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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 248 of 2017 December 12, 2017

USD 64.52 | EUR 75.95 | GBP 86.07 | JPY 0.57

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18334	38350	**75.99**

Domestic Futures Price (Ex. Gin), December

Rs./Bale	Rs./Candy	USD Cent/lb
19180	40120	**79.50**

International Futures Price

NY ICE USD Cents/lb (March 2018)	73.00
ZCE Cotton: Yuan/MT (Jan 2018)	15,050
ZCE Cotton: USD Cents/lb	**87.67**
Cotlook A Index – Physical	**84.70**

Cotton & currency guide: The week has started with a modest bearish tone for cotton. March contract settled at 73.00 cents/lb, down 72 points. The other months settled from 15 to 70 points lower. This has been two consecutive trading sessions market is off the recent high of 74.20+ cents. There are no events in the market therefore the trading volumes and participations are quiet.

On Monday the trading volumes were around 25K contracts while the open interests were relatively higher at 253, 097 contracts. For reference, OI made a recent low in Mid-November at 223,718 contracts. Certified stocks have been 47,628 bales in the last 6 reports.

This morning ICE cotton is seen trading at 72.94 cents minor change from previous close. We have the important event today from USDA. The monthly supply-demand report will be released today in noon eastern time.

On the technical front 72 remains a strong support for the very short term while 71 is the key support level for medium term. On the higher side 74/74.50 cents remains the key resistance levels. So broadly we expect ICE cotton to trade in the range of 71 to 74 cents.

On the domestic front, spot prices have advanced again over Rs. 39K per candy ex-gin and the price of J-34 has moved above Rs. 4000 per maund. There has been slight decline in the arrivals.

The latest estimate of daily seed cotton arrivals is 164,500 lint equivalent bales (170 kgs). This figure includes 50,000 registered in Maharashtra, 36,500 in Telangana/Andhra Pradesh, and 32,000 in Gujarat. The total for Northern Indian is lower than of late at 18,000 bales; the drop is due to recent wet weather in the region.

The effect is seen on the futures contract. The December future had posted a close on Monday at Rs. 19180 down by Rs. 30 from previous close while it made an intraday high of Rs. 19340 per bale. The future contract generally takes cues from both domestic spot market and the ICE future contract performance. We expect market to remain sideways to positive The trading range for the day would be Rs. 19000 to Rs. 19300 per bale.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Global garment exports fall: WTO
2	US officials stoke speculation of boost to Chinese cotton imports
3	Joint Statement Of ABIT And Euratex On The EU-MERCOSUR FTA
4	EU and Japan Finalize Major Trade Deal, Challenging Protectionism
5	Pakistan: Trade deficit rises to $15bn in 5MFY2018
6	1st EU GSP+ guide for Sri Lankan exporters released
7	Chile interested in joint partnerships with Pakistan
8	Pakistan: Buyers paying more for quality cotton
9	Hanging by a thread: Spotlight on Cambodia's garment sector
	NATIONAL NEWS
1	India counters US stand over special treatment to developing
2	Impose safeguard measures to prevent cheap imports: CITI
3	Most firms expect no change in investment plans: CII survey
4	Bollworm strikes, Telangana to lose cotton
5	Denim industry says 30-40% of operative capacity shut
6	Profitability drives US retailers to downsize shops in India
7	India must tap changing trends in manufacturing

INTERNATIONAL NEWS

Global garment exports fall: WTO

Shipment of both textile and garment items by top 10 exporting countries fell in 2016 due to fading demand, according to data from the World Trade Organisation.

The current dollar value of world textiles and apparel exports by top 10 countries totalled $246 billion and $384 billion respectively in 2016, decreasing by $22 billion and $3 billion respectively from the previous year.

China remained the top exporter of textiles in 2016, with a 37 percent share in global exports, even though its shipment declined 3 percent, the UK-based Innovation in Textiles reported citing data from the WTO.

The next biggest exporters were the EU, a bloc of 28-nations with a 23 percent share, growing by 1 percent in 2016, and India, with a 6 percent share, a decline of 6 percent.

Pakistan rose from ninth to seventh position while Vietnam entering the top 10 list for the first time with a 2 percent share, an increase of 9 percent.

More than half of the top 10 textiles exporters recorded a decline in the value of their exports, with the highest decline of 13 percent experienced by Hong Kong, followed by Taiwan by 8 percent, South Korea by 6 percent, the US 5 percent and China by 3 percent.

The top 10 exporters of clothing in 2016 remained unchanged. However, Hong Kong (China) fell from fifth to sixth position and India did the reverse, rising to the fifth place.

China's exports of clothing fell by 7 percent but it still stayed in the top position, representing 36 percent in value of world exports of clothing in 2016.

EU's exports of clothing increased by 4 percent in 2016, holding a market share of 26 percent.

The highest increases were recorded by Cambodia and Bangladesh at 6 percent for both countries. Exports of China and the US fell the most, by 7 percent and 6 percent respectively.

Measured in value, the EU, the US and China were the top three importers of textiles in 2016, accounting for 37.9 percent of world textile imports.

The three were followed by Vietnam, Japan, Hong Kong (China), Bangladesh, Mexico, Turkey and Indonesia.

The EU, the US and Japan were the top three importers of apparel in 2016, altogether accounting for 63 percent of world apparel imports in 2016.

Notably, China's apparel imports have been experiencing an annual growth of 17 percent, much higher than most other countries, followed by South Korea at an annual growth of 12 percent and Australia at 5 percent, Innovation in Textiles said.

Source: thedailystar.net- Dec 12, 2017

HOME

****

US officials stoke speculation of boost to Chinese cotton imports

China’s cotton imports will recover more than had been expected this season, thanks to the need for high-quality fibre by a domestic spinning industry, US officials said, fuelling long-standing rumours of a volume increase.

The US Department of Agriculture’s Beijing bureau pegged at 1.30m tonnes (5.97m bales) China’s cotton imports in 2017-18, on an August-to-July basis.

That would represent a rise of more than 200,000 tonnes year on year – far bigger than the 58,000-tonne increase, to 1.15m tonnes (5.30m bales), that the USDA has officially pencilled in.

The bureau’s estimate comes amid persistent market talk that China may be poised for accelerating buy-ins, with some rumours of a potential increase to the import quota of 894,000 tonne allowed in with a 1% tariff, under an agreement with the World Trade Organization.

'Additional import quota'

Indeed, the bureau itself underlined that "since July, anecdotal reports have circulated that the government might be considering special approval to allow for some imports of high-grade cotton.

"Given the Chinese textile sector's increasing demand for high-grade cotton, traders anticipate the government may increase its flexibility in issuing additional import quota."

"The Chinese textile sector grew steadily in 2017.

"In consideration of all these factors, it is logical for the government to approve some cotton imports to meet the industry demand in 2018," the bureau said, although adding that "it remains unclear when the government will allow additional cotton imports".

'Strong buyer'

Market commentators reporting talk of Chinese cotton imports within recent days include Ron Lee, at US-based McCleskey Cotton, who reported "rumblings that China will continue to be a strong buyer of US cotton, perhaps even increasing quota after the turn of the new year".

Latest Chinese cotton import data, for October, the month after the closure of the government's 2017 auction programme of supplies from the country's bloated cotton stockpiles, came in at 78,128 tonnes, according to customs data, a rise of 89% year on year.

The purchases took to 983,450 tonnes China's cotton imports in the first 10 months of this year, a rise of 41%, of which 458,588 tonnes were sourced from the US, a jump of 131% year on year.

'Shortage of high grade'

While this year's government auction programme released 3.22m tonnes of cotton to domestic mills, the fibre is said to be of low quality, and the release "will not ease the shortage of high grade cotton for Chinese mills", the bureau said.

Societe Generale last month noted "market suspicions about the quality of cotton reserves in China, some of which is thought to be five years old".

Meanwhile, demand for cotton overall is being whetted by economic expansion, and a reduction in Chinese cotton premium to global values, making the country's mills more competitive.

China's cotton use in 2017-18 was forecast rising by 335,000 tonnes year on year to 8.50m tonnes (39.0m bales), growth "mainly driven by a more market-oriented domestic cotton price", the USDA bureau said.

Stocks estimates

The bureau added that a further auction of state stocks scheduled for 2018 could see China's cotton stocks fall a further 3m tonnes, after a decline of 3.2m tonnes this year, to a figure pegged by "industry sources" at about 5.2m tonnes.

If so, "the state cotton reserve could fall to a more manageable level compared to the 13.9m tonnes in 2014-15".

China was the world's top cotton importer, with volumes hitting 24.5m bales in 2009-10, before reforms aimed at reversing stockbuilding promoted by a now-reformed guaranteed pricing scheme.

Imports slumped to 4.41m bales in 2015-16 as the government tightened up on imports, and focused mills on obtaining their supplies from the auctions.

Source: agrimoney.com- Dec 11, 2017

HOME

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Joint Statement Of ABIT And Euratex On The EU-MERCOSUR FTA

European Apparel and Textile Confederation (EURATEX) and Brazilian Textile Industry (ABIT), representing the Textile and Clothing (T&C) industries in both the European Union and Brazil, welcome the negotiations for an important EU-Mercosur Free Trade Agreement (FTA).

The T&C industry is a vivid and global sector in which we believe Europe and Mercosur countries have a key role to play. Our focus is on high quality products manufactured in a sustainable manner under high standards, be it from an environmental, labor and social point of view.

Euratex and ABIT maintain strong cooperation links since many years and we have always been supportive of the conclusion of an FTA.

Over the last months, we have intensified our talks and we have jointly worked on a wide range of topics related to Textile and Clothing trade namely regulatory cooperation, customs procedures, technical barriers to trade, sustainability requirements etc. Tariffs dismantling and rules of origin have also been very much at the center of thorough and sometimes hard talks.

So that the EU-Mercosur FTA benefit both parties and increase trade and investments of T&C industries of both sides, Euratex and ABIT made efforts to build together a balanced rules of origin considering the structure of our industries.

Therefore, we are happy to share a suggestion from the private sector to both governments with our common views on the Product Specific Rules and Tariff Dismantling to be enshrined in the EU-Mercosur FTA.

We strongly hope that the EU-Mercosur Agreement will be concluded as soon as possible, and we call on the negotiators to pay due attention to our recommendations.

Source: textileworld.com - Dec 11, 2017

HOME

****

EU and Japan Finalize Major Trade Deal, Challenging Protectionism

The European Union and Japan are closing in on a trade deal that has been likened to NAFTA in terms of heft—it will create an economic zone covering roughly 30 percent of global GDP.

On Friday the two parties reached an agreement on the final details of the EU-Japan Economic Partnership (EPA), and EU Trade Commissioner Cecilia Malmström and Japan's Foreign Minister Taro Kono have now endorsed the deal.

In a joint statement, president of the European Commission Jean-Claude Juncker and Japanese prime minister Shinzō Abe said, "The finalization of the negotiations on the EU-Japan EPA demonstrates the powerful political will of Japan and the EU to continue to keep the flag of free trade waving high, and sends a strong message to the world."

The strategic play, which the EU said is the biggest bilateral trade agreement it's ever negotiated, will remove the "vast majority" of the 1 billion euro ($1.18 billion) EU companies pay annually to export goods to Japan, and those exports to Japan from the EU could increase by as much as 20 billion euro ($23.6 billion). An increase like that could limit the amount of goods Japan takes in from the U.S.

As part of the deal, tariffs on textiles and clothing will be completely eliminated, and the quota system that had been hampering EU exports of leather and shoes will be abolished once the agreement enters into force.

Tariffs on shoes will fall from 30 percent to 21 percent once the deal takes effect, and the remaining tariffs will fall away completely over 10 years. Tariffs on exports of leather products, like handbags, from the EU to Japan will be eliminated over 10 years, as will tariffs on once highly protected sectors in Japan—sports shoes and ski boots.

The deal, according to Juncker and Abe, "sends a clear signal to the world that the EU and Japan are committed to keeping the world economy working on the basis of free, open and fair markets with clear and transparent rules fully respecting and enhancing our values, fighting the temptation of protectionism."

Both parties appear committed to finalizing the trade deal this year. From here, the agreement will go through legal verification, translation into the EU's 23 official languages, plus Japanese, and then be submitted for approval by the European Parliament and the EU member states. The aim is to have the agreement enter into force before the current mandate of the European Commission ends in October 2019.

Source: sourcingjournalonline.com- Dec 11, 2017

HOME

****

Pakistan: Trade deficit rises to $15bn in 5MFY2018

Pakistan's trade deficit in first five months of current fiscal widened to $15.13 billion from the $11.69 billion reported in corresponding period of last fiscal, official data showed on Monday.

The overall trade deficit widened by 28.56 percent in July-November 2017 period of Fiscal Year 2017-18 (FY18) as compared to the same period of FY17, reported the Pakistan Bureau of Statistics (PBS).

The World Bank recently said that Pakistan's export performance has been particularly lackluster in recent years as it has lost 1.5 percent of its export market share annually over the past decade.

The country's weak export performance is an outcome of poor trade facilitation, logistics, and infrastructure; a worsening investment climate; and a protectionist and discretionary trade policy.

The World Bank said globally, international trade is expected to grow by 2.4 percent in 2017 compared to 1.3 percent in 2016. The impact of this recovery was felt in merchandise exports in South Asia, which recovered in 2017.

Despite this recovery in regional exports, Pakistan's exports declined by 0.2 percent during FY17, albeit slowly, compared to the 8.8 percent decline in the previous year.

While exports declined in FY16 as a result of lower prices, the quantum effect caused a marginal decline in export earnings in FY17. "The decline was broad-based: its major contributors were food and textiles, which constitute about 75 percent of Pakistan's exports.

Food group exports declined by 3.0 percent, whereas the textiles group declined by 2.4 percent in FY17. The latter's poor performance is a worrying sign as Pakistan's competitors, including Bangladesh and Vietnam, have benefited from the recovery in international prices and better global demand in 2017".

The disaggregated data reveals that the decline in textile exports was mostly driven by the weak performance of low-value-added sectors, which include cotton yarn, cotton cloth, carded cotton, raw cotton, and others.

The overall exports in first five months of FY18 increased by 10.59 percent to $9.13 billion as compared to $8.27 billion worth of goods exported in corresponding period of previous fiscal year. Imports in first five months of FY18 also increased significantly by 21.22 percent to $24.16 billion as against $19.96 billion in the same period of FY17.

On monthly basis, exports swelled by 4.56 percent from $1.8 billion in October 2017 to $1.9 billion in the November 2017. However, imports in the country decreased marginally by 0.63 percent to $4.8 billion during the fifth month of new fiscal year, as compared to $4.9 billion by the end of October 2017. Trade deficit shrunk by 3.85 percent to $2.9 billion in November 2017as compared to $3.1 billion in October 2017.

On yearly basis, during November 2017, the country saw an increase in exports and imports as Pakistan exported $ 1.9 billion worth of goods to the world that was 12.35 percent higher than exports worth of $1.7 billion in the same month of last fiscal year.

Similarly, imports registered 16.48 percent growth to $4.9 billion in the month of November 2017 as compared to $4.2 billion imports in corresponding month of FY17. As a result, country's trade imbalance broadened enormously by 19.44 percent in November 2017 to $2.9 billion, as against $2.4 billion in November 2016.

Source: dailytimes.com.pk- Dec 12, 2017

HOME

****

1st EU GSP+ guide for Sri Lankan exporters released

Geneva-based International Trade Centre (ITC) and the Government of Sri Lanka have jointly produced the first comprehensive manual for Sri Lankan exporters to export under the European Union Generalized System of Preferences Plus (EU GSP+) scheme.

The EU-funded 'EU GSP+ Business Guide for Sri Lankan Exporters' was released last week on the ITC website.

The information in the manual was collected in June this year, according to Sri Lankan media reports. It highlights the GSP Regulation enumerating 27 conventions, including the core human and labour rights conventions of the International Labour Organisation (ILO).

It explains relevant rules of origin applicable to apparel under GSP+, relevant institutions in the EU and additional resources like web portals, where Lankan exporters can obtain more information.

Source: fibre2fashion.com- Dec 11, 2017

HOME

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Chile interested in joint partnerships with Pakistan

Federal Secretary, Ministry of Commerce, Muhammad Younus Dagha visited the Republic of Chile to meet the high-level officials of Chile to discuss trade related issues.

Chile is one of the most free and liberal economies in South America. Pakistan has a positive trade balance with Chile . Pakistan's exports to Chile in 2016 were $70 million and imports were $20 million.

Pakistan's main exports are cotton yarn, yarn & thread of synthetic fibers, cotton fabrics (woven), synthetic fabrics, made up articles of textile materials, carpets & rugs and apparel & clothing etc. Pakistan's main imports are wood pulp, seeds, chemicals and machinery & electrical equipment, chemical elements & compounds etc, said an official handout released by the ministry of commerce.

Secretary Commerce held meetings with the officials of the department of Direcon, which is the highest trade body of Chile , responsible to finalize trade agreements with other countries. The head of Direcon, Ms Paulina Nazal Aranda and Dagha discussed the prospects of a free trade agreement (FTA) between Pakistan and Chile .

Chilean economy has grown over the years on the strength of their mining industry, which is quite technologically advanced and at a mature stage.

Chile is interested in joint partnerships with Pakistan in the field of technology, exploration and diversification of their exports mix, while Pakistan is looking to expand its exports base in the non-traditional markets. Pakistani trade officials believe that a FTA with Chile can boost our exports to Chile from current $70m per year to $200m per year, in the short run.

Both sides agreed that current trade flows are much below the trade potential between the two countries. The government of Pakistan has recently given an incentive to exporters in the form of additional drawback of local taxes and levies @ 2 % for exports to non-traditional markets to diversify exports to non-traditional markets, including Chile .

Both sides agreed to the formation of a Joint Feasibility Group to explore the possibility of a free market arrangement between the two countries. It has been further agreed that the Joint Feasibility Group will work to formalize the FTA within six months' period. Both sides held in-depth discussion on enhancing bilateral cooperation and agreed to facilitate business to business contacts.

Discussions were held in a frank and cordial manner. Both sides also agreed to hold further discussions on the sidelines of the WTO Ministerial Conference being held in Buenos Aires from 10-13 Dec'2017.

The FTA minutes will be signed between the two sides during the WTO Conference MC-11 in the next week in Buenos Aires.

Source: nation.com.pk- Dec 12, 2017

HOME

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Pakistan: Buyers paying more for quality cotton

Strong buying was witnessed on the cotton market on Monday as spinners preferred to get quality lint and willingly paid premium price for Sindh variety.

This is the second time in the season that prices have crossed above the Rs7,000 mark to reach Rs7,050 per maund. However, activity remained restricted due to short supply of quality lint.

The rupee-dollar parity is going to impact cotton imports which will become costlier in case the rupee value declines against dollar.

This was a cause of concern for the textile industry because a huge quantity of around 3 million bales is expected to be imported.

Meanwhile, the downpour on Monday in Punjab would be beneficial for wheat crop but would be harmful for the cotton where picking has yet to finish. However, reports suggested that most of the crop has been picked.

There is growing concern amongst spinners that late approval for import of cotton from India would not help because by end of this month much of quality cotton would have been lifted by Indian textile industry or exported. The world leading cotton markets gave mixed trend with Indian cotton closing steady but the New York and Chinese cotton markets were under pressure.

The Karachi Cotton Association (KCA) kept its spot rates steady at weekend level.

The following deals were reported to have changed hands on the ready counter: 800 bales, Ghotki, at Rs7,050; 400 bales, Daharki, at Rs7,050; 400 bales, Mirpur Mathelo, at Rs7,050; 2,000 bales, Rohri, at Rs6,500 to Rs6,700; 1,600 bales, Saleh Pat, at Rs6,550 to Rs6,750; 2,200 bales, Haroonabad, at Rs6,450; 2,400 bales, Rahimyar Khan, at Rs6,875 to Rs7,000; 600 bales, Khanewal, at Rs6,300; 1,200 bales, Mianwali, at Rs6,300; and 1,000 bales, Layyah, at Rs6,300.

Source: dawn.com - Dec 12, 2017

HOME

****

Hanging by a thread: Spotlight on Cambodia's garment sector

Will Cambodia's valuable garment sector pay a price for the country's political crackdown?

It was lunchtime at the Phnom Penh factory when a commotion broke out at the gate. Prime Minister Hun Sen had arrived.

He was mobbed by garment workers like Ms Bot Saiya, who held out her cellphone to snap a picture of herself with the most powerful man in Cambodia.

"I had seen photos that people took with him on Facebook, and imagined what it would be like to meet him," she told The Straits Times. "My dream came true."

With seven months to go before Cambodia's general election, its US$7 billion (S$9.5 billion) garment and footwear industry has come under the spotlight and, some workers feel, under threat.

The industry is a powerful political force and major source of employment. But it is also in the crosshairs of foreign governments critical of Cambodia's crackdown on political dissent, with threats of possible economic penalties that could hurt the sector.

Since August, the Cambodian authorities have shuttered critical media outlets, detained opposition leader Kem Sokha for treason, dissolved his Cambodia National Rescue Party (CNRP) and redistributed its parliamentary seats. They have also arrested journalists for espionage, and put officials on alert for those fomenting a "colour revolution".

The crackdown has taken place alongside a concerted effort by the ruling party to woo Cambodia's 740,000 garment and footwear workers, who power the biggest economic engine of the country.

Analysts say their role as breadwinners for rural households also gives them outsized influence among the 8.3 million registered voters. Mr Hun Sen has been visiting factories twice a week to meet workers and managers.

In the turbulent aftermath of the 2013 election, where the CNRP stunned the Cambodian People's Party by shrinking its parliamentary majority from 90 seats out of 123 to 68, striking workers joined opposition supporters in demanding the government double its monthly minimum wage to US$160. At least four people were shot dead when a protest turned violent in 2014.

While the demand was not met, the minimum wage has been raised every year since. After the latest round of wage negotiations, the government announced in October that the wage would increase from US$153 to US$170 (S$230) in January next year - with the state picking up the tab for US$5 of that hike. Employers will have to pay full contributions to their workers into the National Social Security Fund, as opposed to the 50 per cent they currently foot.

Bangladesh, the world's second-largest exporter of garments after China, has a minimum wage less than half of Cambodia's. Manufacturers are worried.

"We have raised the minimum wage 11 per cent for the next year. In Vietnam, it was 6.5 per cent," Mr Ken Loo, the secretary-general of the Garment Manufacturers Association in Cambodia, pointed out. "But we understand it is an election year."

Cambodia makes anything from sneakers to shirts bearing global brands, such as Marks & Spencer, H&M and Adidas, which are exported to the US and EU under preferential terms offered to poorer countries. While the sector is projected to expand by 6 per cent in export value by the end of the year, some 15,000 to 20,000 jobs were lost last year because of factory closures, Mr Loo said.

In a peach-coloured dormitory block in Phnom Penh's Dankao district, the youthful migrants are wary of revealing their political affiliation even as they leave a picture of Kem Sokha taped to the wall. Yet they are proud of their political and economic clout.

Mr Vun Mab, a baby-faced, 28-year-old father of two from Prey Veng province, declared: "Without garment workers, we wouldn't have seen this much progress."

Uncertainty now cloaks his future. Shortly after the Supreme Court ordered the CNRP dissolved last month, the European Union, which accounted for about 40 per cent of Cambodia's exports last year, issued a statement that implied sanctions were possible.

"Respect of fundamental human rights is a prerequisite for Cambodia to continue to benefit from the EU's preferential Everything But Arms scheme," the statement said, referring to the duty-free and quota-free access for all Cambodian exports except arms.

And just last week, the United States said it would restrict entry to people involved in the Cambodian government's actions to undermine democracy, including the dissolution of the country's main opposition party and imprisonment of its leader.

The visa sanctions are the toughest steps by any Western country since a crackdown on critics of Mr Hun Sen, Reuters reported.

Mr Yi Ratha, who spends his days gluing soles to sneakers for US$179 a month, fears for his job.

"The international community will use the garment industry to press the country to respect the rule of law," he said. "And the parties most affected will be the poorest people, not the wealthy."

In the meantime, Mr Hun Sen is keeping up with his factory visits as he seeks to extend his 33-year premiership.

In a speech broadcast live on Facebook, he interspersed wisecracks about his loose trousers with impassioned pleas about peace and stability. "If there is no peace, you won't be able to work here!" the Prime Minister said, reminding workers about Cambodia's genocidal past under the Khmer Rouge regime.

"We won't allow the poisonous people to destroy the safety, peace and stability of our development... We won't give you any opportunity."

Workers like Ms Chon Kimly, while looking forward to meeting Mr Hun Sen, are patiently waiting for their turn at the ballot box.

"I am a good citizen", she said quietly. "No matter how busy I am, I don't forget to vote."

Even as the industry wields considerable political power via its strength in voting numbers, the lot of Cambodia's garment workers is not an easy one.

Workers protested after the 2013 election, joining opposition supporters in demanding that the government double the monthly minimum wage to US$160. At least four people were shot dead when military police opened fire on a crowd in an attempt to quell a protest that had turned violent in 2014.

Source: straitstimes.com - Dec 12, 2017

HOME

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NATIONAL NEWS

India counters US stand over special treatment to developing

India today sought to counter concerns expressed by the US over special treatment to developing nations by the WTO, saying the country is still home to 600 million poor people and its demand for differentiating such countries is legitimate.

Addressing the plenary session at the 11th ministerial conference of the WTO, Commerce and Industry Minister Suresh Prabhu observed that many developed countries have benefited under the GATT rules in agriculture and textiles.

Prabhu was responding to US Trade Representative Robert Lighthizer who earlier spoke of a situation under which new rules apply for a few.

"We need to clarify our understanding of development within the WTO. We cannot sustain a situation in which new rules can only apply to a few and that others will be given a pass in the name of self-proclaimed development status," Lighthizer had said in his remarks at the plenary.

Prabhu responded by saying developing nations' "are legitimate demands for special and differential treatment for developing countries. It is also noteworthy that many developed countries of today have benefited from long periods of derogation from GATT rules in the area of agriculture and textiles".

The minister also expressed concern over the way the discourse at the WTO was being deflected by arguments based on GDP of countries.

"We are increasingly seeing that the discourse on development at the WTO is sought to be deflected by specious arguments based on aggregate GDP figures.

"While in India, we are proud of our GDP and growth rates of recent years, propelled by innovative economic policies of my government, we cannot ignore that India is home to more than 600 million poor people," Prabhu said.

Source: business-standard.com- Dec 11, 2017

HOME

****

Impose safeguard measures to prevent cheap imports: CITI

Textile industry body CITI today called for imposing safeguard measures to prevent routing of cheaper fabrics produced in countries like China through Bangladesh and Sri Lanka, that have free trade pacts with India.

In a statement, the Confederation of Indian Textile Industry (CITI) observed that the country's garment industry will face stiff competition due to garments imported, especially from Bangladesh where production cost is already less than India.

CITI stated that according to the latest data released by Bangladesh Export Promotion Bureau, India's import of garments from Bangladesh has reached USD 87.4 million during July to November 2017, indicating a sharp increase of 56 per cent from USD 55.92 million during the same period last year.

CITI Chairman Sanjay Kumar Jain pointed out that there is "an urgent need to impose safeguard measures such as Rules of Origin, Yarn Forward and Fabric Forward Rules on the countries like Bangladesh and Sri Lanka that have free trade agreements (FTAs) with India to prevent cheaper fabrics produced from countries like China routed through these countries".

During July to November 2017, India's imports of knitted apparel from Bangladesh increased by 69 per cent while the imports of woven apparel increased by 51 per cent corresponding to the same period last year, he said.

Jain highlighted that the basic custom duty on import of garments from Bangladesh is exempted. In the Pre-GST scenario, import of garment from Bangladesh was attracting cost of Rs 77 per piece (where MRP Rs 999 per piece) and Rs 116 per piece (where MRP is Rs 1,500 per piece) in the shape of CVD + education cess thereon.

However, post-GST (goods and services tax), there is no cost for import of garments from Bangladesh. Similarly, in the case of import of garment from other countries, the cost has been substantially reduced by Rs 77 per piece and Rs 116 per piece where MRP is Rs 999 per piece and Rs 1,500 per piece respectively, he said.

"Garment manufacturers in India have to pay duty on imported fabrics, while Bangladesh can import fabric from China duty free and convert them into garments and sell to India duty free.

"This is putting Indian garment industry at a major disadvantage and it is feared that this figure will go up further in the coming days as more Indian Brands shift sourcing from India to low cost duty free countries like Bangladesh and Sri Lanka," the textile body said.

Source: business-standard.com- Dec 11, 2017

HOME

****

Most firms expect no change in investment plans: CII survey

Despite visible optimism in Indian industry with the Confederation of Indian Industry's (CII) business confidence index climbing to 59.7 during October-December 2017 against 58.3 in the previous quarter, a majority of the firms expect no change in their investment plans, according to the 101st edition of CII's quarterly Business Outlook Survey.

Around half of the large, medium and small companies surveyed expected to maintain status quo in their domestic investment plans.

Around three-fifths of the firms said they expected to keep their investment plans unchanged on the international front as well, a top business daily reported quoting a CII press release. The firms rated low domestic demand, followed by high commodity prices as the "major threats."

Business conditions may improve as over 63 per cent of the companies anticipated a rise in sales in October-December 2017, compared with only 44 per cent who experienced the same in the previous quarter. Companies also expected new orders to rise in this quarter.

Source: fibre2fashion.com- Dec 11, 2017

HOME

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Bollworm strikes, Telangana to lose cotton

This year, cotton was sowed on a record 47.72 lakh acres, which should have brought in a bumper harvest.

Cotton production in Telangana this year is feared to come down drastically thanks to the pink bollworm pest and inferior quality seeds. It is estimated that pink bollworm will eat up 40 per cent of the cotton crop this year.

While the state grew a record cotton crop, the pest has damaged crops over a large area.

The agriculture and marketing departments estimate a fall in production from 3.30 crore quintals estimated earlier, to two crore quintals. Unseasonal rains and spurious seeds have also played a part in lowering the production.

Fifteen cotton farmers have committed suicide in cotton-growing districts over the past month because of crop loss and the government is concerned about how to stem this tragedy as the losses grow.

Under normal circumstances, huge stocks of cotton should have flooded major markets by now. But this is not being seen anywhere the Khammam market should receive 20,000 quintals per day but is not getting even 6,000 quintals.

Half of the cotton produced this season should have reached the markets by now. But the agriculture and marketing departments estimate that only 68 lakh tonnes were received till December 8. Of this, the Cotton Corporation India purchased 15 lakh quintals; the rest 53 lakh quintals were bought by private traders.

Cotton affected by dry weather

Telangana's cotton sowing area normally is 1.08 crore acres for the kharif crop. This year, cotton was sowed on a record 47.72 lakh acres, which should have brought in a bumper harvest.

The prolonged dry spells in July, August and September dealt the first blow and helped the spread of bollworm. Spurious seeds used by farmers were not resistant to the pest and during the wet days in October and November the situation worsened, affecting the cotton crop over 10 lakh acres.

The productivity has also come down to 6-7 quintals against normal productivity of 10-12 quintals. "Twenty per cent of the crop lost was on account of use of unapproved BG-3 cotton seeds, which couldn't resist the bollworm pest," a report submitted to the government said.

A source in the agriculture department said, "We have directed dealers not to sell these seeds. Raids were conducted in all the districts and cases were booked against dealers. Over 100 samples of different seeds were collected and sent to laboratories for testing.

Ninety-five per cent of these samples were of cotton, which were found to be of inferior quality." Genetically engineered seeds like Monsanto's BG-II are supposed to be resistant to pink bollworm but the spurious seeds many farmers used did not guard against this pest, officials said.

Source: deccanchronicle.com- Dec 11, 2017

HOME

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Denim industry says 30-40% of operative capacity shut

With annual sale of Rs 15,000 crore, this industry employs around 400,000 workers directly, besides the indirect spinoff

The Rs 15,000-crore denim industry says 30-40 per cent of its operating capacity has been shut since the goods and services tax (GST) was implemented, due to weak domestic demand and reduced potential for export.

The government has levied 12 per cent GST on branded garments beyond the maximum retail price of Rs 1,000 and five per cent below this threshold. Denim demand from local consumers and importers has fallen, with manufacturers either having to shut down or operate at reduced capacity.

JEANS IN DISTRESS

- ₹15,000-cr denim industry has shut down 30-40% capacity after implementation of GST on slow demand
- Compulsory GST registration eliminates small downstream players on increased compliance cost
- Govt levies 12% GST on branded apparel worth more than ₹1,000 and 5% on below this limit; and 5% on job work against almost nil total duty earlier
- A sunrise industry till Q1 of FY18, it has plunged into a slowdown
- Around 400,000 are jobs under threat

"Since the GST implementation from July 1, the denim industry has temporarily closed down 30-40 per cent of its operating capacity across the board. If this continues, there can be more production cuts," said Sharad Jaipuria, chairman, Denim Manufacturers Association.

The denim fabric manufacturing industry had, over the past decade, been growing at a 15 per cent compounded annual rate. Installed capacity is 1.5 billion metres a year, second largest in the world, after China.

With annual sale of Rs 15,000 crore, this industry employs around 400,000 workers directly, besides the indirect spinoff.

"Denim manufacturing hubs have gone under a massive slowdown due to the liquidity crunch after demonetisation and slow acceptance of GST by small players to become part of the formal economy.

As 85 per cent of the fabric is sold in the the domestic market, denim fabric mills are badly hit," said Akhilesh Rathi, Director, Bhaskar Denim.

The number of denim fabric mills was 30 in 2012; it is now 46. Denim fabric production capacity was 800 million metres in 2012 and is now 1,500 mn metres, with another 150 mn metres of new capacity in the pipeline for expansion.

According to Amit Dalmia of R&B Denims, the upstream activities of garment sewing and washing in small scale industry hubs will take a while before they change for working smoothly with the formal banking system. "We are not foreseeing any short-term recovery of the market," he said.

India exports denim fabric of 200 mn metres annually. The value of export was $316 mn in 2016-17, down 11 per cent from $335 mn in 2014-15.

Atul Singh, Director at the Ashima Group, says the government needs to announce immediately some enhancement in duty drawback rates and extend some more benefits under the Returns of State Levies scheme, the Merchandise Export from India Scheme, the focus product and focus market schemes.

Source: business-standard.com- Dec 12, 2017

HOME

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Profitability drives US retailers to downsize shops in India

A shuffle is taking place in the retail sector, with brands looking to right-size their outlets. Three American clothing and accessories brands — Gap, Forever21 and Aeropostale — have significantly cut down the size of their stores. The reason: to improve their revenue per square feet, which boosts profitability. Aeropostale has moved out of a 3,000 sq ft shop and shifted to an 800 sq ft retail space.

Similarly, Gap has relocated to a smaller shop from its 7,000 sq ft floor space. In both the cases, US Polo Assn has occupied the vacated areas. The swap, in this case, was easier, say developers, because the retail businesses of Aeropostale, Gap and US Polo Assn in India are all managed by domestic retail company Arvind Lifestyle. These stores are located in Oberoi Mall in Goregaon and Infiniti Mall in Malad.

Arvind Lifestyle, which is a leading player in the segment, turned around last year, posting a profit of Rs 14 crore in FY17 (against a loss of Rs 52 crore in the preceding year) on a 11.4% growth in revenues to Rs 2,559 crore. Meanwhile, Aditya Birla Fashion Retail (ABFRL), which is the Forever21 franchisee in India, is also re-sizing two of its existing stores.

The brand had at least three stores in Mumbai and Delhi, which were between 10,000 sq ft and 15,000 sq ft in size. But going forward, the company is looking for a little smaller – 8000 sq ft to 12,000 sq ft – stores, said Ashish Dixit, business head at ABFRL.

The downsizing of the stores fits in well with the aim of the brand to turn profitable by the end of the financial year, Dixit said.

Forever21 has shut down one of its Mumbai stores and is in the process of "right-sizing" one of its Delhi shops. "Most of the foreign players, when they entered the country, took up large format stores. But now that they have realised the depth of the market and are increasing focus on profitability, they are downsizing," said Rajneesh Mahajan, CEO, Inorbit Malls, a chain of malls owned by K Raheja Corporation.

Fast fashion brands of ABFRL, including Forever21 and People, saw EBIDTA losses climb to Rs 26 crore in H1FY18 from Rs 15 crore in H1FY17. And a cut-back in floor sizes needs to be viewed in this context. Dixit contends that reduction in size will help boost revenue per square feet for the stores, and hence the profitability. Industry experts agree with this approach. Rajat Wahi, partner, Deloitte, said:

"For a foreign brand to be successful in the country, it needs to focus on the right pricing, right size of stores and customer connect. The problem in India is that beyond tier I and tier II cities, many people are not aware of the brands. So while a large format store gives bigger exposure to brands, at the same time operational costs and inventory costs are higher, which the brands are trying to correct through right-sizing of stores to increase their sales per sq ft."

Mahajan said, "Big brands after losing money have realised the depth of the market, and are now focusing on trimming store sizes to become profitable." Pankaj Renjhen, MD (retail), JLL India, observes that when revenues per sq ft are under pressure, merchandise needs to be consumed quickly. "Smaller stores also require less capital."

While costs and consumer patterns are the main reason for smaller stores, the lack of affordable and quality real estate is also a problem. In the past too, several brands, both domestic and international, had to trim their retail formats owing to limited space available in top performing malls.

For example, when Swedish multinational brand Hennes & Mauritz (H&M) entered the domestic market, several mall developers had to relocate brands such as Pantaloons, Big Bazaar and Central and cut down the area they once occupied.

To squeeze into one of the most productive malls, the aim is to have a higher trading density rather than a larger store size. “Each brand will strive to build optimum efficiency while not compromising on the brand offering,” said Mukesh Kumar, vice-president at Infiniti Mall in Mumbai.

Among international brands, the trend of starting out with a large flagship store but consequently downsizing is slowly becoming the norm. For instance, industry experts said, London-based Marks & Spencer has gradually reduced stores sizes from about 20,000-25,000 sq ft to 10,000-15,000 sq ft. The company made an entry into the Indian market through a joint venture with Reliance Retail in 2008.

Globally, Gap stores are sized between 10,000 and 15,000 sq ft. According to sources in the mall development business, when Gap started its recce to set up operations in India two years back, it was looking for stores measuring 15,000 sq ft, but in several locations, it had to settle for just half the size.

Similarly H&M and Zara, the two international “anchor” stores, once insistent on 20,000-25,000 sq ft shops are now much more open to considering smaller spaces. In fact, some of Zara’s most productive stores are sized approximately 15,000 sq ft to 16,000 sq ft. Some of the trimming is natural because in non-metro cities, one cannot sustain a 15,000 sq ft space, as the catchment also plays an important role in deciding the most profitable size, Mukesh said.

Both Zara and H&M are now aggressively expanding in Indore, Amritsar and Chandigarh, where they have no option but to re-size. The moves by big retail to right-size are being driven, therefore, more by profitability and market dynamics, rather than by their international store standards.

Source: financialexpress.com- Dec 12, 2017

HOME

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India must tap changing trends in manufacturing

Bring out policies to help Indian firms use their success in IT, says World Bank official

India needs to consider bringing out appropriate policies soon to help its companies use their success in Information Technology and Information Technology-enabled Services to take advantage of the growing trend of "servicification" of manufacturing, according to a World Bank official.

Services are now often embodied in goods as part of the manufacturing process, as well as more services such as after-sales support and add-on services are being embedded in goods during post-production, the Bank had said, referring to the process called the "servicification" of manufacturing, in a September 2017 report titled 'Trouble in the Making? The Future of Manufacturing-Led Development'.

Speaking to The Hindu, Gaurav Nayyar, Economist in the World Bank Group's Trade and Competitiveness Global Practice and the report's co-author, said India may not have as many opportunities in the outsourcing industry as it had in the past couple of decades due to increasing competition from countries such as Philippines and owing to the impact of automation on the segment.

Therefore, India would need to swiftly announce suitable policies to help its companies to take advantage of the "opportunities in servicification of manufacturing by leveraging their success in software," he added.

According to the Bank's report, "Evidence from... India ...shows that this servicification of manufacturing has improved manufacturing productivity."

The report also said the servicification of manufacturing is further enabled by using data that will play an increasingly important role in "smart" manufacturing. It added that interconnected manufacturing --or the Internet of Things (IoT), where networks, machines, and computers are connected to the Internet-- requires the sending and receiving of data across the entire production chain.

Mr. Nayyar said in another 12-15 years, when Industry 4.0 (the trend of data exchange and automation in manufacturing-related technologies) is much more firmly entrenched in Global Value Chains, companies across the world would look for countries with more skilled workers and professionals as well as uninterrupted and quality power supply for technologies such as 3D printing, in addition to a strong Intellectual Property Rights (IPR) regime. Therefore, India will need to undertake reforms in these areas, in addition to more initiatives on ease of doing business and infrastructure development, if it wants to attract more investment, he added.

According to the Indian government, the new ‘future-ready’ Industrial Policy, which is to be announced soon, will incorporate measures to facilitate the use of modern smart technologies such as IoT, artificial intelligence and robotics for advanced manufacturing.

“The Industry 4.0 bouquet of technologies has blurred the line between manufacturing and services and is predicted to impact all industries,” the discussion paper on the Policy had said.

Mr. Nayyar backed India’s push in the bilateral, regional and multilateral trade negotiations for relaxing norms on movement of skilled workers and professionals across borders for short-term work. “In the longer term horizon, skills will become more important than anything else… Most firms struggle to get people with good management capabilities as well as knowledge on using modern production processes.. Easier movement of professionals across borders is the key,” he said.

Source: thehindu.com- Dec 08, 2017

HOME

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