US).

Net Upland sales of 53,400 Rb for 2018/2019 were down by 62 percent from the previous week, but showed an increase of 26 percent from the 4 week average.

Country	Increases in running bales
Vietnam	36,100
Turkey	12,900
Indonesia	8,400
India	6,700

Table 1 : Net Upland Sales 2018/2019

Reductions were noticed for China 10,000 RB, Japan 2,000 RB and Thailand 1,100 RB. For the marketing year 2019/2020, net upland sales of 38,400 RB were primarily for:

Country	Increases in Running Bales
Indonesia	9,200
Taiwan	8,700
Vietnam	6,500
South Korea	3,500
Thailand	3,400

Table 2: Net Upland Sales 2019/2020

Shipments –

Exports of 333,200 RB were down 2 percent from the previous week and 1 percent from the prior 4 week average.

Country	Increases in Running Bales
India	79,100
Vietnam	69,000
Turkey	59,100
Bangladesh	26,300
China	17,900

Table 3: Upland Shipments

USDA stated the following-

"Beginning stocks are 350,000 bales higher due to decreases in 2018/19 domestic consumption and exports. A reported slowdown in domestic spinning results in a 100,000-bale decline in consumption, and exports are reduced 250,000 bales based on the pace of recent shipments. Ending stocks in 2018/19 are raised 300,000 bales to 6.7 million, or 33 percent of use. The forecast for the marketing-year average price received by producers is reduced 1 cent to 63 cents per pound, a 4-year low."

The Demand prospects do not seem to improve. There is considerable amount to stock lying on the Chinese ports. The domestic consumption of cotton in China is also seen to have declined, with mills favouring polyester.

US Cotton Demand and Supply for July 2019			
	2018/2019 (July Estimation)	2019/2020 (June Projection)	2019/2020 (July Projection)
Beginning Stocks	4.30	4.65	5.00 (+0.35)
Production	18.37	22.00	22.00
Domestic Use	3.00	3.10	3.10
Total Exports	14.50	17.00	17.00
Ending Stocks	5.00	6.40	6.70 (+0.30)
*** in million Bales of 480 lbs.			

The ICE contracts therefore settled lower with the release. The most active contract the ICE December contract settled at 63.08 cents/lb with a change of -74 points. The other ICE contracts settled lower in the range of -65 and -87 points. The volumes were however lower at 21,201 contracts.

The MCX contracts also settled lower with the most active contract the MCX July contract settling at 21,160 Rs/Bale with a change of -160 Rs. The MCX August contract settled at 20,560 Rs/Bale with a change of -140 Rs. The spread between the MCX July and the MCX August contract was again high at 600 Rs. The total volumes once again were (low) in the 1000 mark range, which amounted to 1599 lots.

The cotlook Index A has been adjusted positively at 74.80 cents/lb with a change of +0.50 and the cotlook index A 2019/2020 has been adjusted at 74.35 cents/lb with a change of +0.40. Prices of Shankar 6 are at 44,000 Rs/Candy.

Fundamentally speaking, for today we expect the international prices to be range bound between 62.50 cents/lb and 64 cents/lb. We presume the MCX contracts will also be consolidated with a bearish bias.

On the technical front, ICE Cotton futures failed to sustain above the 5 day EMA and witnessed decline after testing 64.50 in yesterday's trade. Meanwhile price is trading below the 5 and 9 day EMA, with bearish crossover of short term (5 DEMA) below (9 DEMA) along with weaker RSI which weighed over prices to test levels of 64. RSI in the daily charts is near 34, which may decline further towards the lower end of the range at 30. So in the near term resistance exists around 64.60 (5 DEMA), which may restrict price to move higher. As long as 64.60-65.00 zone resists price is expected to remain weaker till next support at 62.35 levels. Only a close above 68.00-68.60 would negate the bearish bias. In the domestic market MCX July future is expected to trade in the range of 20960-21350. Only close below 20960 would decline further towards 20780-20750 zones.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	USA: Retail Apparel Prices Back Up in June, But Still Below a Year Ago
2	USA: Retailers still hedging imports against possible tariffs, but not at last year's pace
3	NCC's new policies should improve US cotton flow
4	Levi's Eyes China for Sales Growth, But Pulls Back on Sourcing
5	USA: Textile sourcing from India, South Korea grows with trade war underway
6	Chinese companies' cash heading for Europe, North America drops to five-year low as capital controls, scrutiny abroad puts the brakes on investment
7	Three Industries Supply chains for different industries are fragmenting in different ways
8	Vietnam fabric imports up five per cent
9	Indonesia: Textile industry prefers safeguard policy to fiscal incentives
10	Kenyan small traders to pay 35% duty on imported clothes
11	Cambodia-GIZ MoU to improve garment sustainability
12	Vietnam: Accelerating exports of garment & textile products to the EU market
13	Pakistan: Chinese businesses plan $1 billion investment in CPEC projects
14	Pakistan: How exporters handed the benefit of devaluation to buyers

	NATIONAL NEWS
1	Export of textile and apparel including handicrafts rises to US$ 40.4 billion in 2018-19
2	June estimate for cotton crop reduced by 3 lakh bales to 312 lakh bales
3	Rising import from Bangladesh, financial crisis at NBFC hit textile sector
4	US-India resume trade talks with focus on tariffs, data, e-commerce
5	Iran trade: UCO Bank assures all help to exporters
6	Indian garments makers flag concerns over rising imports from Bangladesh
7	Taxes on apparel sector lesser than in pre-GST regime: Irani
8	Textiles sector's employment increasing, shows data
9	'New schemes reducing India's scheme dependency'
10	Solar power scheme now open for Tamil Nadu small powerloom units

INTERNATIONAL NEWS

USA: Retail Apparel Prices Back Up in June, But Still Below a Year Ago

Retail apparel prices increased 1.1 percent in June, the first gain in four months, led by a jump in men's, boys' and girls' clothing, the Bureau of Labor Statistics (BLS) reported Thursday in its Consumer Price Index (CPI).

Men's apparel prices rose a seasonally adjusted 0.5 percent in June compared to the prior month. Increases of 1.7 percent in shirts and sweaters and 1.5 percent in pants and shorts outweighed decreases of 1.1 percent in the underwear, nightwear, swimwear and accessories group, and 0.7 percent in suits, sport coats and outerwear.

Women's wear prices fell 0.4 percent in the month. Leading the decline was a 1.4 percent decrease in the underwear, nightwear, swimwear and accessories group, and a 1.1 percent fall off in dresses. Outerwear prices jumped 6.3 percent in June, likely as the first early fall merchandise hit shelves, and suits and separates were up 0.2 percent.

Boys' apparel prices rose 0.9 percent last month compared to May, while girls' clothing cost 6.8 percent more. Prices for infants' and toddlers' apparel were down 1.1 percent.

Footwear prices stepped up 1.6 percent in June, led by a 2 percent increase in women's and a 0.6 percent rise in boys' and girls' shoes. Bucking the trend was men's footwear, with prices falling 0.4 percent.

In unadjusted year-to-year comparisons, retail apparel prices were down 1.3 percent last month compared to June 2018, which could be a reflection of the softness of raw material prices as they make their way through the supply chain.

Cotton prices have been at cyclical lows, falling more than 25 percent in the last year. Spot prices on U.S. cotton averaged 60.50 cents per pound for the week ended July 4 compared to 80.42 cents per pound a year earlier, according to the U.S. Department of Agriculture (USDA).

On Wednesday, USDA reported spot cotton prices had bounced back a bit to 57.83 cents per pound after closing at 57.32 the previous day. The BLS Producer Price Index for domestic synthetic fibers was flat in May, but was up 2.5 percent from a year earlier.

The CPI for all consumer goods increased 0.1 percent in June on a seasonally adjusted basis, following the same gain in May, according to BLS. Over the last 12 months, the CPI was up a non-adjusted 1.6 percent.

Increases in the indexes for apparel, shelter and used cars and trucks more than offset declines in energy indexes to result in June uptick. The energy index, a key indicator for business operations, fell 2.3 percent.

The so-called core CPI, excluding the volatile food and energy sectors, rose 0.3 in June, its largest monthly increase since January 2018. The core CPI rose 2.1 percent over the last 12 months.

Source: sourcingjournal.com- July 11, 2019

HOME

****

USA: Retailers still hedging imports against possible tariffs, but not at last year's pace

Cargo imports at major U.S. retail container ports will remain at high levels this summer, but are expected to grow more modestly than last year, when retailers rushed to bring merchandise in ahead of scheduled tariff increases.

"Retailers still want to protect their customers against potential price increases that would come with any additional tariffs, but with the latest proposed tariffs on hold for now and warehouses bulging, there's only so much they can do," Jonathan Gold, vice president for supply chain and customs policy at the National Retail Federation (NRF), said in the monthly Global Port Tracker report released Wednesday by NRF and Hackett Associates. "We will still see some near-record numbers this summer, but right now no one knows whether there will be additional tariffs or not. We hope the restarted negotiations with China will result in significant reforms rather than more tariffs that tax American companies and consumers."

President Trump announced after meeting with China's President Xi Jinping last month that he would hold off on tariffs on an additional $300 billion in Chinese goods that could include apparel while negotiations between the two countries resume.

U.S. ports covered by Global Port Tracker handled 1.85 million 20-foot equivalent units in May. That was up 6 percent from April, and up 1.4 percent year-over-year. A TEU is one 20-foot-long cargo container or its equivalent.

June cargo imports were estimated to be up 0.8 percent year over year to 1.87 million TEU, while July is forecast to increase 1.3 percent to 1.93 million TEU. August is seen growing 3.4 percent to 1.96 million TEU. Looking ahead, September container shipments are forecast to grow 1.1 percent to 1.89 million, while they may fall 4.5 percent in October to 1.94 million TEU before climbing back up 4.3 percent in November to 1.88 million TEU.

The August number would equal the total seen last December just ahead of a scheduled Jan. 1 tariff increase that was ultimately delayed until this spring, and would be second only to the 2 million TEU record set last October. But the small year-over-year increases expected in the next few months compare with double-digit growth in multiple months last year as retailers scrambled to import Chinese merchandise ahead of expected tariff increases.

The first half of 2019 totaled an estimated 10.6 million TEU, up 2.8 percent over the first half of 2018.

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

Source: sourcingjournal.com- July 11, 2019

HOME

****

NCC's new policies should improve US cotton flow

Recent policies based on National Cotton Council (NCC) resolutions regarding warehouse bale shipment reporting are aimed at timely delivery of US raw cotton into customers' hands. The policies call for warehouses to report their weekly shipments electronically in a more detailed manner and respond promptly to shipping orders from merchants via computer.

The new policies are now part of USDA Cotton Storage Agreement.

One provision addresses bales made available for shipment (BMAS) which warehouses currently report weekly to USDA. Warehouses will continue to report this number weekly under the provisions of the Cotton Storage Agreement. However, bales not picked up (BNPU) cannot be counted as BMAS for longer than one week.

To keep track of whether a bale already has been counted, warehouses are required to send a summary file of all bale permanent bale identification (PBI) numbers weekly to EWR, Inc – the primary handler of electronic warehouse receipts in the US cotton industry. EWR coordinates with USDA which reviews the weekly BMAS numbers and monitors warehouses' compliance with the bale reporting rules.

The second policy change pertains to merchants' shipping orders or staging shipping orders. The USDA now requires warehouses to respond to any shipping order or staging shipping order received from a merchant with a 'Shipping Order Update' file within two business days.

All shipment file communications will be provided to USDA, so the agency can monitor warehouses' compliance. USDA has indicated that it also will be watching to determine whether shippers are replying (when necessary) to the warehouse with a shipping order update file.

"Implementation of policy recommendations will provide USDA with additional resources when reviewing warehouses' performance. These changes should also help to alleviate miscommunication between warehouses and merchants and assist in providing traceability of data," said Lauren Krogman, NCC's manager of marketing and processing technology.

"The software will not be hard to utilise, especially if someone attends one of the scheduled sessions to receive proper training," said EWR president/CEO Joe Wyrick.

Source: fibre2fashion.com- July 11, 2019

HOME

****

Levi's Eyes China for Sales Growth, But Pulls Back on Sourcing

While Levi Strauss & Co. isn't stressing over potential tariffs on apparel imports from China, company executives are focused on expanding business in the Chinese consumer market.

The company said last month that it has been drawing down its reliance on China as a source for its jeans and sportswear in recent years. Imports from China now represent less than 8 percent of its overall production and the company said it was in the process of "actively managing this down to very low-single-digits by fiscal year 2020."

But China is a target for expanded consumer sales, executives noted on a conference call with analysts Tuesday. The market there, however, is complicated and requires continued fine-tuning.

The China conundrum

Harmit Singh, executive vice president and chief financial officer at Levi Strauss, said, "Tariffs have been on again, off again recently, and it's difficult to predict what the future holds for tariff policy. But as we have previously communicated, we have taken steps to insulate our business from the long-term negative impact of these kind of measures. Should additional tariffs be enacted on imports to the U.S. from China and Mexico, we can mitigate the financial impact to our business over the near term."

In Asia, Singh said net revenues were up 6 percent in the second quarter ended May 26 on a reported basis, and 12 percent in constant currency. China's revenues grew on strong performance of company-operated stores and e-commerce channels.

"We continue to make progress in that critical market, though we still have more work to do in the franchise channel over the next year," Singh said.

China, according to Levi's president and CEO Charles Bergh, accounts for about 3 percent of the firm's business and roughly 20 percent of the apparel category globally.

"So clearly, it represents a significant untapped opportunity for us," Bergh said. "We have been growing there now for the last couple of quarters, but…it is a little bit of a heavy lift. We spent the last 18 months or so on closing a number of poor-performing doors, mostly franchise doors, cleaning up our store footprint."

The CEO said there hasn't been any "Chinese consumer backlash against the Levi's brand" over the U.S.-China trade war, and, he added, "there hasn't really been any significant negativity in the press or anything else about Levi's or strong American iconic brands…The equity in the brand there is very, very strong. We've seen that. Now we just have to build on it."

Strengths and weaknesses

For the second quarter Levi's revenues were up 5 percent from the prior year to $1.3 billion, with the men's wear business growing 6 percent and the women's business increasing 16 percent. Bottoms were up 8 percent, tops up 14 percent and global wholesale rose 6 percent, while global direct-to-consumer business increased 14 percent.

"The Levi's brand remained strong and grew 10 percent this quarter," Bergh said. "We grew in all three regions across men's, women's, tops and bottoms and continue to strengthen our lifestyle brand appeal with consumers around the world…Our total men's bottoms business, our biggest business, was up 5 percent for the quarter.

Performance-focused fabrics with higher stretch content and tapered silhouettes continue to resonate with consumers. The 502, 512 and 514 drove global growth, while newer products, such as the Levi's Engineered Jeans performed well internationally, and Dockers grew 1 percent globally."

The company plans to diversify the business by expanding more into tops, women's, under-penetrated markets and with its value brands. In tops, sales grew 14 percent in the period, driven by strong performance in sweatshirts and trucker jackets.

Levi's Signature and Denizen brands collectively delivered 9 percent growth on top of the 60 percent growth in the second quarter of last year.

"While we continue to post growth in the U.S., we're rolling these brands out in new markets as well," Bergh said.

Another key strategy is to become a leading omnichannel retailer. Direct-to-consumer, which includes the brick-and-mortar stores and e-commerce sites the company operates, increased 14 percent for the quarter and has now grown double digits for 13 consecutive quarters.

Revenue from company-owned brick-and-mortar stores was up 12 percent in the quarter, reflecting positive comp performance in ongoing expansion of the network, which had 78 more stores by the end of the quarter than in year prior. E-commerce sales gained 25 percent for the quarter.

"We've begun to roll out a ship-from-store program in U.S., which will allow us to optimize inventory, augment sales and improve store productivity," Bergh said.

On the wholesale side, Singh said revenue was down 2 percent, attributable to the impact of the bankruptcies and door closures that some of its customers experienced over the last year, as well as a decline in discounted sales to the off-price channel, reflecting, he said, "that we're…carrying substantially healthier inventory in comparison to the prior year."

"We will remain focused on optimizing execution in the U.S. wholesale channel going forward, but we do expect ongoing pressure for the remainder of the year due to a weak department store environment, continued door closures and pressure on our customers' open-to-buy budgets," Singh told analysts. "The U.S. market is unlike any other in the world due to the dominance of wholesale, but our opportunity is to continue to diversify across channels, products, genders and customers as we are doing elsewhere."

Laser tag

On a positive note, Bergh said, is the digital disruption in denim finishing.

“We use lasers instead of hand finishing and over time, that is going to drive a fairly significant savings in production cost because we’re finishing it with a machine instead of people. And it should over time also deliver some balance sheet benefits from a supply chain and inventory benefits, as well.”

Today, roughly 25 percent of the Levi’s denim bottoms business on a global basis is finished with its F.L.X. technology.

“The full potential is about half of our total bottoms business, and so we should ramp from 25 percent to that full potential over the next two years or so, so through 2021.”

Source: sourcingjournal.com- July 11, 2019

HOME

****

USA: Textile sourcing from India, South Korea grows with trade war underway

Dive Brief:

- Overall textile imports into the United States were almost 8% higher this May compared to the same month a year earlier, according to new data from the Department of Commerce. Source location of the textiles is changing as U.S. companies look to avoid tariffs on Chinese goods.
- Imports from China did grow more than 7% year-over-year (YoY) in May, but imports from other countries saw larger jumps as well. Imports from India and Vietnam jumped more than 12%, while South Korean imports were up 22% and Cambodian imports rose nearly 28%.
- "This is most definitely a response to the tariffs," Robert Handfield, a supply chain management professor at North Carolina State University, told Supply Chain Dive in an email.

Dive Insight:

China is still the number one source of textiles heading into the U.S. by a wide margin. May imports from China were five times larger than the second largest source country, India. Handfield said it was surprising the trade war hasn't had a larger impact on Chinese sourcing.

Country	May 2018 imports (Million Square Meters)	May 2019 imports	% change
China	2,630.8	2,826.1	7.4
India	498.2	559.8	12.4
Vietnam	438.1	493.2	12.6
Pakistan	242	249.5	3.1
Mexico	224.8	240.8	7.1
Bangladesh	208.8	214.9	2.9
South Korea	165	201.8	22.3
Indonesia	124.8	130.9	4.9
Cambodia	71.8	91.7	27.8
Honduras	93.4	96.8	3.7

SOURCE: Department of Commerce

The fact that sourcing from China continues to increase is a sign companies may be looking to diversify their sourcing rather than move it fully out of China — a task many companies have described as impractical.

Growth in Chinese textile imports is slightly smaller if viewed as the first five months of the year rather than just May.

Between January and May 2019 imports from China rose 2.4% compared to the same period of time in 2018, while imports from South Korea rose 24% in this time and India increased by 16%.

These shifts started to appear in 2018, when imports from South Korea and Cambodia increased significantly.

"The Commerce Department data bear out exactly what we expect as a result of tariffs," Institute for Supply Management CEO Tom Derry told Supply Chain Dive in an email. "Textiles are one of the world's most portable and lowest-tech industries."

Moving sourcing or production to other low labor cost countries allows importers to avoid the country of origin tariffs, Derry said. Some Chinese exporters have repackaged goods to look as though they come from Vietnam or another country not affected by tariffs. This is something Vietnam has said it is trying to crack down on, according to Reuters.

Handfield said Bangladesh, from which textile imports rose almost 3% YoY in May, was one surprise in the data.

"I thought perhaps they would enjoy more of this growth," he said. "However, people are still a bit dubious about Bangladesh after Rana Plaza, and I feel like there will be more growth here in the next year."

Source: supplychaindive.com- July 10, 2019

HOME

****

Chinese companies' cash heading for Europe, North America drops to five-year low as capital controls, scrutiny abroad puts the brakes on investment

Chinese companies invested just US$12.3 billion in the advanced economies of Europe and North America in the first half of the year, the lowest amount since 2014 and almost a fifth less than last year, according to the law firm Baker McKenzie.

The decline has been almost entirely attributed to state-owned firms turning their backs on both regions, a research report the firm released on Thursday found. Private companies accounted for 94 per cent of the total spent in the first six months.

China's overseas spending, once rampant, has been curbed drastically by the introduction of strict capital controls intended to stop money leaving the country.

At the same time Chinese companies have faced increasingly tough scrutiny abroad, particularly under US President Donald Trump's administration, with many major deals being rejected on national security grounds.

North America did see an overall increase of 19 per cent in Chinese investment, but it was largely because it followed 2018's exceptionally low base. Moreover, the increase was entirely in the US, as investment in Canada remained flat.

By the end of June, there had been US$3.3 billion in foreign direct investment (FDI) transactions made by Chinese firms in North America and US$9 billion in Europe, the report showed.

It was a far cry from the same period in 2017, when Chinese investment peaked in Europe at US$53.9 billion, and the second half of 2016 when US$28.4 billion poured into North America.

Activity quickly levelled off in both regions after two mega deals kicked off the year. They were the Chinese sportswear maker Anta's US$5.2 billion acquisition of Finnish sports brand Amer, and the textile giant Shandong Ruyi's purchase of Invista's apparel and advanced textiles business for an estimated US$1.6 billion, according to the report.

Both Anta and Ruyi are privately owned companies headquartered in China.

"As capital controls remain firmly in place at home amid macroeconomic pressures and political and regulatory scrutiny abroad at elevated levels," the report found, North America and Europe are not the only regions seeing declines in Chinese investment.

China's global outbound investment continued to fall in the first half of the year, with newly announced merger and acquisition transactions down 60 per cent to US$20 billion, it said.

Direct investment by state-owned companies in the EU and North America has dropped significantly. In Europe, such investment contributed to just 6 per cent of the total, having accounting for more than half of all Chinese investment in the previous five years. In North America, the share of state-owned investment has dropped to 8 per cent in the first six months, the report said.

The plunge in FDI backed by state firms reflected Beijing's tight grip on foreign spending to safeguard the country's foreign exchange reserves – a safebox that is key to China's confidence in its trade war with the US, said Iris Pang, an economist at ING Bank NV in Hong Kong.

"Probably the state companies received window guidance that asked them to slow down the cross-border investment projects, because the FX reserve level has always been considered as a confidence barometer," she said.

Source: scmp.com- July 11, 2019

HOME

****

Three Industries Supply chains for different industries are fragmenting in different ways

Clothes, cars and computers are all being affected

Globalisation is becoming regionalisation. Analysis by MGI finds that the global value chains (GVCs) in 16 of 17 big industries it studied have been contracting since the global financial crisis. Trade continued to grow in absolute terms from 2007 to 2017, but during that period exports in those same value chains declined from 28.1% to 22.5% of gross output.

The biggest declines in trade intensity were observed in the most heavily traded and complex GVCs, such as those in clothing, cars and electronics. As MGI's Susan Lund explains, "more production is happening in proximity to major consumer markets".

China's role as the world's workshop is starting to fade, but surprisingly this may not sound the death knell for mainland manufacturing. Thanks to its skilled labour force and excellent infrastructure, China remains an outstanding place to make things, hence its continued strength in numerous sectors.

Also, the rise of the Chinese middle class has led many firms to redirect production to serve the local market. So MNCs are clearly rethinking the old linear sourcing model for Western markets, but the path forward is unclear. Different industries will make different choices.

Corporate supply-chain data are often opaque and official trade statistics typically lag by years. Yet talking to many firms in three industries reveals different patterns of fragmentation. The clothing sector is globally footloose; the car industry is coalescing around regional hubs; and the electronics business remains rooted in China (though Mr Trump's attack on Huawei, its technology champion, will affect this).

Big parts of the clothing and footwear business involve labour-intensive tasks such as stitching, so cost-conscious bosses are always chasing low-cost markets. Many long ago left the mainland, where wages have soared, for South-East Asia and Bangladesh. Nike and Adidas make more training shoes in Vietnam than China.

Today's hot spot is Ethiopia, which has attracted investment by Calvin Klein and H&M. With labour costs of just $26 a month, it might seem a dream destination for the frugal clothier. But a report released in May by the NYU Stern Centre for Business and Human Rights argues that these wages are too low to meet workers' basic needs, which is fuelling unrest. Productivity levels are low and attrition high. Paul Walsh of Newtimes Group, a clothing supply-chain firm, observes: "We've run out of magic countries."

Clothing bosses are increasingly preoccupied with speed more than cost, says Suresh Dalai, a supply-chain expert based in Asia. "In speed, China still has the edge," he says, pointing to its world-beating online retailers, "social-commerce" innovators and nimble manufacturers. He thinks that demanding local consumers force Chinese clothing factories to remain enterprising and flexible. In contrast, factory bosses elsewhere complain of unreliability and low productivity.

Unlike those cut-rate competitors, say experts, Chinese factories have the specialised machinery and experienced operators that are needed to make seamless fabrics and other higher-value textiles. Pravin Rangachari of Haggar, a leading manufacturer of men's trousers, has no plans to abandon China's highly automated fabric mills, which he finds "very competitive". He adds that compliance with child-labour laws is strong in China, which cannot always be said about other markets.

China's share in big clothes-importing markets such as Japan and Europe has declined since 2010 as they have been buying cheaper clothes made in South-East Asia instead. However, China's share in every big textile-import market in Asia has soared because many of those workshops still bought fabrics from the mainland. Its export share into Vietnam, for example, more than doubled to 50% from 2005 to 2017. The upshot is that although China's once-dominant role in this industry has diminished, it remains strong in important niches.

As for the automobile industry, its supply chains have both local and global dimensions. "Except for the jack in the trunk, which everybody gets from China, we've had a distributed global supply chain for a long time," says Hau Thai-Tang, Ford's top supply-chain executive. He sees a trend towards greater regionalisation coming with three hub-and-spoke networks: Mexico as the low-cost spoke for America; eastern Europe and Morocco for western Europe; and South-East Asia and China for Asia.

One reason for regionalisation is that the American market is diverging from global trends, argues Kristin Dziczek of America's Centre for Automotive Research, an industry-research outfit. The Trump administration has rejected carbon regulation and rolled back Obama-era rules promoting more fuel-efficient vehicles. Americans are increasingly favouring pickup trucks and sports-utility vehicles, gas guzzlers eschewed by much of the rest of the world. This has big implications. Ford has decided to phase out saloons altogether in its home market, for example, while GM has left Europe and is consolidating its North American operations.

Good night, Shanghai

Car firms have invested heavily to turn Mexico into an export base. The value of its automobile exports has more than doubled since 2010, approaching $50bn last year. The main reasons are not the nearly-defunct North American Free Trade Agreement or lower labour costs, but rather Mexico's four dozen free-trade agreements with other countries which allow it to export to almost half the world's market for new cars tariff-free. Carmakers have rejigged supply lines to take advantage. Mexico's car exports to Germany have nearly 40% German components by value, while those crossing its northern border have over 70% American content.

Mr Trump's tariffs on China have pushed Big Auto's supply chains to become even more regional. "We're finally ready to leave China," says a senior supply-chain executive at a global car maker. His firm is looking seriously at shifting its sourcing for the global market from China to India, but finds

Indian vendors “unreliable”. It thought about dividing between India and Mexico, but saw that its supply base would lose economies of scale. The winner will be Mexico, he says.

A longer-term force that could turn automotive supply chains upside down is electrification. The Edison Electric Institute, a think-tank, estimates that the share of electric vehicles (EVs) in new car sales in America will rise from 2% in 2018 to over 20% in 2030. That could reduce trade in parts dramatically, since EVs have many fewer moving parts than conventional cars. Ford calculates that a shift to electric would reduce the value added by branded car manufacturers from 30% to 10%.

Dyson, a British engineering firm, is now designing and manufacturing its new EVs in Singapore to be close to China. This is not just because the mainland is the biggest market for such vehicles. It is also the beating heart of global electronics production.

Innovation nation

Half the world’s electronics-manufacturing capacity is based on the mainland. Its strengths go beyond sheer scale to diversity and sophistication of products. The pace of hardware innovation in China’s Pearl river delta is unmatched even in Silicon Valley. So, too, is its unique blend of scale and agility. This is why most of the world’s technology giants make their kit in China.

Many firms are discovering that leaving China is not so easy

Rising costs led some electronics firms to consider moving out a few years ago. Most notably, Samsung has built a huge smartphone-manufacturing complex in Vietnam. Now the political risks associated with sourcing from China, especially the Huawei crackdown, are causing others to consider leaving. GoPro, which makes rugged digital cameras, is shifting much of its production to Mexico.

Stanley Black & Decker, a big toolmaker, is moving production of its Craftsman brand of tools back to America. Sweden’s Ericsson is scaling up American manufacturing in anticipation of a boom in 5G telecoms-equipment sales.

Many firms are discovering that leaving China is not so easy. John Kern is the head of supply chains at America's Cisco, a telecoms-equipment company. Because of the concerns of customers in America and India who want non-China sourcing, it has upgraded its Mexican operations. But it still has many global customers without such concerns. He says China is a big manufacturing base for Cisco and "will remain so for many years to come".

George Yeo of Kerry Logistics, which has lorries and men all over Asia, has noticed an uptick in clients investing in South-East Asia. Vietnam and Cambodia are the biggest beneficiaries, he reports. But labour productivity is a big problem across the region and infrastructure can be ropey. Much of the investment he sees is going into labour-intensive industries like textiles. In electronics, Mr Yeo thinks the exodus is limited to low-end kit. "Thanks to automation and high value-add, Shenzhen is still king."

Scrutiny of these three sectors suggests a messy path forward from globalisation. Making this challenge more acute, MNC bosses are now faced with a double threat. Not only must they make supply chains shorter, they must make them faster.

Source: economist.com- July 11, 2019

HOME

****

Vietnam fabric imports up five per cent

Vietnam's fabric imports in May 2019 increased 5.8 per cent year-on-year. Garment companies in Vietnam are hugely dependent on imported fabric. In 2017, for instance, two-thirds of the industry's entire demand for clothes was imported.

While the yarn and apparel segments have grown strongly, others like dyeing are poorly developed. Local companies lack proper awareness of the dyeing process. They also lack the technologies, human resources and skills required to develop this sector.

The lopsided development of its various segments and the dependence on imports have weakened the textile industry's competitiveness and hindered its ability to add value.

In fact, the huge fabric imports are a paradox considering two-thirds of the fiber produced in the country are exported every year.

Developing fabric and dyeing segments would be the key factor in the growth of the garment and textile industry. Industrial zones specialising in dyeing and cloth production have to be established. Attracting foreign direct investment in the industry is also necessary for its development.

Most garment and textile companies in Vietnam have to hire foreign experts in dyeing, which pushes up their production costs. So investing in the training of human resources is vital to developing the dyeing segment.

Source: fashionatingworld.com- July 11, 2019

HOME

****

Indonesia: Textile industry prefers safeguard policy to fiscal incentives

The subdued textile and textile products industry is not impressed by the government policy to offer "jumbo" tax deductions as the industry considers that the safeguard policy will be more helpful to protect the industry from the storm of imported products.

Indonesian Association of Synthetic Fiber Producers (APSYFI) secretary-general Redma Gita Wirawasta said on Wednesday that what was needed by the textile industry was for the domestic market to absorb the products it had manufactured.

He said APSYFI members planned to reduce the production target in the second half by 15 to 20 percent because of the declining demand from the textile industry.

"The most important thing for us is that we can sell [our products] rather than getting incentives but not being able to do business," Redma said as quoted by kontan.co.id during an event to evaluate the performance of the synthetic fiber industry in the first half of 2019.

The government issued Government Regulation (PP) No. 45/2019 on June 25 to regulate a tax deduction of up to 300 percent, which aimed at boosting investment, research and development (R&D) as well as the participation of businesses in improving Indonesia's human resources.

Redma stressed that without any fiscal incentives, the business would grow if the government could help boost the market demand by controlling imports.

He explained that in the period between 2007 and 2018, imports of textiles and textile products grew 12.3 percent, while exports only grew 3.1 percent.

He said the storm of imports had seriously affected the industry.

He revealed that in 2018, the factory utility of fabric was at 61.5 percent of its installed capacity, fiber at 67.7 percent, yarn at 76.5 percent and garments at 86.9 percent, while in 2017, the factory utility of fabric was at 56 percent, fiber at 67.7 percent, yarn at 75.8 percent and garments at 80.1 percent.

Source: thejakartapost.com- July 11, 2019

HOME

****

Kenyan small traders to pay 35% duty on imported clothes

Kenyan small traders, who have been protesting high levies and delays in clearance at the port of Mombasa, will continue paying 35 per cent duty on cheap imported clothes for another year, putting pressure on their bottomlines. This is said to be a result of President Uhuru Kenyatta's job creation agenda by protecting the local textile industry.

Last year, national treasury cabinet secretary Henry Rotich introduced an import duty of 35 per cent, suspending the East Africa Community's common external tariff of 25 per cent.

The cabinet secretary said the move was meant to protect the local textile and footwear sector from unfair competition.

Kenyatta has earmarked the textile and apparel sector as one of the key drivers of job creation under his Big Four agenda, as a result of which the treasury turned up the tax-knob on imported clothes.

However, import of second-hand clothes, which experts blame for the death of the country's textile sector, will not attract higher tariffs.
Last year, Kenya broke ranks with its EAC peers to reduce tariffs on imported second-hand clothes to appease the United States.

Source: fibre2fashion.com- July 12, 2019

HOME

****

Cambodia-GIZ MoU to improve garment sustainability

The Cambodian ministry of labour and vocational training recently signed a memorandum of understanding (MoU) with Germany's international development organisation, the Gesellschaft fur Internationale Zusammenarbeit (GIZ) to implement the second phase of a multinational project aimed at improving the sustainability of the textile and garment sector.

Ministry secretary of state Mom Vannak and GIZ country director Günter Riethmacher signed the agreement on the project on promoting sustainability in the textile and garment industry in Asia (fabric) at the latter's headquarters.

The concerned Cambodian minister Ith Sam Heng was present at the signing ceremony, according to a report in a Cambodian newspaper.

Implemented in Bangladesh, Cambodia, China, Myanmar and Pakistan since 2016, and Vietnam, which was just included this year, the project will be extended till March 31, 2021, and cost $6.7 million.

In Cambodia, the collaboration is focused on information and contact exchanges between state and private institutions within the textile and garment sector at the national and regional levels.

Source: fibre2fashion.com- July 12, 2019

HOME

****

Vietnam: Accelerating exports of garment & textile products to the EU market

The recent signing of the Vietnam-European Union (EU) Free Trade Agreement (EVFTA) is expected to open up numerous chances for Vietnam's garment & textile businesses to boost exports and expand markets.

However, in order to fully tap into the opportunities, enterprises are required to further invest in purchasing modern equipment and improve administration work and quality of products, aiming to enhance their competitiveness.

Expanding market shares

As one of the biggest companies in the southern province of Dong Nai, most of the commodities manufactured by Dong Nai Garment Corporation (Donagamex) are subject to overseas exports, of which the EU market accounts for 30%.

According to Donagamex General Director Bui The Kich, EVFTA offers a good opportunity for garment & textile enterprises to integrate extensively into the global supply chain. Notably, when EVFTA comes into effect, businesses are not only entitled to tax incentives but are also favoured to expand business activities and boost exports.

However, in order to enhance their competitiveness in the EU market, enterprises are forced to make in-depth investments, especially concerning advanced equipment and technologies, aiming to improve labour productivity and diversify goods models.

In fact, Vietnamese garment & textile companies are hoping that the EU market will bring a big boost to each enterprise and the whole sector. At the same time, by accessing EU equipment and technology, Vietnam's garment & textile industry will be modernised in the future.

Sharing the same view, Deputy General Director of Garmant 10 Corporation - Joint Stock Company (Garco 10) Bach Thang Long said that most of the world's major garment & textile exporting countries, including China, India, Bangladesh, Myanmar and Cambodia, have yet to sign a trade agreement with the EU.

Therefore, this will be a chance for Vietnamese firms to speed up. Currently, the volume of exports to the EU takes up 32% of Garco 10's total exports.

If making good use of the EVFTA incentives, the company will be able to raise the figure by an additional 15%. Nonetheless, the biggest hindrance to Garco 10 and other businesses is to meet the rules of origin of materials stipulated by the deal. If they fail to satisfy, Vietnamese firms will inevitably not benefit from the agreement, and even face numerous difficulties when competing against foreign enterprises.

Cao Huu Hieu, Executive Director of Vietnam National Textile and Garment Group (Vinatex), emphasised that businesses are expecting EVFTA to open up new opportunities for Vietnam, as the country's market share in the EU still remains modest, only fluctuating at 2%. The EU's import trends in the last six months show that China is gradually losing its share in this market.

Thanks to its preferential tariffs with the EU, Bangladesh is currently the country benefiting the most from the agreement. While waiting for EVFTA to officially take effect, Vietnam's garment & textile companies need to proactively adjust their production and business strategies and learn to firmly grasp strict requirements when participating in exporting products to the EU market, particularly the issue of rules of origin, in order to enjoy preferential tariffs under the agreement.

Proactively preparing sources of materials

When EVFTA comes into effect, some tariff lines will decrease immediately by 0% or gradually decline according to the roadmap, thus creating opportunities for Vietnam's garment & textile industry to accelerate exports to the EU market.

So far, the average tax rate of garment & textile products has always been around 16%, while some emerging competitors of Vietnam's garment & textile industry, such as Myanmar and Cambodia, are entitled to a preferential tax rate of 0% because these are underdeveloped countries. As a developing nation, Vietnam is subject to a higher export tariff, making the exploitation of the EU market not as effective as expected.

Referring to this issue, Vice Chairman of Vietnam Textile and Apparel Association (Vitas), Truong Van Cam, said the growth rate of Vietnam's garment & textile industry in recent years has always remained high, at two digits. Regarding 2018 alone, Vietnam's garment & textile exports to the EU market reached more than US$4.2 billion, only behind the United States (with over US$13 billion).

Although considered a moderate exporter to the market, Vietnam's garment & textile industry has still yet to stand on par with other countries subject to similar tariffs, such as India, China and Bangladesh, on account of their better export planning to the EU. Therefore, when EVFTA takes effect, it will open up many opportunities for the garment & textile industry, especially concerning tariffs.

Accordingly, if Vietnam meets the fabric-forward rules of origin, it will enjoy a preferential tariff of 0%. However, the difficulty currently faced by Vietnam's garment & textile sector is that its fabric sources are depending too much on foreign countries, with import revenues of US$7 billion from China (55%), US$2.1 billion from the Republic of Korea (16%), US$1.6 billion from Taiwan (China), and US$750 million from Japan.

According to EVFTA regulations, only fabrics imported from the Republic of Korea to manufacture exports to the EU are recognised to meet the fabric-forward rules of origin and enjoy a tariff of 0%. Meanwhile, fabrics imported from other countries will not be recognised.

Bui Kim Thuy, an economic expert, said that, regarding textile and apparel, EVFTA seems to be less strict than the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), because the EVFTA rules of origin only stipulate from the fabric stage forward. But this still remains a bottleneck of Vietnam's garment & textile industry as it currently has to import fabrics from non-member markets of EVFTA. However, EVFTA has a more flexible provision allowing the "third party cumulation".

This means if Vietnam and the EU simultaneously have FTAs with a partner, Vietnam is permitted to use inputs from that third party partner and consider them originating. For example, Vietnam and the EU currently have FTAs with the Republic of Korea, so Vietnam can cumulate inputs from the Republic of Korea to enjoy preferential taxes under EVFTA. Thus, in the future, if some ASEAN countries or some FTA partners of Vietnam have

FTAs with the EU, Vietnam will have much more markets to import raw materials that satisfy EVFTA's rules of origin.

Truong Van Cam, Vice Chairman of Vitas, stated that the EU is a very demanding market, with strict requirements on the quality, hygiene and safety of products, as well as on the environmental and labour issues. These will be challenges for businesses. Therefore, Vietnamese firms need to thoroughly learn about EVFTA's regulations to seize opportunities to boost the production of exports.

In addition, cooperation and coordination between large enterprises, both at home and abroad, should be strengthened to manufacture fabrics, with the origin-related requirements being ensured.

Next, businesses also need to improve the quality of human resources and apply modern scientific and technological advances to increase productivity, reduce costs and enhance competitiveness.

Vinatex Executive Director Cao Huu Hieu affirmed that the EU is not an easily-accessed market because it has many member countries, the orders are relatively small compared to the US orders, the time to change product patterns is relatively close, and customers are quite careful and demanding in the stages of product quality and safety management.

However, the EU market's advantage is that the average import unit price is quite good. In the future, with the benefits from tax cuts, Vietnam's garment & textile enterprises will definitely be bolder in promoting, exploiting and developing the EU market.

Source: en.nhandan.org.vn - July 11, 2019

HOME

****

Chinese businesses plan $1 billion investment in CPEC projects

Chinese businessmen on Thursday expressed desire to invest around one billion dollars in Pakistan as China's funded economic corridor projects entered into their second phase with focus on industrial and agriculture cooperation and Gwadar development.

The 50-member business delegation apprised Minister for Planning, Development and Reform Khusro Bakhtyar of its investment plan during a meeting. They are keen to invest in various sectors, including automotive, textile, agriculture-related, information technology and telecom industries. Bakhtyar said the ministry of planning would facilitate investment to further the economic cooperation between the two countries.

"The government is focusing on promoting export-led industry and import substitution for sustained economic growth," an official statement quoted the planning minister as saying. "China can help increase Pakistan's exports by relocating export-oriented industries and initiating joint ventures in various fields. This will boost industrial cooperation besides strengthening bilateral economic partnership between the two countries."

China initiated $62 billion worth of infrastructure and energy projects in Pakistan as part of its Belt and Road Initiative.

The minister said the country offers liberal investment policies to attract foreign investment in different areas. "Private sector of both the countries should forge partnerships for mutual economic benefit of the two countries," he said. "There are investment opportunities in various sectors such as maritime, iron and steel, petrochemical, agro-based industries, tourism, energy, minerals and mines and textiles."

Bakhtyar further said establishment of industrial zones has the potential to revive the country's industrial sector. "It will also create job opportunities besides developing local industries."

Pan Guangfeng, head of the Chinese delegation acknowledged the significance of Pakistan's strategic location and the immense investment opportunities in the country. Guangfeng said the city of Chongqing is side by side with One-Belt-One-Road and a centre of heavy industrial activity in central China, especially the automotive and electronics industries of the region along with 37 industrial parks.

The delegation head said the investors could raise $300 to 500 million for special economic zone (SEZ) infrastructure development with an umbrella investment of $1 billion in several sectors. He hoped that Chinese investment in Pakistan would help to create 500,000 direct jobs for local youths in addition to transfer technology and raise industries' tech standards in Pakistan.

Members of the visiting delegation, comprising of chief executives and general managers of businesses from the City of Chongqing, have experience in developing economic zones and expressed their intention to facilitate in the development of SEZs.

They highlighted the potential role of Belt and Road Initiative in contributing to the economic and social development of Pakistan and further explored the avenues of collaboration in technological innovation and up-gradation, job creation, ecommerce, and development of human resource capabilities through industrial cooperation between China and Pakistan.

Source: thenews.com.pk- July 12, 2019

HOME

****

Pakistan: How exporters handed the benefit of devaluation to buyers

Pakistan's elect economic squad, handpicked after haphazard trial-and-error shakeups, is cock-a-doodle-dooing over a recent volumetric growth in exports, while being well-aware of the fact that there has been no improvement to write home about in terms of value.

This sad reality should be a matter of grave concern and not glorification as this phenomenon is Pakistan specific.

There are times when the global economy or a particular sector is in recession and to spur demand the producers are forced to reduce rates. But if the unit price of exports declines for other reasons; it indicates flaws in the system.

Usually as a result of low unit price the exports increase both in volume and value economic. This at least benefits the exporting country in earning higher foreign exchange. The increase in volumes with a slight decline in exports should have been investigated.

Was it in line with global trends? Which other currencies of our competitors have declined as sharply as ours? Why our exports did not benefit from the huge depreciation of rupee? Why was the impact of Rs44 billion worth of subsidies on exporters not reflected in the exports' value?

We do not have the record of per unit decline in value of our regional competitors, but we do know, irrespective of an increase or a decline in unit value, the exports from India, Bangladesh, Vietnam and Cambodia are on rise. And the exports of these countries are rising in textiles that account for 65 percent of our exports. Another fact that should be noted is that the currencies in these economies are largely stable. This gives Pakistani exporters an advantage of around 40 percent in the last 18 months.

The question is that why our exports did not benefit from the rupee depreciation. The answer is simple; our exporters have passed on the benefit of rupee depreciation to the foreign buyers. This is despite the fact that Pakistan's textile exports are the cheapest among its competitors.

We compete with India in cotton yarn. The Indian cotton yarn is 14 percent more expensive than Pakistan's. In cotton cloth, our competitor is again India. Similarly, the average export price of Indian cloth is 28 percent higher than ours.

In knitwear and readymade garments Pakistan's regional competitors are China, India, Bangladesh, Vietnam, and Cambodia. In these countries per unit price of cloth products is much higher than Pakistan.

There's no clue as to why Pakistani exporters lowered their unit prices facing no competition. One thing that comes to mind is that perhaps Pakistani exporters are easily blackmailed by foreign buyers, who know they wouldn't get rates cheaper than Pakistan's from anywhere else.

Every time rupee depreciates those overseas buyers demand discount that is at least 50 percent of the depreciation.

In case of exporters' reluctance they approach other suppliers in Pakistan and manage to get away with the lowest rates. The exporters do not see depreciation as an opportunity to increase export but they deem it as a way to consolidate their customers and also benefit from the remaining 50 percent depreciation. They conveniently forget that every time rupee loses its value inflation and of course the prices of local inputs go up accordingly. This eats up most of the gains that expect to get from the depreciation that was not passed on to the buyers.

It is interesting to review the trend of textile products' prices in Pakistan and India. Pakistan was exporting cotton yarn at $2.63/kg in 2017-18. The price declined to $2.60/kg in 2018-19. This is a nominal decline of one percent. India on the other hand was exporting cotton yarn at $3.12/kg in 2017-18 that declined to $3.11/kg. This amounts to 0.3 percent decline. The Indian cotton yarn is over 15 percent more expensive than Pakistan's.

The export price of Pakistan's cotton cloth products declined 19 percent from $0.98/square-meter in 2017/18 to $0.70/square-meter in 2018/19. On the other hand, the export price of same Indian products dropped 8.5 percent from $1.7/square-meter in 2017/18 to $1.07 in 2018-19. That means Indian products lost their value half as less compared to Pakistan.

In knitwear exports the unit price of Pakistan product declined by 5 percent compared to 3.8 percent decline in the value of same Indian products. In garments the per unit value decline for Indian exports was 3.8 percent, while for Pakistan recorded a fall of whooping 19 percent, while Indian knitwear and garments fetch higher prices than Pakistan's.

Source: thenews.com.pk- July 12, 2019

HOME

****

NATIONAL NEWS

Export of textile and apparel including handicrafts rises to US$ 40.4 billion in 2018-19

Government takes various measures to increase competitiveness of textile industry under GST regime

GST rates for garments and made up articles is 5% of sale value not exceeding Rs 1000 per piece and 12% for articles of sale value exceeding Rs 1000 per piece.

The GST rates are lesser than the pre-GST incidence of taxes on these goods. To reduce the cost of garment industry, GST rate on manmade fibre yarns has been reduced from 18% to 12%. Further, the refund of accumulated input tax credit on fabrics has also been allowed to reduce cost of fabrics which is a major input for garments.

As per the data of Directorate General of Commercial Intelligence and Statistics, export of textile and apparel including handicrafts has increased by 0.2% from US$ 40.1 billion in 2014-15 to US$ 40.4 billion in 2018-19. Increase in imports is primarily due to increase in imports of MMF and cotton textiles.

The Union Minister of Textiles, Smriti Zubin Irani, informed the Rajya Sabha that the government has taken various measures to increase competitiveness of textile industry.

Government announced a Special Package for garments and made-ups sectors. The package offers Rebate of State Levies (RoSL), labour law reforms, additional incentives under Amended Technology Upgradation Fund Scheme (ATUFS) and relaxation of Section 80JJAA of Income Tax Act.

The RoSL scheme has been replaced by the new RoSCTL (Rebate of State and Central Taxes and Levies) scheme from 7th March 2019 and will remain in force up to 31 March 2020. The rates under Merchandise Exports from India Scheme (MEIS) have been enhanced from 2% to 4% for garment and made-ups, 5% to 7% for handloom and handicrafts from 1st November 2017.

Products such as fibre, yarn and fabric in the textile value chain are being strengthened and made competitive through various schemes-Powertex for fabric segment, ATUFS for all segments except spinning and Scheme for Integrated Textile Parks (SITP) for all segments. Assistance is also provided to exporters under Market Access Initiative (MAI) Scheme.

Government has enhanced interest equalization rate for pre and post shipment credit for exports done by MSMEs of textile sector from 3% to 5% from 2 November 2018. Benefits of Interest Equalization Scheme has been extended to merchant exporters from 2 January 2019 which was earlier limited to only manufacturer exporters.

To contain increase in imports of textile and apparel, Government increased Basic Customs Duty on 504 lines comprising apparel, carpets, fabric, madeups and others from 10% to 20%.

Source: business-standard.com - July 11, 2019

HOME

****

June estimate for cotton crop reduced by 3 lakh bales to 312 lakh bales

The Cotton Association of India (CAI) has reduced its June estimate for the cotton crop for 2018-19 by 3 lakh bales from its previous estimate to 312 lakh bales.

The CAI has maintained its cotton crop estimate for the Northern Zone at the same level as in its previous month's estimate i.e. 59 lakh bales while cotton crop for the Central Zone has been increased by 30,000 bales.

There is an increase of 3.50 lakh bales for Gujarat compared to the cotton crop estimate of the CAI made during last month while the crop estimates for Maharashtra and Madhya Pradesh have been reduced by 2.88 lakh bales and 7 thousand bales, respectively.

The cotton crop for Southern zone has been reduced by 3.25 lakh bales i.e. 68.50 lakh bales compared to the estimate of 71.75 lakh bales made during last month.

The cotton crop for Telangana and Andhra Pradesh are estimated lower by 2.50 lakh bales and 2 lakh bales, respectively compared to its previous month's estimate whereas the cotton crop estimate for the Odisha is increased by 2 thousand bales compared to CAI's previous month estimate.

The total cotton supply estimated by the CAI during the period from October 2018 to June 2019 is 347.84 lakh bales of 170 kg each which consists of the arrivals of 303.56 lakh bales up to 30th June 2019, imports of 11.28 lakh bales up to 30th June 2019 and the opening stock at the beginning of the season on 1st October 2018 at 33 lakh bales.

The CAI has estimated cotton consumption during the months of October 2018 to June 2019 at 243.12 lakh bales of 170 kg each while the export shipment of cotton estimated by the CAI up to 30th June 2019 is 44.10 lakh bales of 170 kg each.

Stock at the end of June 2019 is estimated by the CAI at 60.62 lakh bales including 33.10 lakh bales with textile mills and remaining 27.52 lakh bales with CCI, MNCs and others (MNCs, traders, ginners, among others).

The annual balance sheet projected by the CAI estimates total cotton supply till end of the cotton season i.e. up to September 30, 2019 at 376 lakh bales of 170 kg each consisting of the Opening Stock of 33 lakh bales at the beginning of the cotton season and imports estimated by the CAI at 31 lakh bales, which are higher by 16 lakh bales compared to the previous year's import estimated at 15 lakh bales.

Domestic consumption estimated by the CAI for the entire crop year i.e. upto 30th September 2019 is 315 lakh bales while the CAI has estimated exports for the season at 46 lakh bales, which are lower by 23 lakh bales compared to the previous year's cotton exports estimate of 69 lakh bales. The carry over stock estimated at the end of the season is estimated at 15 lakh bales.

Manish Daga, who is directly in touch with 30000 farmers in Maharashtra on a daily basis, submitted that the farmers were very disappointed with the income they received to cultivation of kapas in last year.

Due to this, it is likely that they may divert to other crops. After considering Gujarat figures, CAI has changed Gujarat crop from 82.5 lakh bales to 86 lakh 170 kg bales and increased the cotton crop for Gujarat by 3.5 lakh bales.

Arun Sekhsaria raised a query regarding consumption figure of 311.50 lakh bales given by the Cotton Advisory Board (CAB). Sekhsaria stated that cotton consumption for Gujarat state has been considered at 13.50 lakh bales only in total consumption of 311.50 lakh bales whereas the actual consumption of Gujarat is more than 65 lakh bales.

Source: financialexpress.com- July 12, 2019

HOME

****

Rising import from Bangladesh, financial crisis at NBFC hit textile sector

The industry says sales in the domestic market have slumped by 20-25 per cent in recent weeks

The financial crisis at non-banking financial companies (NBFCs) has hit India's textile industry, as unavailability of working capital has restricted companies from capacity expansion and made difficult the servicing of existing loans.

Largely comprising micro, small and medium enterprises (MSMEs), the industry largely used NBFCs for working capital —commercial banks were slow in extending credit.

Hence, "textile players, big or small, are facing a credit squeeze, with sluggishness in sales", said Premal Udani, managing director at Kaytee India, a city-based children's garment maker and exporter.

"There is a sluggishness in apparel sales, set to continue for at least the next three months. We hope it would bounce back with a robust Diwali," said Rahul Mehta, president of the Clothing Manufacturers Association of India (CMAI).

The industry says sales in the domestic market have slumped by 20-25 per cent in recent weeks. To enhance liquidity from existing resources, many brought forward the usual 'end of season' sale by two weeks, to around the second week of June this year as compared to the first week of July or even after in past years.

“Many companies in the textile sector have undergone loan restructuring,” says R K Dalmia, director of Century Textiles & Industries, of the problem with lenders.

“A number of companies have delayed payment of instalments and interest, resulting in banks becoming more cautious. Even companies with a sound balance sheet are facing intensified due-diligence, surveillance and monitoring on borrowing.

Unlike immediate release of working capital in the past, lenders are taking a cautious approach today.”

Rising import from Bangladesh has also been an issue; CMAI says the cumulative average growth rate of apparel shipment from that country is 52 per cent.

Large retailers are allegedly importing apparel made of Chinese fabric from Bangladesh at nil duty, under our free trade agreement with the latter country. However, the same agreement does not permit duty-free export from here.

“We have a good market of ethnic and seasonal wear in Bangladesh but apparel export attracts 125 per cent of import duty there.

Hence, the textile industry wants the government to make a mandatory provision to prompt Bangladeshi exporters to source a portion of fabric requirement from India,” said Mehta.

Source: business-standard.com- July 11, 2019

HOME

****

US-India resume trade talks with focus on tariffs, data, e-commerce

Visiting team from USTR office to meet Commerce Minister Piyush Goyal today

Trade talks between the US and India, which resumed on Thursday after a brief lull, will focus on tariffs, data localisation and e-commerce rules as officials from both sides try to iron out differences in the areas over the two-day meeting, a government official has said.

“The initial talks between visiting officials from the US and their Indian counterparts to break the ice between the two sides started on Thursday.

It will gather pace on Friday when the comprehensive dialogue takes place to discuss the pending matters in details,” the official told BusinessLine.

‘Relationship-building’

The team led by Assistant USTR for South & Central Asia, Christopher Wilson, arrived in New Delhi for “relationship-building” with their Indian counterparts just two days after US President Donald Trump tweeted that India’s high tariffs are no longer acceptable to the country.

Talks between the trade teams had come to a standstill for some time when both sides initiated trade measures against each other last month.

Commerce & Industry Minister Piyush Goyal is also scheduled to meet the team from the US Trade Representative’s (USTR) office on Friday.

“Since India’s election period has now passed, USTR officials are visiting India for relationship-building with Indian government counterparts, including introductory meetings for the new Assistant USTR for India, Christopher Wilson. AUSTR Wilson and the Deputy Assistant USTR Brendan Lynch are in New Delhi on July 11-12,” according to a USTR spokesperson.

The meeting was scheduled after Trump and Prime Minister met in Osaka last month on the sidelines of the G-20 conference and decided to instruct their trade teams to re-start talks.

The US is India's largest trade partner and imports a large variety of items from the country whichinclude several labour-intensive products.

Areas in focus

While tariffs on a number of products such as smartphones, other IT and telecom items and Harley Davidson motorbikes are one of the focus issues for the US for the talks, the other two are e-commerce rules and data localisation.

The USTR has earlier pointed out in a reported that the data localisation requirements in India would serve as significant barriers to digital trade between the two countries and should be removed.

The report also said that India's draft national e-commerce policy, which also advocates putting restrictions on cross-border data flows, is "discriminatory" in nature.

A limited trade pact being worked out by India-US before the general elections, which included all three issues, got derailed after Washington decided to withdraw a scheme offering duty-free entry to over 3,000 products from India early June as soon as the new government was sworn in.

India then imposed retaliatory tariffs on 28 US products with effect from June 16, after delaying them for a year, to punish the US for not acceding to its request for the withdrawal of penal duties on its steel and aluminium levied last year.

Source: thehindubusinessline.com- July 11, 2019

HOME

****

Iran trade: UCO Bank assures all help to exporters

The bank has increased the number of such designated branches (for doing business with Iran) from 22 to 67

UCO Bank is making all efforts to ensure that exporters who do business with Iran can approach its designated branches for help.

The bank has increased the number of such designated branches (for doing business with Iran) from 22 to 67.

It is now contemplating to set up an apex processing centre across its branch network (comprising 3,000+ branches) to help exporters. “This could take another six-seven months,” a top bank official said.

On the sidelines of an exporters’ meet organised jointly by the Federation of Indian Export Organisations (FIEO) and UCO Bank, UCO Bank Managing Director Atul Kumar Goel said the bank would need to train its personnel both at the branch and treasury levels on procedural compliance for doing business with Iran.

Discussing the present trends in the global trade, banking-related issues of exporters, and facilitation initiatives taken by the government, Goel said: “The government is giving a thrust to export finance. UCO Bank facilitates and promotes export finance. As many as 14 Iranian banks have opened Indian Rupee Vostro Account with UCO Bank.”

Explaining the significance of Iranian banks opening account with UCO Bank in India, he said:

“Whenever we import oil, the money is paid by the oil companies in India and credited to this account. That bank will send this Indian rupee to the bank in Iran and the payment to the exporter will be made in Iranian rial.”

“All payments are in Indian currency and no foreign currency is involved. UCO Bank acts as an agent of the Iranian Bank while making the payment,” Goel said, and pointed out that around ₹1,000 crore was stuck between January 16, 2016 and May 4, 2018 due to secondary sanctions.

Goel said export opportunities to Iran are huge. Credit is extended at competitive rates and will not be a constraint for exports, he added.

Source: thehindubusinessline.com- July 11, 2019

HOME

****

Indian garments makers flag concerns over rising imports from Bangladesh

A huge jump in duty free garment imports from Bangladesh under the free trade agreement has put the domestic industry under stress. This comes amidst slowing domestic demand and banks curtailing credit to MSMEs in the sector.

"The domestic industry is feeling a threat from the import of garments from Bangladesh. The domestic industries have started sourcing from Bangladesh," said Animesh Saxena, Managing Director of Neete Clothing Pvt Ltd told KNN India.

He is also the President of Federation of Indian Micro and Small & Medium Enterprises (FISME).

"There is a need for the government to look into it. Bangladesh wages are much cheaper and they have large production set up, they even have advantage to the cost of economy of scale. Also they have an advantage of the cheaper import fabric.

The government has to think of saving the domestic industry either by putting some conditions on Bangladesh like using indigenous materials because Bangladesh is using the material source from other countries and making the garment and then exporting it to India," he added.

Import of garments from Bangladesh was up to 82 % to USD 365 million last fiscal. It has been growing steadily at CAGR (Compounded annual growth rate) of 52 % and is expected to touch USD 3.6 billion by 2024-25. This will surely render about 10 lakh people jobless with most of the small garment industry shutting their shops.

"We are into a ruptured globalisation process now where everybody is looking out for their own" said Arvind Sinha, President of The Textiles Association told KNN India.

Source: knnindia.co.in- July 11, 2019

HOME

****

Taxes on apparel sector lesser than in pre-GST regime: Irani

Union Minister of Textiles Smriti Zubin Irani on Wednesday said that GST imposed on the apparel sector amounts lesser than taxes imposed under the pre GST regime.

GST rates for garments and made up articles is 5% of sale value not exceeding Rs. 1000 per piece and 12% for articles of sale value exceeding Rs. 1000 per piece. The GST rates are lesser than the pre-GST incidence of taxes on these goods, Irani said in written replies in the Rajya Sabha.

To reduce the cost of garment industry, GST rate on manmade fibre yarns has been reduced from 18% to 12%. Further, the refund of accumulated input tax credit on fabrics has also been allowed to reduce cost of fabrics which is a major input for garments, she added.

As per the data of Directorate General of Commercial Intelligence and Statistics, export of textile and apparel including handicrafts has increased by 0.2% from USD 40.1 billion in 2014-15 to USD 40.4 billion in 2018-19. Increase in imports is primarily due to increase in imports of MMF and cotton textiles.

To increase competitiveness of textile industry, Government announced a Special Package for garments and made-ups sectors. The package offers Rebate of State Levies (RoSL), labour law reforms, additional incentives under Amended Technology Upgradation Fund Scheme (ATUFS) and relaxation of Section 80JJAA of Income Tax Act, she added.

Products such as fibre, yarn and fabric in the textile value chain are being strengthened and made competitive through various schemes-Powertex for fabric segment, ATUFS for all segments except spinning and Scheme for

Integrated Textile Parks (SITP) for all segments. Assistance is also provided to exporters under Market Access Initiative (MAI) Scheme, the minister said.

Government has enhanced interest equalization rate for pre and post shipment credit for exports done by MSMEs of textile sector from 3% to 5% from2.11.2018. Benefits of Interest Equalization Scheme has been extended to merchant exporters from 2.01.2019 which was earlier limited to only manufacturer exporters, she added.

To contain increase in imports of textile and apparel, Government increased Basic Customs Duty on 504 lines comprising apparel, carpets, fabric, madeups and others from 10% to 20%, Irani said.

Source: smetimes.in- July 11, 2019

HOME

****

Textiles sector's employment increasing, shows data

Official data released on Wednesday showed that employment in the textiles sector has increased for the last few years.

As per the latest available Annual Survey of Industries, employment in the Textiles and Wearing Apparel were 25.27 lakh in 2014-15, 26.48 lakh in 2015-16 and 26.97 lakh in 2016-17, Textiles Ministry data showed.

Government has been implementing various schemes for welfare and development of textile workers/weavers including handicraft artisans.

Under the group insurance scheme for powerloom workers, insurance cover is provided to all powerloom weavers/workers in the case of natural death, accidental death as well as partial and permanent disability due to accident.

Additionally, the weavers/workers enrolled under this scheme are entitled for educational grant of Rs. 600/- per child half-yearly for two children studying in 9th to12th standard for a maximum period of 4 years.

Under the scheme, total number of powerloom weavers/workers enrolled was 1.11 lakh in 2015-16, 1.32 lakh in 2016-17 and 1.62 lakh in 2017-18.

Under the Textile Workers Rehabilitations Fund Scheme (TWRFS) which has been merged with the Rajiv Gandhi Shramik Kalyan Yojana (RGSKY) of the Ministry of Labour & Employment, the textile workers rendered jobless due to permanent closure of the mills, are provided a relief of 75% of the wage employment in the first year, 50% in the second and 25% in the third year.

Under the "Handloom Weavers Comprehensive Welfare Scheme, (HWCWS), life and accidental insurance are provided to handloom weavers/workers in the age groups of 18-50 years. It was, then, converged under Mahatma Gandhi Bunkar Bima Yojana (MGBBY). The HWCWS has been merged under Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY).

Total of targeted enrollment of weavers/workers under the PMJJBY and converged MGBBY are 5.32 lakh for 2017-18 and 6.65 lakh for 2018-19 which include 3.84 lakh for general states and 2.84 lakh for North Eastern States.

As add on benefit to the above, scholarship@Rs. 180/- per month per child isprovided toa maximum of two children of the beneficiaries studying 9th to 12th standard.

Welfare programmes being implemented for handicraft artisansare Rajiv Gandhi Shilpi Swasthya Bima Yojana (RGSSBY), BimaYojana for Handicrafts Artisans (Aam Admi Bima Yojana (AABY), support to artisans in indigent circumstances, credit guarantee scheme, interest subvention scheme and issue of identify cards and creation of data-base.

Source: smetimes.in- July 11, 2019

HOME

****

'New schemes reducing India's scheme dependency'

Under the Central Sector Scheme Government of India implementing Silk Samagra through Central Silk Board with a total outlay of Rs. 2161.68 crore for three years (2017-2020) for development of sericulture in the country, said an official release on Wednesday.

It focuses on improving quality and productivity of domestic silk thereby reducing the country's dependence on imported silk, it added.

Under the scheme, assistance is extended to sericulture stakeholders for the beneficiary oriented components like, raising of Kissan nursery, plantation with improved Mulberry varieties, Irrigation, chawki rearing centres with incubation facility, construction of rearing houses, rearing equipment, door to door service agents for disinfection and input supply, support for Improved reeling units like Automatic Reeling units, multi-end Reeling machines, Improved Twisting machines and support for post yarn facilities for quality silk and fabric production, said the release.

Under North East Region Textile Promotion Scheme (NERTPS) implemented to promote Textile Industry in the North East Region by the Ministry of Textiles, 38 Sericulture projects have been implemented in the identified potential districts under three broad categories viz., Integrated Sericulture Development Project (ISDP) and Intensive Bivoltine Sericulture Development Project and Aspirational Districts.

Total cost of these projects is Rs. 1,106.97 crore, of which Government of India's share is Rs. 955.07 crore.Objective of these projects is to establish sericulture as viable commercial activity in NER by creating necessary infrastructure and imparting skills to the locals for silkworm rearing and allied activities in the value chain, said the release.

Source: smetimes.in- July 11, 2019

HOME

****

Solar power scheme now open for Tamil Nadu small powerloom units

Officials at the regional office of textile commissioner in the city said small powerloom weavers in the state could avail of subsidy for setting up solar-powered looms and also benefit from the solar power scheme as the sector has been included under the ‘net feed-in scheme’.

M Balasubramanian, deputy director at the regional office of the textile commissioner in the city, said the state had in March this year given a notification that the net-metering system in solar power would also be applicable to the powerloom sector.

In addition to this, small powerloom units, which have up to eight looms, could avail a minimum of 50% subsidy under the Powertex India Scheme for setting up the infrastructure required for solar power generation.

According to the official estimate, the cost for setting up solar power generation infrastructure would be Rs 2.8 lakh for four looms, Rs 4.2 lakh for six looms and Rs 5.6 lakh for eight looms. While powerloom owners under the general category would get 50% subsidy for this, those under SC category would get 75% and those under ST category would get 90% subsidy.

Balasubramanian said they had opened the application process for the scheme last month. “We have spoken to grid suppliers, who would provide invertors, solar panels and feed-in systems. They would connect with beneficiaries. We have asked them to give us a forecast on the possible number of installations for the next three quarters of this fiscal.”

Under the net feed-in system, two electricity metres would be installed - a bi-directional meter for measuring the power imported from and exported to the gird, and another one for measuring the generated solar power. Every imported unit costs around Rs 4.6 and for every unit exported to the grid anywhere between Rs 2.6 to Rs 2.8 would be waived from the total tariff.

Powerloom weavers, meanwhile, said the scheme might not be profitable for them. They were expecting a net-metering scheme, where the solar power generated was paid the same price per unit as gird power, while deducting the cost for total solar power generated from the total power tariff.

B Kanthavel, a representative of Erode Powerloom Association, said, “If we go by the net feed-in scheme, it would take around two years for us to get back the amount we invested in solar power. So, we think it would not be profitable. We need more clarity.”

Officials, however, said the net feed-in scheme was brought in by the Tamil Nadu Electricity Regulatory Commission, as they had to account for operational costs and losses incurred while distributing power.

Source: timesofindia.com- July 11, 2019

HOME

****