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IBTEX No. 242 of 2019 December 12, 2019

US 70.69 | EUR 78.78 | GBP 93.43| JPY 0.65

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18947	39600	**71.39**

Domestic Futures Price (Ex. Warehouse Rajkot), December

Rs./Bale	Rs./Candy	USD Cent/lb
19020	39752	**71.66**

International Futures Price

NY ICE USD Cents/lb (March 2020)	65.88
ZCE Cotton: Yuan/MT (May 2020)	13,255
ZCE Cotton: USD Cents/lb	85.42
Cotlook A Index – Physical	**73.35**

Cotton Guide- In the last couple of days we have seen the ICE March Futures toggled in between 64.88 cents per pound and 66.23 cents per pound. It was more of a roller coaster ride. The prices have not been able to break the upper or the lower limits. In other words, we can say that the market participants are having mixed sentiments.

While we write this report the most active contract the ICE March futures contract is trading at 65.93 cents per pound. This figure can easily touch 66.50 cents per pound today with the release of the US export sales data as we expect the same to the positive for today and for the next week as well. Also, it is presumed, before the new tariffs could kick in, on 15th December 2019, there might be a dramatic announcement by President Trump. We may even see the First Phase deal even agreed upon. There is some kind of speculation already regarding the aforementioned in the market which is expected to take the prices higher.

Yesterday, the ICE March contract settled at 65.88 cents per pound with the change with a negligible change of -5 points. At the time of settlement the ICE May contract showed a contango of +107 points at 66.95 cents per pound. The Volumes were again lower at 21,144 contracts. We can expect these figures to spike up today.

The MCX contracts on the other hand have been on the negative end since long, it was presumed that the numbers will get positive soon but the inverse has happened. The MCX December contract settled at 19,020 Rs per Bale with a change of -50 Rs. Whereas the MCX January contract settled at 19,190 Rs per Bale with a change of -30 Rs. The volumes were again lower at 691 lots.

The Cotlook Index A has been updated at 75.35 cents per pound with a change of +50 points. Which speaking overall supply, we are seeing lesser production figures from India and USA already.

On the fundamental front, for this week we presume there might be some dramatic changes in prices if there is any discussion between the two superpowers. If the discussion is fruitful then the prices could hit 68 cents per pound in 3 sessions. On the other hand, for Next week onwards, considering there is no Trade agreement, we can expect the figures to decline drastically as there will be weakness in sentiments, also, the next fortnight will mark the end of the month, the quarter and the financial year for the international markets. We can expect many positions to be squared off which will add further bearishness to the markets.

On the technical front, ICE Cotton March is trading within a range bound manner, after it breakdown from an upward sloping channel. However, price now has the immediate resistance of the downward sloping trend line (blue line) around 66.50-66.70, along with the support of 64.90 which is 23.6% Fibonacci retracement level of an intermediate up move. Meanwhile, price is above the daily EMA (5, 9) at 65.71, 65.54, along with the momentum indicator RSI is at 52, suggesting sideways bias to the price. Thus for the day we expect price to trade in the range of 66.70-64.90 with sideways bias. In MCX Dec Cotton, we expect the price to trade within the range of 18850-19100 with a sideways to negative bias.

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

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INTERNATIONAL NEWS

Trump wants 'movement' from China to avoid Dec 15 tariffs

US President Donald Trump does not want to implement the next round of scheduled tariffs against Chinese goods on December15, but wants ‘movement’ from China to avoid them, US agriculture secretary Sonny Perdue recently said. China’s assistant commerce minister Ren Hongbin hoped for a trade deal with the United States as soon as possible before the new tariffs kick in.

Both the countries have been embroiled in a 17-month trade war. "I don't think the president wants to implement these new tariffs, but there has got to be some movement on their part to encourage him not to do that," Perdue said.

"And hopefully the signal they sent over soy and pork reductions might be that signal," global newswires quoted Perdue as telling a National Grain and Feed Association conference in Indianapolis.

“On the question of China-U.S. trade talks and negotiations, we wish that both sides can, on the foundation of equality and mutual respect, push forward negotiations, and in consideration of each others’ core interests, reach an agreement that satisfies all sides as soon as possible,” Ren said.

Beijing said last week it would waive import tariffs for some shipments of soybean and pork from the United States but did not specify quantities. China has demanded that some of the existing US tariffs imposed on about $375 billion worth of its exports be removed, in addition to cancellation of the December 15 tariffs on some $156 billion of its remaining exports to the United States.

White House economic adviser Larry Kudlow said last week the two sides had talked almost daily, but there were no plans at present for face-to-face talks or a signing ceremony between Trump and Chinese President Xi Jinping.

Source: fibre2fashion.com - Dec 11, 2019

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China plans tax, fiscal measures to boost border trade

China will adopt a slew of measures, including tax and fiscal policies, to give full play to the role of border trade in stabilising foreign trade and to ensure border trade achieves results like facilitating employment, improving livelihood, alleviating poverty, enhancing bilateral ties and furthering domestic ethnic unity, the commerce ministry said.

The measures include value-added tax exemption policy and simplified declaration process for small-scale border trade exports at pilot areas, and properly increasing amounts of local government bonds in border areas, to support infrastructure construction in border (cross-border) economic cooperation zones and key development and opening-up pilot zones, according to information posted on the website of the economic and commercial counsellor's office of the Chinese Embassy in South Africa.

Construction land permissions will be granted to border (cross-border) economic cooperation zones on a priority basis, and the authorities will also encourage development of 'internet plus border trade', to reduce transaction costs, broaden border trade channels, and expand border trade scale, as well as the establishment of e-commerce platforms at border regions to promote new businesses and models for border trade.

Border marketplaces will be encouraged to improve their functions for commodities display, marketing, wholesale, retail and distribution, and clusters of trade centres that respectively trade on special products from neighbouring countries and products with Chinese characteristics will be cultivated, based on existing key border trade commodities marketplaces.

Besides, the law on the administration of barter trade between border residents will be revised, to clarify barter trade scope, forms, transaction subjects, place and modes, and supervision method, and a negative list on imports of barter trade will be published.

Source: fibre2fashion.com - Dec 11, 2019

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USA: November Retail Apparel Prices Are In—Are Holiday Promos Helping or Hurting?

Seasonal markdowns could be keeping the impact of tariff costs in retail apparel prices at bay.

Retail apparel prices inched up a seasonally adjusted 0.1 percent in November compared to the prior month, but were down an unadjusted 1.6 percent from a year earlier, according to the Consumer Price Index (CPI) released Wednesday by the Bureau of Labor Statistics (BLS).

Brands and retail executives had been predicting some bump in prices from the Sept. 1 imposition of 15 percent tariffs on Chinese imports, although many said they had pulled holiday inventory in early to beat the increases. This was reflected by declines in September and October shipments.

Perhaps reflecting the nature of the type of merchandise sold, women's and girls' apparel prices were up, while men's and boys' declined. Soft fiber prices have also helped manufacturers keep price increases at bay. U.S. spot cotton prices averaged 60.04 cents per pound for the week ending Dec. 5. That was down from 60.83 the previous week and from 75.19 cents a year earlier.

Women's retail apparel prices increased 1.2 percent last month compared to October. The gain was led by a 2.7 percent rise in suits and separates prices that outweighed declines of 1.3 percent in dresses, 0.1 percent in outerwear and 1.1 percent in the underwear, nightwear, swimwear and accessories group. Girl's apparel prices rose 2 percent in the month.

Men's apparel prices fell 1.9 percent in November, with decreases in all categories. Declines of 2.4 percent were seen in shirts and sweaters; 2 percent in the underwear, nightwear, swimwear and accessories group; 1.4 percent in pants and shorts, and 0.7 percent in suits, sport coats and outerwear. Boys' apparel prices dropped 3.9 percent in the period.

The overall CPI rose 0.3 percent in November on a seasonally adjusted basis, after rising 0.4 percent in October, BLS reported Wednesday. Over the past 12 months, the index increased 2.1 percent before seasonal adjustment, a larger rise than the 1.8 percent increase for the period ending October.

Increases in the shelter and energy indexes were major factors in the monthly increase, BLS said, with gains in the indexes for medical care, recreation and food also contributing. The energy index, an important indicator for company operations costs, increased 0.8 percent in November after rising 2.7 percent in October. The gasoline index rose 1.1 percent in November following a 3.7 percent increase in October, while the index for natural gas rose 1.1 percent and the index for electricity increased 0.3 percent.

The core index, excluding food and energy, rose 0.2 percent in November, the same increase as in October. Along with the indexes for shelter, for medical care and recreation, the indexes for used cars and trucks and for apparel also rose in November.

The core CPI rose 2.3 percent over the past 12 months.

Source: sourcingjournal.com - Dec 11, 2019

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USA: National Cotton Council (NCC) Urges Swift USMCA Passage

The National Cotton Council (NCC) expressed appreciation of the U.S.-Mexico-Canada Agreement (USMCA) deal reached December 10 between the Administration, Congress and the governments of Mexico and Canada, and urges swift Congressional approval.

In a statement, NCC Chairman Mike Tate said, "This trade agreement will provide an additional $2.2 billion in U.S. economic activity and freer markets/fairer trade.

Importantly, it will restore important trade certainty in the North American market, which represents significant export market share for both U.S. cotton and cotton textile products."

Mexico is the second largest export market for U.S. cotton textile/apparel products, and Canada is the fourth largest for these goods. Mexico also is a top market for U.S. raw cotton.

Tate noted that the USMCA, which updates and modifies the North American Free Trade Agreement (NAFTA), includes a textile chapter that offers significant improvements for domestic textile manufacturers and workers, including a stronger rule of origin for certain regional textile products and strong customs enforcement language.

The NCC also agrees with U.S. Trade Representative Robert Lighthizer's statement that this agreement will benefit American workers, farmers and ranchers for years to come and become the model for American trade deals going forward.

Source: cottongrower.com - Dec 11, 2019

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Brazilian cotton output may be flat

Brazil's cotton output is likely to be relatively flat in the 2019-20 season. Though over the last two years, Brazilian cotton output and exports have risen significantly the yearly growth rate of planting areas is likely to decrease in the 2019-20 season or even be negative. It may be related to the growers' return. After the large input, and without obvious returns, growers will maintain normal production for next year.

Before the 1996-97 season, the yield of Brazilian cotton hovered at a low level, and then the yield improved gradually. In the 2018-19 season, the yield has grown by 215.8 per cent from 1996-97. In recent years, the influences of planting areas are larger than that of yield on output.

Especially in the 2017-18 and the 2018-19 seasons, with the continual decrease of yield, the large rise of planting areas has pushed up cotton output. Viewed from this correlativity, Brazilian cotton planting areas and yield may be flat in the 2019-20 season, and the change on output may be also limited.

Brazilian cotton output is supposed to rise by 35.9 per cent year on year in the 2018-19 season and exports may rise by 43.7 per cent. In the 2019-20 season, output may edge up by 0.2 per cent and exports may rise by 42.9 per cent.

Source: fashionatingworld.com - Dec 11, 2019

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US denim imports reports a dip from January to October

US denim imports were down 1.52 per cent in the first 10 months of the year. As per Commerce Department's Office of Textiles & Apparel(OTEXA) figures China's shipments of blue denim apparel declined 21.97 per cent for the year to date.

China's market share of imported jeans for the 12 months through October fell 18.98 per cent to 20.05 per cent, reflecting a similar picture for overall apparel. China's declines were most dramatic in September and October.

While companies such as Guess and G-III Apparel are sticking with Chinese production, and have been able to negotiate with factories there to mitigate price increases from tariffs, PVH is reducing its exposure.

PVH sourcing out of China is about ten per cent of its overall sourcing mix but three or four years ago that was close to 35 per cent to 40 per cent.

US denim imports from Mexico increased 2.88 per cent for the year. Denim imports from Bangladesh grew by a slim 1.48 per cent.

Vietnam's denim exports to the US jumped 23.23 per cent. Pakistan's shipments rose 5.04 per cent Cambodia's were up 2.37 per cent.

Denim imports from Egypt increased 16.47 per cent, shipments from Jordan rose 6.46 per cent and imports from Nicaragua gained 24.29 per cent. Guatemala also posted a solid gain, up 8.29 per cent.

Source: fashionatingworld.com- Dec 11, 2019

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WTO Appellate Body's non-functionality could hit poorer countries more

WTO DG Azevedo says interim arrangements will play a key role in dispute settlement now but search for permanent solution will be on

Experts said that the loss of the World Trade Organisation's (WTO) powers to settle trade disputes, after the number of the judges at the Appellate Body was reduced to only one instead of the mandatory three on Wednesday, could hurt developing countries like India the most.

They said that these countries will now be prone to more bullying by rich countries over trade disputes.

"India has on-going disputes at the WTO where the judgement was likely go in its favour. The panel ruling on steel subsidies dispute filed by the US, for instance, seemed to be favourable for India on several important aspects. But it will hold no meaning now as a request for Appellate Body examination of the case would lead to its indefinite suspension," an official involved in WTO matters told BusinessLine.

The reduction in the number of judges in the Appellate Body to one on December 11, following the end of the term of two judges, has made the apex decision making body of the WTO dysfunctional. The US has been blocking the appointment of new judges over the last couple of years. In fact, the number of judges has been gradually reduced from seven to one.

The US has done so to protest the Appellate Body's alleged overreach of its authority and, in effect, creation of new trade laws. Washington also accused the WTO of often giving unfair judgements against the US and in favour of competing countries like China.

Some policy watchers argue that India, too, could benefit from the situation as certain difficult cases, such as the one against its export subsidies, will now get indefinitely delayed. Others, however, say that developed countries are so powerful that they could make developing countries change their rules based only on panel rulings even though it may not be formally enforceable if the case is forwarded to the Appellate Body.

"India already has a plan to replace its export sops with incentives that are WTO compliant despite the fact that it has already filed an appeal with the Appellate Body against the dispute panel's adverse ruling on the matter. This is because the US is putting pressure bilaterally on India on the matter," the official said.

The dispute settlement mechanism was a big handle that developing countries could use to put pressure on developed countries against unfair trade, said Biswajit Dhar, Professor, Jawaharlal Nehru University. "With the Appellate Body now losing its functionality, developing countries don't have a mechanism to pull up the developed countries. Developed countries, on the other hand, can use their muscle power to get things done bilaterally," Dhar added.

WTO Director General (DG) Roberto Azevedo, at a press conference on Tuesday evening in Geneva, said the members will continue to resolve WTO disputes through consultations and panels. "They will also use other mechanisms envisaged in the WTO agreements to resolve disputes and review rulings such as arbitration or good offices of the DG. Interim arrangements have a main role to play now and I know that many members are discussing these kind of arrangements," Azevedo said.

But the WTO members have been quite clear in their desire to have a two-step review process, he added. "So our duty is to find and deliver a durable solution," the DG stated.
Source: thehindubusinessline.com - Dec 11, 2019

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WTO extends nil tariffs on digital trade for 6 months

The World Trade Organisation (WTO) yesterday decided to extend the 20-year-old practice of not imposing customs duty on digital trade by six months to June 2020—seen as a setback for India and other developing nations. South Africa and India had argued that the moratorium led to loss of revenue as it gave such transactions immunity from taxation in the WTO.

The moratorium on digital trade, worth an estimated $225 billion a year, has been in place since 1998, but was due to expire this month. The moratorium was last extended at the 2017 Ministerial Conference in Buenos Aires until the next ministerial, originally planned for December 2019.

India's potential annual loss of revenue by not taxing electronic transmissions is around $500 million, according to a study by the United Nations Conference on Trade and Development (UNCTAD). Of the total $8 billion of potential tax losses projected for 58 developing countries, Mexico, Thailand, Nigeria, India, China and Pakistan face the highest losses, the research paper said.

Amid fears that countries would indiscriminately impose taxes, Singapore, South Korea and the United States have demanded that the temporary moratorium be made permanent, according to global news wires.

Source: fibre2fashion.com- Dec 12, 2019

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Asian Development Bank (ADB) trims growth forecast as Asia's biggest economies slow

The Asian Development Bank (ADB) has trimmed its forecasts for economic growth in developing Asia this year and next year to 5.2 per cent as growth in China and India is weighed down by both external and domestic factors. Manila-based ADB said this in a supplement to its Asian Development Outlook 2019 Update released in September this year.

ADB's September forecast was gross domestic product (GDP) in the Asian region to be 5.4 per cent in 2019 and 5.5 per cent for 2020.

"While growth rates are still solid in developing Asia, persistent trade tensions have taken a toll on the region and are still the biggest risk to the longer-term economic outlook.

Domestic investment is also weakening in many countries, as business sentiment has declined," said ADB chief economist Yasuyuki Sawada. "Inflation, on the other hand, is ticking up on the back of higher food prices, as African swine fever has raised pork prices significantly."

The ADB supplement forecasts inflation of 2.8 per cent in 2019 and 3.1 per cent in 2020, up from the September prediction that prices would rise 2.7 per cent this year and next.

In East Asia, growth in China is now expected at 6.1 per cent this year and 5.8 per cent next year due to trade tensions and a slowdown in global activity coupled with weaker domestic demand, with family wallets being hit by pork prices that have doubled relative to a year ago.

Growth could accelerate, however, should the United States and China come to an agreement on trade, the report says. In September, ADB forecast GDP growth of 6.2 per cent in 2019 and 6.0 per cent in 2020. Hong Kong, China, already in technical recession, will see severe downward pressures persist possibly into 2020. The economy is now expected to contract 1.2 per cent this year and grow 0.3 per cent next year.

In South Asia, India's growth is now seen at a slower 5.1 per cent in fiscal 2019-20 as the foundering of a major non-banking financial company in 2018 led to a rise in risk aversion in the financial sector and a credit crunch. Also, consumption was affected by slow job growth and rural distress aggravated by a poor harvest. Growth should pick up to 6.5 per cent in fiscal 2020-21 with supportive policies. In September, ADB forecast India's GDP to grow 6.5 per cent in 2019 and 7.2 per cent in 2020.

In Southeast Asia, many countries are seeing continued export declines and weaker investment, and growth forecasts have been downgraded for Singapore and Thailand. GDP growth is expected to slow in the Pacific with activity in Fiji, the sub-region's second largest economy after Papua New Guinea, expected to be more subdued than previously anticipated.

Central Asia is the only sub-region where prospects look a little brighter now than in September, largely thanks to increased public spending in Kazakhstan, the region's largest economy. Central Asia is now forecast to grow 4.6 per cent in 2019, up from the previous prediction for expansion of 4.4 per cent. The forecast for 2020 is for growth of 4.5 per cent. Kazakhstan's economy is seen expanding by 4.1 per cent this year and 3.8 per cent next year.

Source: fibre2fashion.com - Dec 11, 2019

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Pakistan: Bangladesh firm to import grey fabric

Advanced Chemical Industries (ACI), one of the largest Bangladeshi conglomerates, has expressed interest to import grey fabrics and yarn from Pakistani companies, which would help Pakistani companies reclaim Bangladesh's textile market.

An official at the Trade Development Authority of Pakistan (TDAP) said a meeting between Pakistan's trade mission and ACI's top official was held last month, wherein ACI expressed intention to start imports from Pakistan.

ACI, being one of the largest conglomerates in Bangladesh with a multinational heritage operates across the country through its four diversified strategic business units. The official said the proposal in this regard had been forwarded to the Ministry of Commerce and Textile for further deliberations.

Bangladesh is a huge market, while Pakistan's exports to the third-largest Muslim country were only $57.63 million in September 2019.

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

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Pakistan: Official spot rate drops on cotton market

Official spot rate dropped on the cotton market on Wednesday in the process of modest trading session, dealers said.

The official spot rate was lower by Rs 50 to Rs 8750, they added. In ready session, about 9,000 bales of cotton changed hands between Rs7700-9000, they said.

Rates of seed cotton per 40kg in Sindh low quality rate was higher by Rs400 to Rs3000, while the best quality lost Rs250 to Rs4050 due to quality factor, and in the Punjab prices were down by Rs300 to Rs3200-4100, they said.

In Balochistan, seed cotton prices of inferior type was higher by Rs100 to Rs3600 the fine type, however, lost Rs100 to Rs4200, they said.

In Sindh, Binola prices per maund were at Rs1400-1700, in Punjab and Balochistan rates were at Rs1500-1600, they said and adding that polyester fibre was available at Rs 179 per kg. According to the market sources, selective buying was seen today as most of the buyers were on the sidelines due to lack of fresh leads.

In the meantime, cotton analyst, Naseem Usman said some of leading mills showed interest in buying of fine quality at their psychological levels. Whereas, the ginners were also trying to sell their unsold stock due to quality factor, he observed.

It is interesting to note that a few ginners held the unsold stock in expectations of better profit; other brokers said that if the government bans import of cotton in the near future, this factor would push the rates up. In the international markets, prices moved both ways in the trading session, they added.

The following deals reported: 600 bales of cotton from Shahdadpur at Rs7700-8000, 2400 bales from Khairpur at Rs8000-8500, 2000 bales from Sadiqabad at Rs8900-9000, 2400 bales from Rahim Yar Khan at Rs8900-8950, 400 bales from Donga Bonga at Rs8300, 600 bales from Haroonabad at Rs8250 and 400 bales from Fort Abbas at Rs8200, they said.

Source: brecorder.com - Dec 12, 2019

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NATIONAL NEWS

Cotton body retains output for the year at 354 lakh bales on improved prospects in Maharashtra, Telangana

Gujarat output reduced by 4 lakh bales on account of bollworm infestation

Even as a large part of the cotton growing region in Gujarat faces pink bollworm infestation, casting a shadow on the crop outlook, the improved prospects in Maharashtra and Telangana, will help India retain its overall cotton output for the 2019-20 season at 354.5 lakh bales (each of 170 kg).

The apex cotton trade body, the Cotton Association of India (CAI), has retained its crop estimate in its November estimates.

"The crop estimate for Gujarat state, the top domestic producer, has been reduced by 4 lakh bales on account of crop damage due to heavy rains and pink bollworm infestation. About 10 per cent of the cotton farmers in the state have uprooted their cotton plants and wish to migrate to other competing crops," said Atul Ganatra, President, CAI, on Wednesday.

According to CAI estimates, Gujarat's cotton crop, earlier estimated at 100 lakh bales, has now been cut to 96 lakh bales. There is also a dip in the production estimated from North India, including Rajasthan and Punjab.

On the other hand, the output in Maharashtra and Telangana has been raised higher by 3 lakh bales each, to 83 lakh bales and 51 lakh bales, respectively.

The Crop Committee of the Cotton Association of India met on December 9 to discuss the crop outlook and market situation.

Cotton arrivals during October and November are estimated at 56.15 lakh bales. Import shipments from October 1, 2019, to November 30, 2019, which have reached Indian ports, are estimated at 5 lakh bales, while the balance 20 lakh bales is estimated to arrive in the ports between December 1, 2019, and September 30, 2020 (total imports estimated during the entire season is 25 lakh bales).

On the exports front, cotton shipments during October 1, 2019, to November 30, 2019, stood at 5 lakh bales. The total exports for the year are projected at 42 lakh bales.

However, the global consumption outlook remains bleak, which will keep global cotton prices under check, leaving little room for price movement in Indian cotton.

At its 78th Plenary Meeting held in Brisbane, Australia, during December 2-5 2019, the International Cotton Advisory Committee (ICAC) noted that global economic growth is slowing, which will cap growth in cotton consumption during 2019-20.

"Trade barriers and trade disputes have weakened import and export growth and have positioned the global economy in a synchronised economic slowdown that has reduced the pace of manufacturing and investment.

Trade disputes create uncertainty for businesses and lower investment activity and trade deals. Quick resolutions are, therefore, needed to return confidence to the market," ICAC noted.

Cotton prices in the domestic markets hovered around Rs 41,900 per candy (of 356 kg ginned cotton of 29 mm variety).

Raw cotton prices hovered around Rs 4,300-Rs 5,150 per quintal in the Gujarat markets, against the minimum support price (MSP) of Rs 5,550 announced by the Centre.

Source: thehindubusinessline.com– Dec 11, 2019

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Piyush Goyal stresses on MSME exports; says opportunity for small businesses globally under FTAs

Trade, Imports, Exports for MSMEs: The tariff concessions under the Free Trade Agreements (FTAs) signed by India gives export opportunities for products including those from SMEs, said Commerce Minister Piyush Goyal. The SME products on which such concessions are offered by India's trading partners including Japan, South Korea and some ASEAN countries, belong to categories including readymade garments, leather goods, processed foods, and engineering products such as auto components, Goyal informed Lok Sabha on Wednesday. MSME focused export promotion schemes include participation in international exhibitions and fairs, training programme on the packaging for exports, Market Development Assistance (MDA) Scheme for MSME exporters and National Award for quality products.

MSMEs contribute 49 per cent share to India's total exports, which the government is targeting to increase to 60 per cent, MSME minister Nitin Gadkari had said at an event last month. India's total exports stood at $24 billion in October 2019, according to the government data.

To boost India's trade and competitiveness. The government had introduced the Foreign Trade Policy (FTP) in 2015 for increasing exports of goods and services along with creating employment. India's rank in 'trading across borders' by the World Bank has improved from 122 to 68 this year.

The minister added that the Interest Equalization Scheme on pre and post-shipment rupee export credit was launched in 2015 to give interest equalisation at 3 per cent for labour intensive and MSME sectors.

The rate was increased to 5 per cent for MSME sectors in November last year while the merchant exporters were covered under the scheme from January 2019 onwards.

Goyal in the meeting with BRICS trade ministers in Brasilia, Brazil last month had lashed out at developing countries saying that the increasing trends of protectionism in the form of non-tariff barriers (NTB) are denying market access to MSMEs, particularly from the developing countries.

The minister added that while developed countries talk about open and free trade by removing tariffs in developing countries but they themselves increase barriers in the form of NTBs. This is creating economic uncertainties and increasing the cost to carry out trade in developing and least developed countries.

Source: financialexpress.com– Dec 11, 2019

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Exchange rate 'management' to aid exports is passé

Unfettered markets and full play of speculative forces will help deliver an exchange rate best suited for exports

Can India export its way out of the economic slowdown? Yes, as per many economic commentators. Though they recognise that such an export-led growth boost may not be that easy in the current global trade environment (that was weak even before the onset of the US-China trade tensions), they have nevertheless pointed out that a "more competitive" rupee exchange rate would provide a short/medium term exports boost, till such time the other components of GDP can stabilise and pick-up.

REER conundrum

Such assessments are, of course, in the backdrop of the oft-repeated point about how the Indian rupee — in the past few years — has appreciated quite a bit in "real" or inflation-adjusted terms (to differing extents as per various calculation methods) and, therefore, keeps Indian exports uncompetitive. (Indian exports have grown less than one per cent in dollar terms CAGR in the last five years).

Actually, when we break up the components of the "real" exchange rate of the rupee — the nominal exchange rate that is directly observable in the financial markets and the level of Indian inflation vis-à-vis trade partners (relative inflation) — one is not that sure about this "real" appreciation of the rupee.

Real appreciation of an exchange rate can happen in the following ways: nominal exchange rate appreciates even as relative inflation improves; nominal exchange rate is stable but relative inflation situation worsens; nominal exchange rate appreciates and the situation is compounded by relative inflation worsening.

Keeping the above in mind, unless the actual Indian inflation numbers at the ground level of exports manufacturing (that is, the input cost inflation actually faced by Indian export manufacturers) are much higher than that reported officially, the point about the rupee having appreciated substantially (some say 10-15 per cent) in real terms does not appear valid.

But, note here that one rare unanimous view in India is that Indian inflation — whether per WPI or CPI or whatever other index — is in the very low single digits in recent years and is also on a consistent declining trend — coming close to inflation levels in India's trade partners.

In the past five years, the nominal exchange rate of the rupee has fallen some 4 per cent in CAGR terms (rupee down from 59/60 to the current 71 levels).

Therefore, if the "real" exchange rate has appreciated despite steady nominal rate depreciation, it seems a reasonable inference that the relative inflation position of Indian exports is not as favourable as projected.

Market realities

The foregoing arguments do not invalidate the point that a more competitive rupee could provide a short/medium term boost to the economy. The arguments are only about the "real source" of the real appreciation in the rupee. For, if we identify the correct source of the real appreciation, we may get some idea as to the magnitude of correction that may be required in the rupee to become export-competitive.

It is here that another point made in economic commentaries calls for some analysis, as to its feasibility in the financial markets of the present times.

There have been calls for "exchange rate management" as part of a sensible exchange rate policy.

One wonders how through “exchange rate management (ERM)” India can bring about the desired degree of downward correction in the rupee to push exports.

Managing the exchange rate to push it down or depreciate it means that India has to intervene in the forex markets on such a scale as to obtain the desired level of downward correction. A downward correction in the rupee would be obtained if it (rupee) is sold and foreign exchange is bought.

So, how much of foreign exchange should India be buying in the markets?

There is no simple or even complicated mathematical equation that can provide an answer to this question. One can only say that an exchange rate is the result of many diverse, complex forces acting simultaneously. All those forces are ultimately summarised in the demand for and supply of foreign exchange (counterpart rupee) on a real-time basis in the markets, throwing up a price called the exchange rate.

To depress the rupee therefore calls for creating such a level of “outside” demand for foreign exchange that can overwhelm the supply of forex. As to what is the level of demand that is overwhelming cannot be known, as pointed out, in advance. Therefore, the agency (the central bank) intervening in the markets has to effectively be an open ended and on-tap buyer of foreign exchange — for only if it is open ended can the effects of the intervention be sustained.

Now, is this at all feasible in the current market environment? What will be the monetary and economic implications of such open-ended and on-tap intervention?

India, of course, has a long history of being a large forex buyer (though not on an on-tap basis) in the markets. And, it is well accepted that the economic consequences of even that level of forex buying has not been benign, to say the least. Indeed, ironically, one of the adverse effects of such large forex buying by India is the structurally, uncompetitive cost structure of Indian exports manufacturing.

Therefore, economic history does not support this ERM idea. Controlling market prices such as exchange rates may have been somewhat doable some 30 years ago, not in today’s environment.

No intervention

Free, unfettered markets (absent official intervention) and full play of speculative forces are what can help deliver an exchange rate that is best suited for the economy — and particularly for exports. Philosophically, this may sound heretical for many.

But, at least in a fairly significant downturn, Indian policymakers should acknowledge that it is not possible to manage the "impossible trinity" in international economics. Trying to manage that only produces sub-optimal outcomes.

Source: thehindubusinessline.com– Dec 12, 2019

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Higher GST rate on mobiles, fabrics likely to boost revenue collection

MAKING IT RIGHT

Examples of inverted tax structure

Mobile phone	12%
Batteries, phone parts	18%
Fabric	5%
Yarn	12%
Tractor	12%
Parts	18%
Desktops	12%
Monitors, printers	28%

The GST rate on mobile phones is 12%, whereas that on phone parts and batteries is 18%

The goods and services tax (GST) rate on mobile phones and fabric may be hiked by the GST Council next week. This could be part of an exercise to correct the inverted tax structure and boost revenue collection.

The structure of higher tax rates on inputs than on final products is resulting in a huge input tax credit outgo. Other items which have seen an inverted duty structure include fabric bags, shoes, tractors etc.

The GST rate on mobile phones is 12 per cent, whereas that on phone parts and batteries is 18 per cent, triggering an inverted tax structure. That, in turn, leads to unutilised input tax credit and hence issuance of refunds by the government.

In case of phones, a single manufacturer last year claimed a refund of close to Rs 4,100 crore. Pointing out that the issue of inverted tax structure is resulting in huge refunds outgo, a government official said that mobile phones and fabric could see GST rate rectification.

A registered taxpayer can claim refund of unclaimed input tax credit on account of higher tax on input and lower tax on output.

Similarly, fabric has a GST rate of 5 per cent, whereas different types of yarns are taxed at 12 per cent. Initially, the government had not allowed fabric manufacturers to claim input tax credit refunds, but later allowed refunds in the July 2018 meeting.

“Input tax credit refunds should not have been allowed on fabric in the first place. It was a political call taken at that time. It should be addressed now,” said another official.

The GST rate on fabric will likely be hiked to 12 per cent from 5 per cent to correct the inverted tax structure, if all state finance ministers agree. In fact, a sub-committee of officers from the Centre and some states has been constituted to compile a list of items where there’s an inverted tax structure.

As for shoes, those priced under Rs 1,000 are taxed at 5 per cent, while the rate of non-woven fabric and leather is 12 per cent. Tractor parts are taxed at 28 per cent, and tractor at 12 per cent.

M S Mani, partner, Deloitte India, said it was necessary to correct the inverted duty structures in certain sectors on account of multiple rate changes over the past two years. Changes in output rates were not always calibrated with the input rates, he said.

Pratik Jain, partner PwC India, however, argued that increasing the rate on end product may not be a desirable option to resolve the problem of inverted duty structure in most cases, as items have been kept in the 5 per cent and 12 per cent bands in view of their importance and impact on common man.

"Allowing the refund of GST paid on input services (as of now refund is restricted to inputs) is an option which should be explored, in addition to bringing down the rates on inputs, if possible."

To meet GST shortfall of states, the Centre has sought suggestions for revenue augmentation including areas where inverted tax structure could be corrected and taken up by the Council.

The Centre's proposal to augment revenue includes raising the 5 per cent slab to anywhere between 6 and 8 per cent, and doing away with the 12 per cent slab.

However, it has found few takers among states as it will have an adverse impact on mass consumption products. Increasing the GST rate on certain items in the 5 per cent band to 12 per cent, and those in 12 per cent to 18 per cent is another option being discussed.

Source: business-standard.com– Dec 12, 2019

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India and Argentina: Celebrating 70 years of relationship and exploring new areas to deepen ties

Underlining the importance of "south-south" cooperation, a top diplomat of Argentina asserts that the relations between the two countries have the potential to grow further.

Keen to expand its export basket to Argentina, India is eyeing an additional $1.5 billion worth of shipments in various sectors including defence, textiles and bicycles. New Delhi has also been promoting ethnic products like Khadi and Alphonso mangoes.

Both countries boast of strong cooperation in international forums, and have now identified more areas for strengthening relations.

According to Daniel Chuburu, ambassador of Argentina to India said "India is a very important partner for us. Both food and energy security, people to people as well as tourism are important for further deepening the relationship. As far as food security is concerned, we are keen on establishing a relationship with India."

"We are celebrating 70 years of bilateral relations and this year at the end of bilateral talks between our former President Mauricio Macri and Prime Minister Narendra Modi, 10 agreements were signed in various sectors including agriculture, energy, and defence. Argentina has also joined the International Solar Alliance (ISA) led by India," he added.

Eureka Lemons enter India

India recently received the first shipment of the Tucumán-grown `Eureka' lemons from Argentina. This came under the agreement which was inked earlier this year.

This is the first time India has imported Argentinean lemons which are available across supermarkets and restaurants in major Indian cities and the South American nation will also export containers of other products including chia seeds, fresh eggs, egg products, fish meal and bone meal. Next year India will receive around 500 metric tonnes of Eureka Lemons which is juicer and almost three times the size of the lime available in the Indian market.

While talks are on for getting pulses from there, apples and pears are already in the Indian market.

Export & Import

Between 2017-18 India exported goods including organic chemicals, vehicles and auto parts, lubricants, machinery, sound and image devices and garments for $708.7 million. And imported soybean oil, petroleum, copper, sunflower oil, leather, wool and ferroalloys from Argentina for close to $ 2.2 billion.

In fact, soybean oil makes up for almost 90 per cent of Argentinean exports to India which the new government of that country will now try to diversify.

Tourism

The effort is to promote tourism and people to people connect. According to Chuburu, "Next week as part of celebrations, the embassy at an event in New Delhi showcase typical Argentinean sweets, wines, fresh fruits, and Yerba Mate tea. It is also a platform to promote the most tourist destinations there, as well as its unique culture, formed by its gastronomy, the fascinating Tango dance, and its music."

Adding, "It will be a great opportunity to learn more about this South-American country, and hopefully to encourage new businesses and improve the current bilateral relations with India, which have become more and more promising in the last few years."

Source: financialexpress.com– Dec 11, 2019

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RCEP: The tiger and the elephant

We are not part of RCEP, and Japan is also holding its breath. These dissensions are the surface manifestation of the complexities of advance and retreat in the relationship between the tiger and the elephant. We had joined the Asian Infrastructure Investment Bank (AIIB) that was financed by China, but also had a contribution from us, to design and run it for our development banking experience in a market economy. Delving into it can explain the context of the recent dissensions on RCEP.

Last year, AIIB's third annual meet was held in Mumbai. There was a preparatory meet in Ahmedabad I was asked to chair, where interesting issues were raised. The concentration of efforts in India of AIIB was on urban infrastructure. An issue raised by me, and supported by Prof Amitabh Kundu (chaperoning the meet on behalf of RIS and Assocham), was that the urban and the rural in India are a continuum, and not separated by strong policies as in the Chinese model, where a person needs a permit to shift to an urban area.

First issue was the definition of 'urban' for such financing. I pointed out that during 2001-11 intercensal period, over 40 million kisans moved to what were called census towns. These were urban towns according to census, but state governments preferred to keep them 'rural' because of the politics of remaining panchayats. Ignoring them as urban settlements means that the most dynamic aspects of Indian rural-urban linkage were being ignored, that too for infrastructure provision.

Chinese bank officials found it difficult to grasp that in a fast-growing economy, its agro-based non-grain commodity base—milk products, animal husbandry, vegetables, fruits—was the dynamic section.

It is not easy for the more specialised RCEP smaller countries to appreciate this, hence the pleas to India to fall in line. The Chinese paradigm is different. Infrastructure needs of transport, markets, first-stage processing are huge. Smart City systems in India also ignore these needs. Infrastructure financing bodies must fill up gaps. While private and community investments were needed, the state has to provide gap-funds for mobilisation. I reminded the meet that during a visit to a Walmart store outside Shanghai, I found a section in which farmer cooperatives and producer organisations, as we would define them, were given space as partners.

There is a need to support newer kinds of farmer organisations. Farmers' producer companies have expanded in a big way. In spite of the initial hesitation and, in fact, hostility by a FICCI group, a great number of private sector conglomerates later took interest in collaborating with such farmer companies.

The need for initial financing for such arrangements for drawing in private rural savings and other financial sector savings to finance rural infrastructure was tremendous.

A number of these new kinds of arrangements were noted as important in the upsurge of agro exports. Again, working capital needs could also be financed. The meeting recognised that it is these newer areas of rural-urban linkage that are being focused on, and this requires training and research back-up to sustain the momentum.

There was a debate on the fact that as regards land, there were a number of farmer producer movements in India protecting the interests of the farmer. Term lending experts thought of this as a hindrance, but some town planners and NGO participants argued that in many cases there was a lot of strength behind the movements of small farmers, dalits and adivasis, and it was important to configure processes that included them in investment and development system rather than seeing them as bottlenecks to be eliminated. The meet noted that a number of professional town and country planners had their first field experience in such movements.

In Ahmedabad, architect BV Doshi, town planner Christopher Benninger and I had started the School of Planning in the 1970s. Its earlier batches cut their teeth sitting with demonstrators in the slums of Gulbai Tekra in Ahmedabad in the mid-1970s, to stop tractors from moving in. Our Chinese friends would not fully understand.

During a visit to China, the mayor of Shanghai told me he had relocated 60,000 persons in four months. I had to confess that as the chairman of the Narmada Planning Group, it took me two-and-a-half decades to rehabilitate 22,000 families, now all well settled in their new communities. Infrastructure development stories differ across Asia. Make haste slowly.

Source: financialexpress.com– Dec 12, 2019

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Benefit of FTAs to Small Exporters

The Free Trade Agreements (FTAs) signed by India provide tariff concessions thereby giving opportunities for exports of products including those related to small and medium enterprises (SMEs). Some of the SME products on which tariff concessions have been provided by trading partners such as Japan, South Korea and some ASEAN countries fall into the category of readymade garments, leather goods, processed foods and engineering products like auto components.

The specific export promotion schemes for micro, small and medium enterprises (MSMEs) include those for participation in international exhibitions and fairs, training programme on packaging for exports, Market Development Assistance (MDA) Scheme for MSME exporters and National Award for quality products. The Government has also taken the following key steps to boost India's trade and competitiveness:

The new Foreign Trade Policy (FTP) 2015-20 launched on 1st April 2015 provides a framework for increasing exports of goods and services as well as generation of employment and increasing value addition in the country, in line with the Make in India, Digital India, Skills India, Startup India and Ease of doing business initiatives. The policy rationalized the earlier export promotion schemes for increasing export of goods and services.

A new logistics related division was created in the Department of Commerce to coordinate integrated development of the logistics sector. India's rank in World Bank's Logistics Performance Index moved up from 54 in 2014 to 44 in 2018.

Various measures for improving ease of doing business were taken. India's rank in World Bank Ease of doing business ranking improved from 142 in 2014 to 63 in 2019 with the rank in 'trading across borders' moving up from 122 to 68.

A comprehensive Agriculture Export Policy was launched on 6th December, 2018 with an aim to provide an impetus to agricultural exports.

Trade Infrastructure for Export Scheme (TIES) was launched with effect from 1st April 2017 to address the export infrastructure gaps in the country.

Interest Equalization Scheme on pre and post shipment rupee export credit was introduced from 1.4.2015 providing interest equalisation at 3% for labour intensive / MSME sectors. The rate was increased to 5% for MSME sectors with effect from 2.11.2018 and merchant exporters were covered under the scheme with effect from 2.1.2019.

Transport and Marketing Assistance (TMA) has been launched for mitigating disadvantage of higher cost of transportation for export of specified agriculture products.

This information was given by the Minister of Commerce and Industry, Piyush Goyal, in a written reply in the Lok Sabha today.

Source: pib.gov.in– Dec 11, 2019

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Cotton prices improve in Maharashtra, but exports remain a concern

Cotton growers say the prices have gone up mainly due to the increased demand for cotton seed cake

Cotton prices in Maharashtra have gone up, with farmers selling their seed cotton (kapas) at around Rs 5,100 per quintal. This improvement, ginners said, was mostly due to the increased price of cotton seed cake, demand for which has increased in the past few weeks.

At the start of the cotton harvesting season in October, growers in Maharashtra were selling their produce at around Rs 4,500 per quintal — Rs 1,000 lesser than the Minimum Support Price (MSP) of Rs 5,500.

Quality concerns and influx of cheap imports, ginners said, had depressed the prices of the lint in the wholesale markets. Due to higher MSP, ginners had said exports from India were non-viable, while availability of cheaper imports had pulled down kapas prices at the wholeseller end.

Cotton Corporation of India (CCI), which has commenced MSP procurement, has procured around 9 lakh bales (each bale weighing 170 kg) of the fibre in around 300 of its centers.

Farmers in Maharashtra have reported yield loss both due to moisture stress in the growing phase as well as heavy rains just before the picking stages. Maharashtra has around 43 lakh hectares under cotton — the highest reported in the past few years.

Pradeep Jain, founder president of Khandesh Gin/Press owners and traders welfare association, said the present price rise is mostly due to the increased demand for the deoiled cotton seed cake. The cake serves as a protein source for poultry and animal husbandry, and the sharp rise in soyabean cake prices has led to more demand for the cotton cake.

However, the bigger worry for the industry is the lack of price parity for Indian cotton in the international markets, which can dampen imports. As per the data released by the Cotton Association of India (CAI), around 5 lakh bales have been imported till the end of November.

In its report released Wednesday, CAI has kept its production forecast of 354 lakh bales unchanged, with imports being slated at 42 lakh bales. Jain, however, said exports would be possible only if government allows for a subsidy.

While CAI has kept its production forecast constant, many ginners and growers have talked about a 5-10 per cent dip in the estimates, which they say might help cotton prices firm up further.

Source: indianexpress.com– Dec 11, 2019

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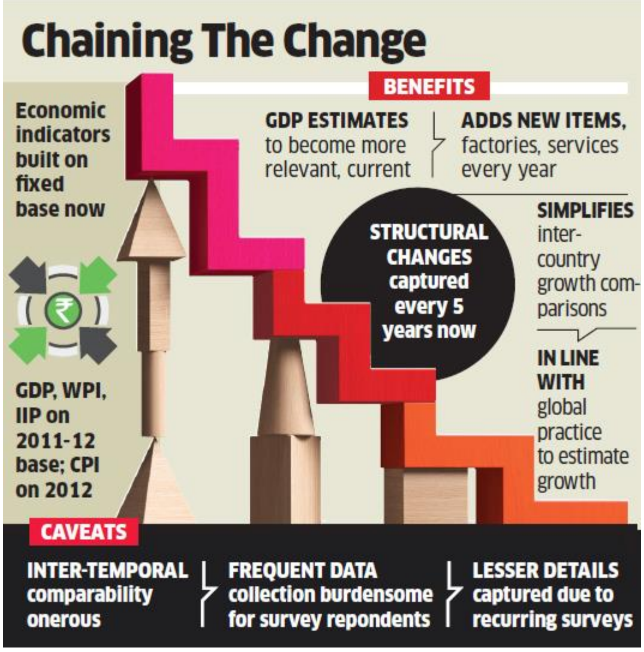
India may switch to chain base mechanism for GDP estimates

The govt is considering moving to the chain base method of calculating the gross domestic product.



In a radical change, the government is considering moving to the chain base method of calculating gross domestic product, from the current practice of a fixed base year to better reflect changes in the economy and prevent controversies.

The ministry of statistics and programme implementation is exploring the idea of a chain base index, where national account statistics or GDP estimates are compared with those of the previous period, instead of a fixed base revised every five years.

The chain base method will capture structural changes in the economy faster by allowing new activity and items to be added every year. Current GDP estimates are based on data for 2011-12 and are due for an update.

“This is the international practice – first reduce your timeline from a 10-year revision to a five-year revision, which we shifted to but the ideal is every year. This improves the indicator,” said an official aware of the development.

“The advantage is that new items and factories which are producing can be introduced. In a five-year revision, it takes 7-8 years to get reflected.”

While discussions on changes are on, no time-frame has been set for a shift. The statistics office junked the idea of shifting to 2017-18 as base year as it was not considered a normal year.

The government faced flak when the GDP Series was revised to 2011-12 from 2004-05 and released in 2015 and attracted criticism after GDP growth for FY17, the year of demonetisation, was revised to 8.2% from 7.1%. Besides the new base year, the methodology was changed to capture information on the corporate sector from the ministry of corporate affairs MCA-21database.

CHAIN-WEIGHTED FROM FIXED BASE

The US shifted to the chain base or chain-weighted index in 1996 and other developed countries followed. In most cases, the shift resulted in significant changes in the numbers of the preceding year, indicating the better outcome produced by this method.

In a fixed base index, weight assigned to various economic activities and goods stays unchanged even if the economy changes structurally. Besides, this method does not factor in relative changes in prices and impact on demand.

In a chain-weighted index, changes are incorporated annually to adjust changes quickly. For instance, it can be argued that current GDP statistics do not fully capture India’s gig economy.

“With 60% of India’s GDP coming from services, a chain based index will capture the changes faster and reflect the realities better than a fixed base. Most developed countries, including the US and those in Europe, follow this practice,” said a former member of the National Statistical Commission.

Such an index will make it easier to compare India's growth with other countries, said Abheek Barua, chief economist at HDFC Bank. "Consequently, taking decisions on investments and fund flows, where differentials are concerned, would become rigorous," Barua said.

"This should be done soon but the problem is of inter-temporal comparability because we have never used chain-based index before," said former chief statistician Pronab Sen.

CHALLENGES

The shift would require much better data collection with quick addition of new businesses, goods and establishments. This would impose a burden on the data collection machinery as well as the respondents. "If you want frequency, you have to reduce the respondent burden and may have to compromise on the details," the official said.

NOMINAL CONCERN

As per Sen, while the moving index will show growth closer to the nominal number, its difference from real growth would depend on weights assigned to elements.

"The problem is that the government does not have volume data for the previous year. However, this can be overcome by using weights that are a year older. Chaining means fixed frequency. So, they can fix weights," Sen said.

"It needs to be seen if growth rates in the chain-based index are closer to nominal or real because it is not necessary if it creates a differential," said NR Bhanumurthy, professor, National Institute of Public Finance and Policy.

Source: economictimes.com– Dec 12, 2019

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Withdrawal of additional export benefit to hit shipments of farm, marine, leather products

A DGFT notification has said the additional 2 per cent incentive under MEIS would lapse on December 31

The government's decision to withdraw by the year-end the additional 2 per cent incentive given to exporters under the popular Merchandise Export from India Scheme, is likely to hit shipments of agricultural goods, marine products, carpets, leather, handicrafts, electronics, as well as engineering goods.

"The withdrawal of additional benefit under MEIS doesn't augur well for a situation where exports are already down because of low global demand and intense competition from countries such as Bangladesh and Vietnam.

As this will hit labour-intensive sectors such as farm and marine products, carpets and handicrafts, leather goods, as well as electronics and engineering items, it may also result in more job losses in the country," a Delhi-based industry official told BusinessLine.

Last week, a notification issued by the Directorate-General of Foreign Trade (DGFT) stated that the additional 2 per cent MEIS announced for various products last May and August, will be available only till December 31, 2019, except for garments and made-ups.

"The main problem with the sudden withdrawal of the additional incentive is that exporters have orders in the pipeline, the prices for which have been finalised factoring in the benefit.

It may not be possible for exporters to ship all the orders by December 31. If there is a delay beyond the stipulated date, they will lose the additional benefit and may have to suffer losses," the official said.

Exporters of electronics have already reached out to the finance, IT and Commerce Ministries, pointing out the problem they would face because of the government's sudden move. They also warned of possible job losses as companies may have to lower their manpower.

"Electronics exporters have an additional problem with the MEIS withdrawal as the replacement scheme that is being planned by the government will not fetch them an incentive higher than 2 per cent, as there is hardly any electricity consumption or other such expenditure of the sector, which could be compensated through the new scheme," the official said.

The DGFT's notification, however, did not mention discontinuation of the regular MEIS scheme under which incentives of 2 per cent, 3 per cent and 5 per cent of the export value is provided to various sectors.

The Finance Ministry had earlier said the MEIS scheme, which is not compatible with WTO norms, will be replaced by Remission of Duties or Taxes on Export Products (RoDTEP) from January 1, 2020.

"We think the MEIS will continue at least till the end of the current fiscal. The new scheme may be part of the new Foreign Trade Policy that is expected from April 1, 2020," the official said.

In April-October 2019-20, exports fell 2.39 per cent to $185.95 billion, while imports declined 8.37 per cent to $280.67 billion.

Source: thehindubusinessline.com– Dec 12, 2019

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Korean firm to set up ₹900-cr unit in Telangana textile park

Youngone Corporation, a Korean textile and apparel company, will invest ₹900 crore at the Kakatiya Mega Textile Park (KMTP) at Warangal. The 290-acre facility is expected to generate 12,000 jobs.

The firm will make knitted and woven garments and technical textile products, predominantly for exports. The Korean company, with annual revenues of over $1.75 billion, has operations in 13 countries, including in the US, Switzerland, Bangladesh and Vietnam.

The firm signed the final agreement with the State Government on Wednesday for infusing the funds in the textile park.

Indian Ambassador to Korea, Sripriya Ranganathan; Korean Ambassador to India, Shin Bongkil; and Telangana Information Technology and Industries Minister KT Rama Rao were present at the signing of the agreement.

KT Rama Rao said that the anchor investment by the Youngone Corp will catalyse more investments from Korea.

Source: thehindubusinessline.com– Dec 11, 2019

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“We need to build a better infrastructure and bigger clusters to compete with other countries.”

India’s share in global textile exports has declined while that of other countries like Bangladesh and Vietnam is increasing. HK Magu, Chairman, AEPC expounds on the reasons for this decline in exports and strategies for their revival.

Due to the ongoing US-China trade war, the Indian apparel industry expected a lot of orders to be diverted to India. “However, buyers didn’t really flock to us due to the low scale of operations of our exporters,” says HKL Magu, Chairman, AEPC. “Most Indian exporters are either small or medium scale operators. Only a few of them can cater to big orders. Also, our exporters cannot ensure a speedy delivery as they have to wait for ROCTL and MEIS clearances,” he adds.

High GST rates, fund shortage affecting Indian exports

Another issue that hampers the growth of Indian exporters is high rate of GST. As Magu notes, “We pay GST at the rates of five percent, 12 percent and 15 percent. However, we get only a five percent benefit.

The government blocks around 3-4 percent of this amount preventing us from giving better prices to our buyers. This makes it becomes difficult for us to retain these buyers,” adds Magu.

The apparel business has been declining in the last couple of months. “Clusters like Tirupur and Noida are closing down due to shortage of funds.

Some banks have agreed to finance the export community through the GST input. However, they charge a heavy interest on this loan, which adds to the buyers' costs," adds Magu.

Indian exporters don't get GST refunds for embedded costs like fuel. "But they have been assured that no further tax will be added on their exports. This benefit will be particularly given to the person who shows his GST inputs," notes Magu.

FTA eliminates duty differences

AEPC does more of value addition. "Around 73 percent of our exports are 50 HS code items. To export technical textiles, we need infrastructure and finance," he says further adding that "though India is working on a FTA with the EU, there are obstacles like duty free imports of wines and automobiles."

According to Magu, FTAs are important as a buyer purchasing his goods from Bangladesh doesn't have to pay duty whereas while purchasing from India, he has to pay a 10 per cent duty. This duty difference has enabled Bangladesh to double its exports in the last two or three years. "We need to build a better infrastructure and bigger clusters to compete with these countries," adds Magu.

Imports from Bangladesh may hit the domestic industry in India but they will not affect its export industry. "Duty free exports from ASEAN or Bangladesh will certainly hit the domestic industry," says Magu. Big chain stores in India also buy from Bangladesh affecting its manufacturing sector. To prevent this, the government should allow only products made in Bangladesh to be imported to India. It should not allow fabric imports from China.

Reforms needed for export growth

Across the world, polyester or viscose is more in demand. "Therefore, we should also start producing manmade fibers. We should set up weaving centers to enable our exporters to get a better price for their exports," adds Magu.

In terms of exports, South is ahead of the north. Exports from Tirupur range from 25 percent to 28 percent, while those from NCR are just 21 percent.

However, NCR is known for its value addition while Tirupur produces basic clothes .

“We should set up apparel parks near metro cities or ports. That will save our transportation costs,” says Magu. The need to spend on real estate can be eliminated by setting up plug and play facilities. “We should also reduce our electricity and transaction costs, which will enable us to produce and export more,” he sums up.

Source: fashionatingworld.com– Dec 11, 2019

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Textile fair generates ₹900 crore business enquiry

Weaves, a textile exhibition organised recently in Erode by Texvalley in association with the Confederation of Indian Industry, saw more than 350 one-to-one business meetings take place.

According to the organisers, nearly ₹900 crore worth business enquiry was generated at the four-day event.

About 220 exhibitors had put up stalls and the expo had visitors from different parts of the country and also from Sri Lanka, Bangladesh, Myanmar, Vietnam and Australia.

The exhibitors showcased yarn, fabrics, handlooms, readymade garments, etc.

This is the second edition of the expo and according to C. Devarajan, former chairman of CII Erode Zone, the exhibition this year attracted several potential buyers from other countries.

It has become a business-to-business platform for stakeholders in the textile sector in this region and other parts of the country too, he said.

Source: thehindu.com- Dec 12, 2019

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