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

IBTEX No. 9 of 2020 January 13, 2020

US 70.77| EUR 78.76 | GBP 92.19| JPY 0.65

Cotton Market (Jan 10, 2020)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19139	40000	**71.66**
Domestic Futures Price (Ex. Warehouse Rajkot), January		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19800	41382	**74.14**
International Futures Price		
NY ICE USD Cents/lb (March 2020)	70.69	
ZCE Cotton: Yuan/MT (May 2020)	14,290	
ZCE Cotton: USD Cents/lb	93.50	
Cotlook A Index – Physical	**78.50**	

Cotton Guide- This morning when we look at the charts, the prices are shown to have touched a figure of 70.85 cents per pound which is considered to be the high figure. As mentioned in our previous reports 74 cents per pound does not look unachievable.

The ICE March contract settled at 70.69 cents per pound with a change of +73 points. The ICE May contract settled at 71.86 cents per pound with change of +76 points. Volumes were seen to have crossed 40K contracts at 41,983 contracts.

The Market participants are now waiting for the two reports [US Export sales and WASDE] which are scheduled to be released this evening. The world supply figures are expected to be lower as Pakistan and USA production figures are presumed to witness a decline. This bullish sentiment was the main reason for yesterday's increase in ICE and MCX. Also according to the saying "Trend is Friend", Speculators are riding on the bullish trend.

The MCX cotton figures on the other hand were positive by around 20 Rs for both MCX January and MCX February contracts. They settled at 19,800 Rs per Bale and 20,060 Rs per Bale respectively. While we write this report at 10:50 the MCX January prices are skyrocketing by +180 Rs per Bale, thus MCX January futures are trading at 19,980 Rs per Bale. Daily volumes were at 1370 lots.

The Cotlook index A has been keep unchanged at 78.50 cents per pound, whereas the prices of Indian Shankar 6 is seen on to trade on a rising hill at 40,000 Rs per Candy as can be witnessed from the website of CAI.

On the fundamental front, we keep our stance positive for both ICE and MCX. Expect some good amount of volatility this evening. Also, with January 15 approaching [singing of the trade deal] the ICE prices can easily hit 73 cents per pound. The negative factor for cotton is the external factors which is Crude Oil- WTI is trading 4 Dollars per Barrel lower as compared to day before yesterday, which will bring immense pressure from Manmade textiles. Another factor which is set to cause changes in Cotton Prices both in Indian Physical cotton and MCX is the import restrictions put on Palm Oil by the Indian Government.

On the technical front, in daily chart, ICE Cotton March price moved higher as it breached the psychological mark of 70, in yesterday's trade. Meanwhile price is approaching 76.4% Fibonacci extension level at 70.94 as it sustained above 69.56 .As per the daily charts price is moving in the upward sloping channel after breakout of the bullish inverted HNS pattern. For near term support exists around 9 day EMA at 69.67, which is followed by 61.8% Fibonacci extension level at 69.56. The momentum indicator RSI at 69, suggesting firmness in the trend, implies rally in price. The immediate resistance for the price is the previous high (70.94) 76.4% Fibonacci extension level. Thus for the day we expect price to trade in the range of 70.10-70.94 with a sideways to positive bias. In MCX Jan Cotton, we expect the price to trade within the range of 19720-20100 with a sideways to positive 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

Global trade to fall victim to US acting the bully at WTO

The World Trade Organization's (WTO) Appellate Body has been grounded to a halt from December 11, 2019, with the US blocking the appointment of new judges.

Appointment of judges in the Appellate Body requires approval of all member-countries. Since the US didn't approve of the newly nominated judges even as the term of the sitting judges expired, the Appellate Body is now left with just one active judge.

WTO rules require a quorum of three members in the Appellate Body to consider an appeal of a panel report.

The appeal process of the WTO has thus become dysfunctional.

Member-countries may now skirt the rules to get ahead, taking the world to the pre-WTO era, a period marked by a high degree of protectionism.

The absence of the Appellate Body at the WTO is set to deal a heavy blow to international trade, lowering growth and job creation. Here's a look at the background of the issue and what is in store for the global trade and commerce in 2020.

Dispute settlement

Dispute settlement between members of WTO is a two-stage

process. First, a panel would hear the case. Rulings is- sued by the panel can be appealed to the Appellate Body which can uphold, modify or reverse the judgement. The Appellate Body is a standing body made up of seven members appointed for a period of four years, with a maximum of two terms.

At least 60 per cent of cases in which a panel issues ruling get appealed. The judgement given by the Appellate Body is final. In case a member fails to comply with the Appellate Body's rulings, the affected party may request the DSB (Dispute Settlement Body) to introduce retaliatory measures. Now, with the Appellate Body being defunct, the WTO is handicapped.

Sachin Kumar Sharma, Associate Professor, Centre for WTO Studies, Indian Institute of Foreign Trade, New Delhi, says: "The dispute resolution mechanism ensured that any measures of members violating the agreements could be challenged. But now, with the Appellate Body becoming dysfunctional, the 'right' to appeal is hampered.

Generally, if the panel report in any case is appealed, the member does not have to comply with the report. Now, this can be exploited by members to circumvent the compliance with the panel reports."

Why the US did what it did

The US has been openly criticising the WTO for many years now, for allowing member-countries to self identify as 'developing' countries to receive special treatment.

It has also been slamming the Appellate Body for delaying judgements beyond the 90-day deadline, and has found faults with the body's approach to settling disputes. Experts, however, indicate that while the US has accepted the WTO's favourable rulings that served its interest, it has been objecting to adverse decisions.

According to a Bloomberg analysis of 524 cases lodged at WTO between 1995 and 2017, the US won 87 per cent of the cases it brought to the WTOagainst other countries and lost 75 per cent of the cases other countries brought against it.

In 2018, a facilitator was appointed to help the WTO General Council resolve the issues raised by the US.

After several rounds of consultations with member- countries, the facilitator presented a solution that included reforms to improve the functioning of the Appellate Body. This, though, was rejected by the US.

Members left in limbo

There were 13 appeals pending before the Appellate Body as on December 10 when the term of one of the last two judges got over. Of the 13, three cases in which hearings are already over, will see the WTO judges give out their decisions.

The fate of others, however, is uncertain. Australia has two key disputes to be resolved, say international media reports.

India has three pending cases before the Appellate Body. In two, India has challenged WTO panel rulings — one is a case where the US has sought termination of export subsidy schemes in India, and in the other Japan wants India to withdraw duties against Japanese steel products.

The third one is a case where the panel had given a verdict in favour of India, but the US appealed to the Appellate Body — this was with respect to the US offering billions of dollars of subsidises to local industries by violating WTO rules.

So, all these cases are not going to be completed now. The IndiaAustralia sugar subsidy dispute is before a panel — it would be too premature to predict its fate now.

Growth in world merchandise trade has been weak ever since the economic slowdown in 2009. The increasing protectionism in the world and trade conflicts only make things worse.

Impact on global trade

In 2018, global trade volumes registered a growth of 3 per cent — downfrom4.6 per cent in 2017 — due to increased trade tiffs and tighter monetary conditions across the globe.

In 2019, the situation turned worse with the US-China tariff war. In the first quarter of 2019, growth was flat (q-o-q). In the second quarter, it was negative 0.3 per cent and in the third quarter, 0.4 per cent (q-o-q).

India's exports have also been facing challenges. In 2017, India's total merchandise exports (by value) recorded a 13 per cent growth, but this was 8 per cent in 2018. In the first three quarters of 2019, growth was a mere 0.2 per cent over the same period the previous year.

Export-oriented economies will pay a big price due to the ongoing slowdown in global trade. Among this the Asia pack includes Hong Kong, Singapore, South Korea and Taiwan and also China. India, which is now producing excess grains, pulses and sugar, has also been eyeing the global market, and the current developments are not bringing any cheer. From the developed world, Australia, Germany and the US will see problems of slowdown in global trade.

In the US, exports over the last three quarters (of 2019) are down 1.1 per cent. In the sameperiod last year, it had recorded a growth of 9 per cent.

A drop in global trade will impact economic development and jobs in countries across the world. This is not a good news for anyone even remotely connected with the commodity or the equity markets.

Source: thehindubusinessline.com - Jan 13, 2020

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USA: After Wild Ride on Tariff Train in 2019, This Year's Cargo Imports Forecast Promises Change

After a year of fluctuations spawned by the uncertainty of the trade war with China, cargo volume at major U.S. retail container ports is expected to return to its usual seasonal patterns during the first few months of 2020, according to the Global Port Tracker report released Friday by the National Retail Federation (NRF) and Hackett Associates.

"We'll be more confident after we see the Phase One agreement signed, but right now 2020 looks like it should be back to what used to be normal," Jonathan Gold, vice president for supply chain and customs policy at NRF, said. "We've been through a cycle of imports surging ahead of expected tariff increases–some of which got delayed, reduced or canceled–and falling off again afterward. That's not good for retailers trying to manage their inventory levels or trying to make long-term business plans."

President Trump is scheduled to sign a "Phase One" partial trade deal with China on Wednesday. In announcing the deal, the administration said it would lower tariffs that took effect in September and canceled another round that was set to take effect Dec. 15, but others remain in place.

U.S. ports covered by Global Port Tracker handled 1.67 million Twenty-Foot Equivalent Units (TEU)–one 20-foot cargo container or its equivalent–in November. That was down 11.2 percent from October and 7.5 percent below a year earlier. With on-again, off-again progress on trade negotiations reported throughout the fall and other factors affecting shipping, an expected surge ahead of the canceled December tariff increase did not materialize, Global Port Tracker said.

December cargo imports were estimated at 1.7 million TEU, down 13.4 percent from unusually high numbers seen in December 2018, when retailers had frontloaded imports ahead of a scheduled Jan. 1, 2019, tariff increase that was ultimately postponed.

While numbers for the full year are not final, estimates indicate that 2019 came in at 21.6 million TEU, a 0.9 percent decrease from 2018, but still the second-highest year on record, the report noted.

January cargo imports are forecast to be down 5 percent to 1.8 million TEU from a year ago and February shipments reaching U.S. ports are expected to be 4.9 percent lower year-over-year at 1.54 million TEU.

Then in March, imports are expected to be up 5.2 percent at 1.7 million. The swings are tied to fluctuations in the Lunar New Year calendar and related factory shutdowns in Asia. Lunar New Year this year begins Jan. 25, while in 2019 it started on Feb. 5.

Cargo imports in April are forecast to rise 2.1 percent year-over-year to 1.78 million TEU, and May shipments are predicted to increase 1 percent to 1.87 million TEU, as summer merchandise arrives.

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

Source: sourcingjournal.com - Jan 10, 2020

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USA: With Futures in the Mid-70s, Consider Pricing New Crop

The cotton bull continues – too young to strut but growing with confidence week after week. It's likely time for it to stop and check its surroundings now that the December has traded to 72 cents.

There is more strength to come. But again, the market would be best served to solidify its 71-72.50 cent area for now. It must build a base, as it has now reached an eight-week high. Fundamentals, as demonstrated in USDA's January world supply demand report, continue to reflect cause for higher prices.

The significant change in the January report was that world carryover was lowered to about 80 million bales. This – along with declining stocks in the U.S., India, China, Pakistan and Central Asia – bodes well for the current pace of higher prices to continue.

Once the 72.50 mark has been scaled, old crop and new crop prices will find a challenge at the 74.80-75.10 cent level – the price gap the market has in its sight. Should that challenge come in the near term (but I do not believe it will), prices could stymie demand in the short run. Holding that challenge for at least another month or two will allow demand to build and make for a stronger challenge of the 77-cent mark.

USDA estimated the world crop at 120.5 million bales and world consumption at 120.2 million bales. World carryover was estimated to total 79.6 million bales. Thus, the 2019-20 marketing year was a rare one indeed as the world used essentially the same amount that was produced. Yet, prices are lower than year-ago prices as the carryover in world exporting countries increased, while world consuming countries reduced the level of stocks they were holding in inventory.

Thus, export competition during the coming months will be heightened – but at the same time, mills will be more aggressive hand-to-mouth buyers. This supports the idea that old crop prices will see a slow rise during the late winter months. The 2019 U.S. crop was estimated at 21.1 million bales and U.S. carryover was estimated at 5.4 million bales.

New crop prices are currently being led by the old crop March and May futures contract movement. It should be noted that the old crop July did invert over the new crop December, suggesting old crop is more bullish than new crop. However, come the end of February and into March and April, the new crop December contract will begin to be influenced more by grower planting intentions and early plantings in the northern hemisphere.

Too, growers are suggesting that they may not reduce 2020 plantings as much as most analysts feel they will, possibly cutting acreage no more than 5-8%. However, should demand show any favor, then the old crop futures months will continue to exert significant influence on the new crop December contract. Consequently, given that world carryover is declining in all but one the primary six world producing countries, the new crop December contract has a distinct possibility of trading to 77 cents as well.

However, growers are advised to begin pricing at least 25% of their new crop with December futures between 74.50 and 75.50 cents. Growers should be very aggressive sellers (hedgers) at this level due to the 5.4 million bale U.S. carryover and because polyester is exceptionally cheap. Polyester fiber can be landed in the U.S. at 62 cents.

Thus, fiber competition will be extremely strong during the 2020-2021 marketing season, and cotton's inability to recapture market share will limit the bull's ability to run.

Source: cottongrower.com - Jan 12, 2020

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Xinjiang strengthens port facilities to boost foreign trade

Northwest China's Xinjiang Uygur Autonomous Region has greatly benefited from developing its ports to boost foreign trade in 2019, according to the region's ongoing legislature meeting.

Among the region's 18 ports, the port of Khorgos stood out with a total trade volume of 108.9 billion yuan (15.7 billion U.S. dollars) in the first 11 months of 2019, handling around 31.45 million tonnes of import and export goods.

Xinjiang also pushed forward cross-border e-business and set up bonded areas to expand its trade cooperation with foreign countries, especially Belt and Road countries and regions.

Xinjiang has set up trade relations with 170 countries and regions. From January to November last year, the regions' total foreign trade has reached 149.17 billion yuan, up 31.1 percent year on year.

In 2020, Xinjiang will continue to rely on the ports with improved infrastructure to boost its foreign trade, especially in the exports of textile and apparel, electromechanical, chemical engineering, construction and local agricultural products, according to the region's government work report.

Source: hellenicshippingnews.com - Jan 10, 2020

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Turkey's cotton production gets government's policy boost

An important link between Europe and Asia, Turkey is a significant exporter of cotton and cotton products to the European Union.

The country's textile exporters are known for their fast order response time and higher quality products. Nearly 36,000 companies operate in the sector.

The EU remains the leading market for Turkish textiles and garment exporters due to its geographical proximity, short response time and good quality products.

The three major cotton growing areas in Turkey include the Aegean, Çukurova and GAP regions. The country also produces small amounts of cotton around Antalya.

The cotton grown in the Aegean region is recognised as one of the best in terms of quality and is also referred to by textile producers. Though this cotton has more staple length than the cotton grown in either Çukurova or the GAP (1 1/8") region, its quality has improved significantly due to improved seed quality.

Excessive rains, untimely fumigation affects cotton yield

Both the total area under cotton plantation and production for MY 2018–19 declined to 525,000 hectare and 806,000 metric tonne respectively in 2018.

Yields were affected Turkeys cotton production gets governments policy due to excessive rains, which necessitated replanting, cool weather during the season and untimely fumigation with stimulated pest attacks in cotton-growing regions.

Heavy rains during the picking season affected yield in the Southeastern Anatolia (GAP) region. In addition, increase in prices of fertilisers and other chemical is likely to force farmers to reduce their usage of these inputs in the coming season. It may further affect the yields in the region.

In MY 2019-20, the total area under cotton plantation area and production in the country is expected to further reduce to 540,000 hectare and 893,000 metric tonne respectively.

However, cotton growers in the GAP region had no alternative to planting cotton this season as the field conditions in the country are not suitable for planting any other crop.

Government policies to boost production

To boost cotton production, the Turkish government has introduced a number of policies including:

- GAP (Guneydoğu Anadolu Projesi/Southeastern Anatolian Project) Initiative: Through this initiative, the government has invested $25 billion over the past three decades in dam construction, irrigation channels and other infrastructure initiatives. It has also provided technical and financial assistance to farmers to build modern drip irrigation systems to prevent ecological problems and waste of water resources.

- The government has carried out studies on the shift from open canal irrigation systems to closed systems and is trying to implement and develop sustainable farming practices as a part of the Better Cotton Initiative.

- The Turkish government had promoted cotton production by giving a bonus for five years in a row until MY 2017-18 and retained it for MY 2018–19.

- Cotton import faces zero import tax in the country. Turkish importers do not need to pay the 3 percent import tax if they are exporting the materials produced from the imported cotton. But US cotton is subjected to a 3 per cent anti-dumping duty (since April 2016).

- Turkey has issued a new taxation directive on imported cotton yarn in order to support imports from countries such as Turkmenistan, India and Pakistan, which are the major cotton yarn suppliers to the nation.

- Turkish importers of cotton yarn do not require to pay tax if they export the product made with the same imported cotton yarn. Turkey is a major consumer of cotton and faces impediments in domestic cotton production. Hence, Turkey will continue to import cotton for years to come.

Source: fashionatingworld.com - Jan 11, 2020

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Uniqlo Lowers Full Year Estimates as Protests in South Korea and Hong Kong Hurt Q1 Profits

The Japanese fast-fashion firm Uniqlo revised fiscal year 2020 estimates downward, following its first-quarter report indicating that profits for the three months ended Nov. 30 fell 3.5 percent.

In a Nutshell: While sales on its home turf in Japan saw declines that impacted profits, results elsewhere on a global front were mixed as profits were down in most areas.

Second-half estimates for Uniqlo International were revised lower due to decreased profits in South Korea and Hong Kong in the first quarter, and the month of December. Warmer weather and ongoing protests hurt the company's profits. While the pro-democracy protests in Hong Kong dampened retail sales at the city's key shopping districts, a boycott of

Japanese products that began last July spurred the sales decline in South Korea.

Net Sales: Total revenues for the quarter fell 3.3 percent to 623.4 billion yen ($5.70 billion).

By segment, Uniqlo Japan revenue was down 5.3 percent to 233.0 billion yen ($2.13 billion), while same-store sales fell 4.1 percent. Sales of new pant styles, souffle yarn sweaters and trendy sweat shirts did well, but couldn't offset the weaker demand for thermal apparel. The retailer said sales of cold-weather goods were sluggish due to "persistently warm weather during the September to November quarter." The company's "inability" to garner customer attention on new merchandise offerings also affected the quarter's sales.

At Uniqlo International, revenue was down 3.6 percent to 280.7 billion yen ($2.56 billion). Results from South Korea and Hong Kong ended in "sharply lower revenue and profit figures." The business at Uniqlo Greater China–Mainland China, Hong Kong and Taiwan–saw revenue up, but profit down in the period. Uniqlo South Korea ended the quarter with an operating loss. However, excluding Hong Kong and South Korea, the balance of Uniqlo International markets saw an increase in both revenue and profit.

The bit of good news for the Asia region was Uniqlo South, Southeast Asia and Oceania, which the company said saw strong results "characterized by double-digit rises in both revenue and profit."

Elsewhere on the international front, Uniqlo North America posted rising revenue and profit, buoyed by increases from Canada. While Uniqlo Europe reported a double-digit revenue growth, profits fell due to the impact of foreign-exchange rates.

At Uniqlo's GU business, revenue gained 11.4 percent to 72.9 billion yen ($666.0 million), while same-store sales were strong due to consumer purchases of lightweight outerwear and knitwear.

The Global Brands business–including Theory and PLST brands–saw revenue fall 11.4 percent to 36.1 billion yen ($329.8 million) as sales of winter merchandise struggled as temperatures remained above seasonal averages.

Earnings: Profit for the quarter was down 3.5 percent to 70.9 billion yen ($647.7 million).

The company estimates that consolidated revenue will be up 2.2 percent to 2.340 trillion yen ($21.4 billion), with earnings up 1.5 percent to 165.0 billion yen ($1.51 billion) for the year ending Aug. 31, 2020. The previous guidance was 175 billion yen ($1.60 billion).

"Our second-half forecasts for Uniqlo Japan, GU and Global Brands remain unchanged," the company said.

Source: sourcingjournal.com- Jan 10, 2020

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Sri Lanka: 'New policy for textile and clothing must emerge'

Sri Lanka should create a new policy for textile and clothing aiming to attract more investments, create new jobs and add value to the apparel industry value chain, a leading professional said.

"A policy must emerge soon and steps must be taken to implement the policy decision and at the same time, all stakeholders should come together to make the change and carry it forward," said Chairman, Textile Institute Sri Lanka Section of the Department of Textile and Clothing Technology, University of Moratuwa, Prof. Rohana U. Kuruppu.

He said Sri Lanka had textile manufacturing as an organised industry since 1940s, and clothing industry since 1970s. "Our textile and clothing exports have just reached US$ 5 billion. We have less than 500 outfits in textiles and clothing.

However, our neighbours in the South Asian region are much bigger and expanding their industries while we are yet to make greater strides to face the competition," he said at the annual general meeting of the Textile Institute.

The total US textile and clothing imports was US$111 billion in 2018. US imports of textile and clothing increased in value by 4.9% in 2018.

In volume terms, imports rose by 5.9% in 2018. This was an indication that textiles and clothing accounted for a bigger share of total imports to the USA. He said Sri Lanka's total textile and clothing exports were up by 5.7% in 2018 and out of this exports of clothing increased by 4.7% in 2018 over 2017.

The average price of US textile and clothing imports fell in 2018 for the seventh year in succession to a record low of US$ 1.62 per square metre equivalent.

The average import price declined by a total of 14.2% over the seven- year period. The main cause for this was a decline in the average price of imports from China.

The US textile and clothing imports from China were up by 4.8% in value and by 6.7% in volume. While the price per square metre equivalent drops year by year, the value and volume increases.

This is an incredible achievement. As a result, the share of US textile and clothing imports which came from China in volume terms accounted for 49.3% and in terms of value it accounted for 36.5%. Cambodia, Bangladesh, India and Vietnam also showed a rise in value and volume to the USA. However, the shares of US imports from above countries are not really significant in value and volume terms.

Prof. Kuruppu said the real challenge is to be competitive and yet increase significantly the share of value and volume in the market. For that, "We need to bring in a new broad perspective and a paradigm shift. Our supply chain practices need a new look. The craftsmanship must be perfect and this should be coupled with branded labels. Professional ethics and relationships must be improved."

Talking about the radical state of uncertainty around the globe, he said, "There's heightened demand for volatility, geopolitical risks, natural disasters, terrorist attacks, social media disruptions which are all taking their toll on global supply chains. The changes are inevitable and will disrupt the textile supply chains."

"We need to create a knowledge hub with emerging technologies and innovations such as AI and advancements in material science coupled with digitalisation, big data and analytics to create the perfect platform for modern day business. We need to make a change to keep our industry moving forward. The world is on the verge of a change and this change will have implications on the way we do business in the future.

The ways in which we design, source, manufacture and deliver must be redesigned, if we are truly to stay alive our textile industry," he added.

Source: sundayobserver.lk- Jan 12, 2020

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Cambodia's CDC clears 4 investment projects worth $17.2 mn

The Council for the Development of Cambodia (CDC) recently announced approving four investment projects worth around $17.2 million. These are expected to create 1,490 jobs. Ministry of commerce spokesman Pen Sovicheat said his office had seen an increase in requests to set up new companies in the country, while foreign investment was growing gradually.

Sun Awesome Garment Co Ltd will set up a garment and laundry facility in Kampong Cham's Prey Chhor district, with an investment of $6.9 million, employing 610 people, according to a report in a Cambodian English-language daily.

Famous Leatherware (Cambodia) Co Ltd will establish a handbag manufacturing factory in Phnom Penh's Meanchey district through $5.3 million in capital investment, resulting in 314 jobs.

Xin Hak Muy Make Clothes Assist Material Co Ltd will set up a facility employing 232 workers for manufacturing thread, yarn and elastic bands, with $2.5 million in capital investment in Phnom Penh's Dangkor district.

Kimbao Bag Industry Co Ltd plans to build a plastic bag factory in Kandal province's Ang Snoul district, with $2.5 million of capital investment. It will create 334 jobs.

Source: fibre2fashion.com- Jan 13, 2020

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Pakistan: Govt blames US-China trade war, India border tension for lower exports

After failing to enhance the country's exports despite depreciating the currency, the government has now blamed USA and China trade war and recent border tension with India for slower growth in exports.

The country's exports are not showing healthy growth despite currency was depreciated and government had given several other incentives to exporters.

Pakistan's exports of goods had reduced by 3.96 percent in December 2019 on annual basis.

Exports were recorded at $1.99 billion in December, down 3.96 percent over $2.07 billion in corresponding month last year.

According to Pakistan Bureau of Statistics, exports had increased by 3.17 percent to $11.53 billion in six months (July to December) period of the current fiscal year , as against $11.18 billion in same half last year.

The government has listed several reasons for the decline in exports that included USA and China trade war. Trade frictions between USA and China have put a drag on the world trade. In addition, there has been an economic slowdown in our main markets China, EU and USA.

Meanwhile, the recent border tension with India has further affected export growth. Price suppression for textile exports: The garment exporters across the world are facing challenges in the EU, as the bloc's quantum imports of textile and apparel items has slowed down dramatically from last year 2017-18.

China and India have borne the brunt of this slowdown. Pakistan, which, along with Bangladesh and Cambodia, enjoys zero-duty access to the bloc, managed to increase its apparel shipments to the EU during the period.

However, Pakistan and Cambodia were also not completely immune from the slowdown in demand from the EU, as their quantum of textile and apparel exports to the bloc grew at a much lower rate this year than last year.

Apart from the international issues, the internal economic conditions are also creating uncertainty for the business community.

The previous year witnessed a decline in the GDP growth. According to the Ministry of Commerce, the uncertain geopolitical conditions and fiscal challenges will continue to halt positive impact of the policy measures, resulting in the sluggish growth.

Other reasons for the sluggish growth in exports are the exchange rate remained volatile during six months of previous financial year, which kept exporters cautious for future trading. The impact of exports contracts established at a lower price is usually visible with a lag of six months.

The simultaneous devaluation of Euro and Pound Sterling subdued the impact of PKR devaluation. Meanwhile, the high tariff on imported raw material has increased the cost of production thus making it difficult for the Pakistani products to compete in the international market.

High inflation rate, high energy cost, sales tax refund issues and resultant increase in the case of doing business have impacted the growth of exports.

Source: nation.com.pk- Jan 12, 2020

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Vietnam: Vinatex urges garment factories must comply to ‘Rules of Origin’

The textile and garment factories must comply with ‘Rules of Origin’ if it has to benefit from the recently signed free trade agreements (FTAs) said Vietnam National Textile and Garment Group, or VINATEX.

Lê Tiến Trường, General Director, VINATEX said, “Vietnam needs to invest in fabric production to meet origin requirements while exporting to CPTPP and EVFTA countries.”

He also emphasized that it will not be relaxed for Vietnam as it will have to compete strongly with major fabric producers China and India especially with regard to design, quality and price.

He added that while investing in fabric production, production scale must be taken into consideration as Vietnam's apparel sector uses less than 1 billion meters of woven and knitted fabric annually or 18% of global exports.

"If fabric production targeted only Việt Nam, production scale would be too small while investing in large-scale production," said Trường.

Source: textiletoday.com.bd- Jan 11, 2020

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Bangladesh: RMG sector draws lukewarm response from buyers

The export earnings from the readymade garments (RMG) sector continued to fall as the key export-driver is facing decrease in export order, triggered by 'economic recession' around the world, said industry players.

Export earnings from the sector fell by 6.21 per cent to USD 16.02 billion in July–December of the 2019–20 fiscal year following lower shipments of apparel items.

The earnings had totalled USD 16.08 billion in the corresponding period of the last fiscal year (2018–19), according to the data of the Export Promotion Bureau (EPB).

RMG exports fell by 6.21 per cent in July–December of the 2019–20 fiscal year because of instability in international markets and the economic recession in Europe and North America, exporters said.

Talking to The Independent, Mahmudul Haque, the chairman of Anlima Textile Ltd, said, "The economic recession is going on around the world. That's why even our common clients are not placing orders with our buyers as before."

"US-China trade tensions, continuous fluctuations in the world's stock markets, devaluation of the taka against the US dollar and a rise in production costs against low prices offered by foreign buyers have caused the drop in exports," he explained.

The exporters, however, expressed hope that the quantity of orders

would pick up if the 'Phase One' trade deal is signed between the world's two biggest economies—the US and China—which should lead to lower trade tensions.

Talking to The Independent, AM Chowdhury Selim, the vice-president of the Bangladesh Garments Manufacturers and Exporters Association (BGMEA), said, "The international economic recession and the rise in the prices of utilities, gas and electricity are responsible for lower production. These have further eroded our competitiveness in the international markets. As a result, the prices in international markets have dropped and export earnings show negative growth. The revised pay structure for the garments sector is also responsible."

"Buyers always search for cheaper and quicker ways to import products. However, exports through Chittagong Port are very time-consuming. As we cannot deliver our products in a timely fashion because of handling problems at the port and the costs of doing business are way higher in our country, buyers switch their interest from us to our competitors, especially India, Vietnam and Pakistan," Chowdhury added.

"We had set a target to earn an amount of USD 50 billion by 2021. But we are apprehensive whether this target would be met as with these obstacles, we cannot produce and export enough goods," Chowdhury pointed out.

When asked about the way forward, Chowdhury told The Independent, "Keeping the overall situation in mind, we ask for policy cooperation, incentives and a quick enforcement of a single-digit interest rate. The devaluation of the taka could affect imports adversely. We want enhanced prices for cost of making (CM)."

"As the largest portion of export earnings comes from the RMG sector, the government and all relevant authorities should take effective measures to ensure a sound atmosphere for doing business," Chowdhury added.

According to the EPB, woven products earned USD 7.8 billion in July–December of the fiscal year 2019–20, marking a 7.28 per cent negative growth from the same period in the previous fiscal year, which had been USD 8.42 billion.

The knitwear industry earned around USD 8.21 billion during the same time, down by 5.16 per cent from the same period last year, which had been USD 8.65 billion.

Source: theindependentbd.com - Jan 13, 2020

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Pakistani firms get positive response from US, EU buyers

Pakistani companies participating in the Heimtextil 2020 fair in Frankfurt have received an encouraging response from European buyers while a huge number of US buyers have also expressed interest to switch to Pakistani export products over the next one and a half year.

Officials from the Pakistani Embassy in Germany hoped that the exhibition would significantly help eliminate the stagnation of export of Pakistani home textile products to Europe.

The effects of a stable rupee value have started bearing fruit, which is now being reflected in improvement in exports.

Pakistan's knitwear exports increased 23% during 2019 when export of similar products from Bangladesh, China and India declined due slowdown in the European market.

Pakistani Commercial Counsellor in Frankfurt Khawaja Khurram Naeem told The Express Tribune that focus on EU market with effective marketing, investment in technology and innovative products are the basic reasons behind uptick in knitwear exports.

Speaking on the sidelines of the event, he said that the home textile industry was following similar footsteps and he anticipated exports of such products to the European Union to increase as well.

"The prospects for Pakistan are improving following the changing patterns in global trade," he said. "To take advantage of them, local exporters have begun investing in technology and products already."

He added that the European market especially Germany, the largest economy, remained weak in 2019. He pointed out that the market did not boom during the year and growth remained negative.

“The share of our trade rivals China, India and Bangladesh shrank in the knitwear segment but Pakistan managed to maintain its market share,” Naeem lauded. “In the past few years, Pakistan’s home textile exports had been stagnant but now, government policies are creating an environment conducive for exports.”

He was of the view that the main reason behind the increase in home textile exports was the investment made by Pakistani export firms to introduce innovation in textile processing and products.

On the other hand, he remarked that Pakistani companies had also paid special attention to turn their processes and products environmentally friendly.

He underlined that the stable value of rupee began to bear fruit in the last quarter of 2019.

“Increased certainty about the value of rupee is also boosting confidence among foreign buyers of Pakistan’s merchandise,” he said.

Naeem held the opinion that Pakistan would also benefit from a trade war between China and the United States, adding that Pakistani exporters were very optimistic in this regard.

The official said that demand for eco-friendly products was growing rapidly in Europe and the United States and stressed that understanding these trends was essential for Pakistani exporters to enhance their share in the European market.

He maintained that Pakistani Embassy in Germany was working to raise awareness among the exporters to understand the laws and changing trends of the European market.

Talking about the Heimtextil 2020, the envoy termed the exhibition a most effective platform for communication with European buyers.

He added that Pakistani companies, who do not export to Germany, also participate in Heimtextil fairs to meet potential buyers from Holland, Czechoslovakia, France and other EU markets to enhance market access.

The exhibition concluded on January 10, 2020. Exporters from Pakistan showcased their product range for home textile.

Source: tribune.com.pk- Jan 12, 2020

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Pakistan: Economic stabilisation has failed to bring growth: PM aide

Adviser to the Prime Minister on Commerce, Textile, Industry & Production and Investment Abdul Razak Dawood has said though there is economic stabilisation in Pakistan the country has still not seen economic growth.

He was speaking at a talk on ‘Business-Way Forward’ organised by the English Speaking Union of Pakistan at a hotel here on Saturday.

“But there can be no growth without stabilisation,” he pointed out, saying that the challenge for Pakistan is to change from an import consumption country to a country with exports that go up to two hundred million plus.

“We must be able to have at least seven per cent GDP rate for next several years, when Pakistani brands are respected and known to stand for quality and reliability,” he said.

He said that as an import consumption country, Pakistan has been borrowing from the International Monetary Fund (IMF). In the last 30 years, Pakistan has had to borrow 13 times from the IMF. And then the country has also had to agree to IMF’s conditions. “When this government came in, we were losing foreign currency. I was not even certain about economic stability, but I’m an optimist. Things are improving and moving in the right direction,” he said.

“I know every country has issues. Like, there were Malaysia and Turkey which had a major crisis, but after reforms their economies are back on the path to recovery,” he said.

“And along with that Pakistan also faces a taxation issue. It is a daunting task. People say to us ‘who are you?’ They say they will not pay their taxes as they did not vote for Imran Khan. What is to be done with all this going on? Should we give up or should we fight back? But we have to be able to turn this country around into a country where all people pay taxes,” he said.

Coming back to trade, he said that there was a need to talk more about exports than imports. “We need an export-led growth. Pakistan is a country where 47 per cent of our revenue is used on imports. We have to bring it down but in order for us to do that we have to pay our taxes,” he said.

“Another big challenge we have faced head on is not talked about that much. For the last 30 to 40 years tariff has become a tool for generating revenue. But we need proper checks and balances here if we want proper governance,” he said, adding that they needed a long-term tariff policy along with a long-term industrial policy and a trade policy.

“We also need to see what are our exports and which countries we need to concentrate on for these exports. We should be able to set ourselves a target. A good trade policy will take us in a good direction. But we also need support in technology, marketing, etc. So business people themselves, be they in textiles, rice, fisheries, meat, poultry or anything else should help in developing policies that can help us move forward. We also have to diversify our exports in multiple sectors,” he said.

He further said that one of the best areas for businessmen is in Karachi.

Talking about gas shortage, he said that it was a challenge. Since demand of gas was very high in winter the supply issue was increasing, he added.

He further said that the world was in an economic recession. “India, our neighbouring country, too, is in recession but I want to congratulate you that the exports of our country are going upwards and in the right direction,” he said.

“A day would come when at least 20 or more Pakistani businesses will be listed in Fortune 500. I dream for Pakistani business houses to span across the globe so much so that in a 24-hour period the sun never sets. The tenacity of our business people is such that we may see this in my lifetime,” he said.

International vision

"Pakistanis do not have international vision; I will give you," Mr Dawood said while addressing members of the Karachi Chamber of Commerce and Industry.

According to a press release, he said: "We need to leave domestic policy of trade and business."

He said things were now moving in the right direction. "We are looking forward to promote exports rather than domestic trade," he added.

Addressing concerns of high duties, gas shortage, transport strike issues of KCCI members, he said: "When I come here, I feel at home. You all know how was the economic conditions of [the] country; we were losing 2 billion dollars, rupee would have been devalued; reserves are going up now."

"New tariff has been set and will now be part of industrial process under [the] Ministry of commerce," he said, adding 26 new sectors have been planned and almost completed.

Mr Dawood was invited to KCCI as a chief guest.

Speaking on the occasion, KCCI former presidents A. Khalil and Junaid Esmail Makda, Siraj Kassam Teli and Zubair Motiwala expressed concern over increase in duties, gas shortage and other issues.

Source: dawn.com- Jan 12, 2020

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NATIONAL NEWS

Commerce Ministry moving to put in place institutional structure to turn districts into export hubs

Will trawl GSTN, ICEGATE to create district-wise database

In line with Prime Minister Narendra Modi's proposal put forward in his Independence Day speech last August on turning every district into an export hub, the Commerce Ministry is planning to put in place an institutional structure for this and is collecting data for the same.

A plan for district-wise export hubs could be announced in the Budget to be presented by Finance Minister Nirmala Sitharaman on February 1, an official told BusinessLine.

"Commerce Ministry officials will hold meetings with counterparts from the GST Network (GSTN) and ICEGATE to generate district-wise data on enterprises and exports," the official said.

Information sources

As the GSTN has the responsibility of managing the entire IT system of the GST portal, which is the mother database for everything connected with GST, the Commerce Ministry hopes to get the district-wise information on manufacturing and exports. Exporters claiming IGST refunds submit all documents, including shipping bills to the GSTN.

ICEGATE, a platform for electronic data inter-change between various government bodies such as the Reserve Bank of India, the Directorate-General of Foreign Trade, and the Directorate-General of Commercial Intelligence and Statistics, too, can be a good source of data on exports, the official said.

Immense potential

Each district has the potential equal to that of a country with its own distinct handicraft and unique specialities like saris, perfumes, and utensils, which have export potential, Commerce & Industry Minister Piyush Goyal had said at a meeting of the Board of Trade in September.

He had asked State governments, as part of their export strategies, to take measures to convert districts into export hubs.

"Although the Commerce Ministry has sought district-wise export data from the States, it wants to generate its own database, too, for expediting implementation of the plan," the official said.

Once the data is collated, the government can draw an export profile of every State and their districts and strategise accordingly, the official added.

WTO-compliant measures

India's exports, which have declined around two per cent in the April-October 2019 to $211.93 billion, need government support. But they have to be compliant with World Trade Organization rules, as the country is already fighting disputes at the multilateral body over some of its export-support programmes.

Goyal is also holding meetings with industry ministers and their teams from Gujarat, Haryana and Uttar Pradesh on preparing theroadmap for turning districts into export hubs. The Commerce Ministry wants every State to have a district-wise nodal officer to coordinate with the Centre and State governments.

Source: thehindubusinessline.com - Jan 12, 2020

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'Developing culture of manufacturing can drive Make in India'

In the post-Independence period, there has not been a year when the share of GDP has seen an upward trajectory as compared to other developed country's manufacturing share of GDP, said Prof C P Chandrashekhar, Professor at the Centre for Economic Studies and Planning, Jawaharlal Nehru University, New Delhi.

Addressing the Xavier Institute of Management and Entrepreneurship (XIME) national seminar on 'Make in India: Making it work' for which BusinessLine was the media partner, Chandrashekhar said "It is as high as

25-30 per cent in the developed countries, whereas in India it is only 15-17 per cent, and this is a long-term failure for India."

"Secondly, it is important to note that the principle drivers should have a spin off effect which can help in ensuring a continuous growth," he added.

Rajeev Gowda, Member of Parliament, primarily focused on sharing the stark distinction between what 'Make in India' aspired to do and what the reality is.

"'Make in India' aimed at creating 100 million jobs since its inception back in 2014 but has failed to do so till date. Instead, the textile industry lost 30 million jobs. The manufacturing industry witnessed a slowdown and is already perceived to be lost in the desert," he remarked.

He further said: "More emphasis must be put down on the aspect that our thinking must not be limited to growth of only large corporates but also for MSMEs in case of manufacturing industries, as they have always been looked down."

In the session on 'innovation for competitiveness', Rakesh Sasibhushan, CMD, Antrix shared ISRO's journey and said: "The space industry in India is at the cusp of major break-through. As per Morgan Stanley report, global space economy is expected to touch $1.1 trillion by 2040 and India is well positioned to garner significant market share of global space industry."

Vikram Kirloskar, President, CII speaking on "'Make in India' – the way forward" said: "I think, the big change that can drive Make in India, is the right attitude towards developing a culture of manufacturing within the country with the skill-sets we possess. We need to focus on developing on our own and not depend on technologies and services provided by other countries."

Prof J Philip Chairman, XIME & Former Director, IIM Bangalore, in his concluding speech said: "In the last five years, Make in India has been the most ambitious movement by the Government in the recent history to boost industrial advancement. This resulted in an increase in the FDI, especially in 2016-17, when we overall crossed $61 million. I strongly support the Government's approach to Make in India. Although it is a bold initiative, there is a slowdown within the industry currently which is prompting the industry members to be in a wait and watch mode."

Source: thehindubusinessline.com - Jan 12, 2020

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A stitch in time: Policy flip-flops have seen India lose in garments exports but, it might not be too late

A stitch in time: Policy flip-flops have seen India lose in garments exports but, it might not be too late

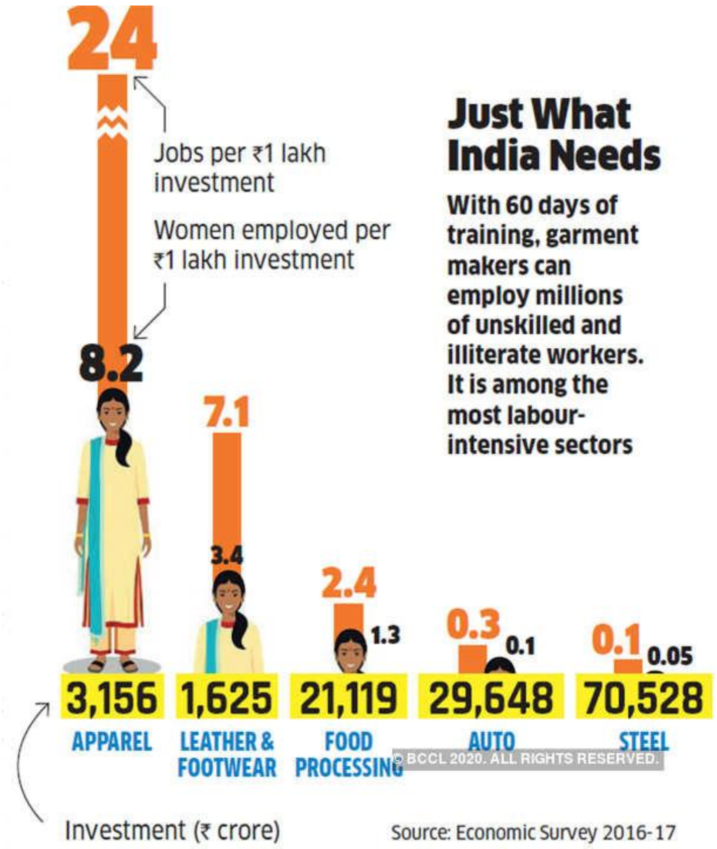
Ashar, 18, who is speech and hearing impaired, works at Orient Craft's factory in Ranchi.

Over the last year, Gautam Nair, MD of Matrix Clothing and executive committee member of AEPC (Apparel Export Promotion Council), has knocked at the government's doors. From Cabinet Secretary to revenue secretary, Niti Aayog to finance minister--he has met them all and has made at least 15 presentations.

He has met officials in the Prime Minister's Office at least thrice. At the textiles ministry, minister Smriti Zubin Irani and textiles secretary Ravi Capoor have supported the industry's cause. But his mission remains unsuccessful.

"The matter is stuck. Nothing has moved. This even as our industry is in crisis. We are in the ICU," says Nair.

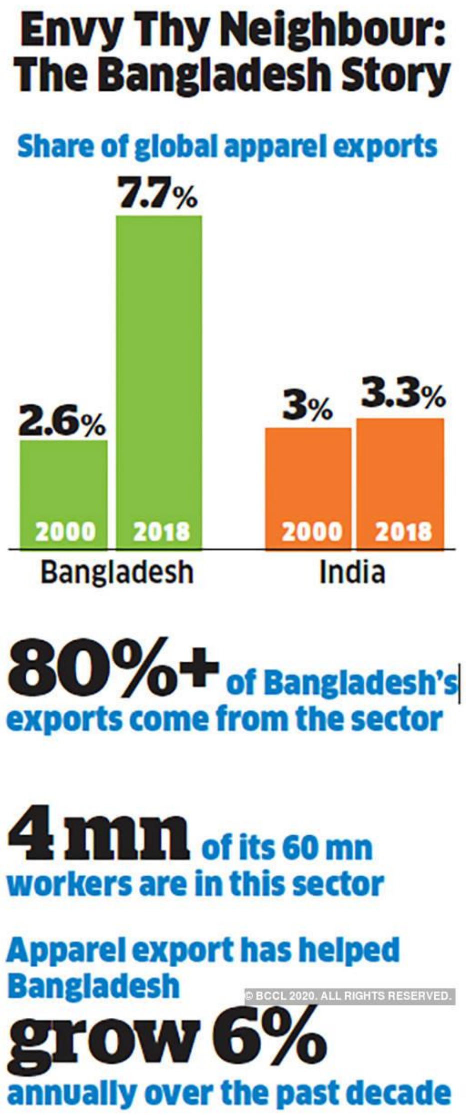
The matter he is referring to is a pending refund by the government amounting to some Rs5,000 crore the government owes the industry. In March 2019, the government brought in a new scheme to make sure the garment exports sector—a huge employer and foreign exchange earner—enjoys a continuity in tax benefits under the new Goods and Services Taxes regime. Called the Rebate of State and Central Taxes and Levies (RoSCTL), it sought to refund the taxes on inputs paid by the sector. Ten months on, however, partly because ministries of finance and textiles are unable to find common ground on a few contentious issues, the refunds are stuck.



Exporters factored in RoSCTL and an existing program called Merchandise Exports from India Scheme (MEIS) as totalling 9% of their sales while pricing their products. There is also no clarity yet on the new rates under the two schemes, which were expected to change in January. In a highly competitive industry operating at 3-4% margins, where low-cost competing countries like Bangladesh get duty-free access to markets like the European Union, this development has pushed Indian garment exporters into distress. Dominated by small businesses (80% with exports under Rs 10 crore), exporters are starved of working capital with unpaid salaries and vendor dues, with tight liquidity among lenders compounding their woes.

“This is unprecedented. In so many years of dealing with the government, we have never had a situation like this. We have met everyone who matter. They know the problem and support us. Yet, the decision is stuck,” he says. Historically, Ministry of Textiles has worked in tandem with other ministries and departments from finance to commerce and DGFT to tackle most issues. Not this time.

On Thursday night, as the PM and his top secretaries and ministers including Amit Shah and Nitin Gadkari met industry leaders to hear their issues, Deepak Seth, chairman, Pearl Group, along with his peers, made one last ditch effort pleading with the prime minister. “He told Modiji that garment industry is on ventilator and about to die, leaving hundreds jobless. Urgent action is required. If they still don’t take action, expect layoffs and loan defaults to make headlines,” says a seasoned exporter who was present in the meeting.



An email seeking responses from textiles minister Smriti Irani and textiles secretary Ravi Capoor went unanswered.

The Union Budget is around the corner. The annual drill of India Inc seeking tax rebates and subsidies has begun. But there are multiple reasons why the plight of India's 6,000-odd garment exporters employing 40 million (direct and indirect) odd workers and exporting goods worth $17 billion deserve urgent attention. One, this is a question of government honouring a promise based on which exporters have priced and sold their goods. Two, in a slowing economy, its inaction will push many towards bankruptcy and unemployment.

In a way, this sector's woes characterises what ails India's policymaking. Riddled by policy flip-flops, the wide gap between government's promises and its delivery has become a recurring theme across sectors, hurting businesses and worrying investors.

On a positive note, if nurtured well, garment exports could hold the key to creating millions of jobs that India needs for its young, unskilled and illiterate workforce.

“This is the best poverty alleviation program that the government can have. With women forming 70-80% of our workforce, it is great for women too. Look at what it has done for Bangladesh, its economy, exports and employment,” says Harish Ahuja, MD, Shahi Exports, which employs 1.2 lakh workers across 54 plants in nine states.

With a 450 million-plus workforce, a million new workers joining the labour market every month, and labour-intensive sectors such as manufacturing and construction hurting, creating jobs for the masses is the Indian government's biggest worry. Most countries including China have leaned on manufacturing sector to shift their farm workers into non-farm jobs.

But India's small manufacturing base (less than a fifth of GDP), poor linkages with the global supply chain and rising global trade barriers means the country has few options. Also, AI and automation means labour intensity across manufacturing sectors like automobile is declining. Amid high unemployment, low job creation and declining exports, garment exporters offer hope in both creating jobs and bringing export dollars.

None of this is new wisdom. The government recognizes this sector's job creating potential. In the Economic Survey 2016-17, an entire chapter "Clothes and Shoes: Can India reclaim low-skill manufacturing" waxed eloquent on the same.

In January 2018, ex-vice chairman of Niti Aayog, Arvind Panagariya, wrote in ET: "RIL reports $110 billion in assets and 2.5 lakh employees and employs five workers for each $2.2 million in assets. India's largest apparel exporter Shahi Exports has assets worth $185 million and employs 106,000 workers. So it employs 1260 workers for every $2.2 million in assets… Jobs that Shahi creates are what India needs today."

Just look at what Bangladesh has managed to do. In 2000, its apparel exports (at 2.6% of global share) lagged behind India's (at 3%). But a concerted government effort and its ability to leverage duty-free access to markets such as the European Union, has made it the world's second largest apparel exporter after China.

At $37 billion in 2018, apparel exports has helped its GDP grow at 6% annually over the last decade, contributed 80% to its exports besides creating millions of jobs. Closer home, Jharkhand is a small and recent example (see Page 10). The sector also plays to India's strengths. Unlike say Bangladesh or Vietnam, who import most of their raw material, India is the world's largest cotton producer and has an evolved fibre-to-fashion ecosystem.

India must tackle its shortcomings too. Productivity levels of garment exporters in China and Vietnam is 30-40% higher than India. For long, reserved for SSIs, Indian exporters are small and fragmented, typically a fifth of those in Bangladesh, Vietnam and China. In a competitive world where economies of scale is important, India would do well to create enabling plug-and-play infrastructure. Setting up large hubs where common facilities like effluent treatment plant and dormitories for workers are available and exporters can just move in and start production. “Facilitating such structural unlock will be critical,” says Kulin Lalbhai, executive director, Arvind Ltd.

The textile value chain consists of yarn making, weaving, fabric processing and apparel making. Due to multiple reasons, including high infrastructure costs and sub-scale operations, India is weak on weaving and fabric processing, forcing yarn exports and fabric imports. The country is near absent in synthetics, which constitute 70% of global apparel trade. The ecosystem is stunted due to poor domestic supply of raw material and duties on imports, making it costly. All this means India is ill-prepared to cash in on the big growth of fast fashion industry (FFI). “Low-cost business has moved to countries like Bangladesh.

Today you can’t just be a converter. Focusing on mid-premium segment, finding niches and value-added market has worked out as a good strategy for us,” says Sarbajit Ghose, MD, Laguna Creations, which caters to companies such as Zara. Embracing contemporary plant practices, learnings from other sectors (Laguna has borrowed from Toyota) are important. “Sitting in Bengaluru, I know we have not tapped into even 5% of technologies that is available to make us more efficient,” he says.

New waves reshaping the world of apparel exports offer new openings if India is keen. Instead of WTO-related trade agreements, new trade blocs such as Trans Pacific Partnership and legislations such as US’ African Growth and Opportunity Act will reshape the global trade flow. “Bangladesh’s biggest advantage is its duty-free access to EU, giving it an 11% pricing edge over us. Government is aware and working towards getting trade access in key markets,” says Lalbhai. With rising labour cost, there is a big shift away from China (see chart). “Buyers are looking outside of China. But India hasn’t been able to attract any,” says Premal Udani, chairman, Kaytee Corporation.

Countries such as Vietnam and Bangladesh have grabbed the business with many Chinese manufacturers building new capacities in Vietnam. This, even as Africa, with low wages (Ethiopia's is 1/10th of China) is emerging as new low-cost geography. Automation, policy resets and infrastructural efficiencies will likely see re-shoring of high-end garment making to the US.

Smarter sophisticated fabrics capable of moisture absorption, heat resistance, greater stretchability as well as the burgeoning athleisure category are altering consumer demand, opening up new opportunities for tech-led manufacturing. Sustainable products and traceability are becoming important consumer hooks. If India is serious, a slew of measures such as lowering duty on synthetic raw materials, strengthening weaving and processing industry and enabling Indian exporters to become FFI compliant will help. "Traceability, sustainability, organic positioning work well with buyers in countries such as Switzerland and Germany. I am an energy neutral company. These things help," says Udani.

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With rising labour cost, there is a big shift away from China (See chart "Late Mover"). "Buyers are looking outside of China. But India hasn't been able to attract any," says Premal Udani, chairman, Kaytee Corporation. Countries such as Vietnam and Bangladesh have grabbed the business, with many Chinese manufacturers building new capacities in Vietnam.

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The NDA government and states such as Jharkhand are waking up to the sector's potential. Initiatives such as flexible labour laws and wage subsidies have been rolled out. But efforts thus far have been half-hearted and piecemeal. "This is a $480 billion industry. Capturing $40-50 billion isn't difficult. Forget everything else, just imagine the millions of jobs it will create for the poor. If Bangladesh can do it, why can't we? What we need is a coherent coordinated strategy to make this a priority sector," says Dhingra.

Source: economictimes.com - Jan 12, 2020

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Irani wants to see city as textile machinery hub

Union textile minister Smriti Irani asked businessmen and Southern Gujarat Chamber of Commerce and Industry (SGCCI) to work out a plan to make Surat a manufacturing hub of textile machinery.

She met SGCCI office-bearers at the airport on a brief visit to the city on Sunday. If the city becomes a manufacturing hub of textile machinery, the textile industry will become more sustainable, she opined.

SGCCI president Ketan Desai told TOI, "She asked us to participate in the expo which the government proposes to hold in August for textile machinery, and come up with plans and also contacts.

SGCCI could host this expo as it will act as a stepping stone for the city becoming a manufacturing hub for textile machinery. We have been asked to schedule a meeting with her next week. We are supposed to take relevant data as this would be an advanced discussion between us on the subject."

Textile Machinery Manufacturing Association chairman Vallabh Thummar was also present in the meeting.

Source: timesofindia.com - Jan 13, 2020

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Cargo volume at 12 major ports up marginally in April-December

The handling of iron ore and fertiliser rose, while thermal coal shipments declined.

The country's 12 major ports recorded a marginal 0.98 per cent growth in cargo volumes at 524.02 million tonnes (MT) during the April-December period this year, according to the Indian Ports Association (IPA). The ports had handled 518.93 MT of cargo during the corresponding period of the last fiscal.

India has 12 major ports are: Deendayal (erstwhile Kandla), Mumbai, JNPT, Mormugao, New Mangalore, Cochin, Chennai, Kamarajar (earlier Ennore), VO Chidambaranar, Visakhapatnam, Paradip and Kolkata (including Haldia).

While the handling of iron ore saw a 32.01 per cent jump to 39.36 MT during the period, thermal coal shipments declined by 17.08 per cent to 65.97 MT, the IPA data showed. The 12 ports had handled 29.82 MT of iron ore and 79.55 MT of coal during the April-December period of the previous fiscal.

Handling of coking and other coal rose by 1.51 per cent to 42.39 MT during the nine months as compared to 41.76 MT in the corresponding period last fiscal. Finished fertiliser volumes jumped 20.17 per cent but raw fertiliser volumes remained stagnant during the period.

Containers recorded a growth of 2.71 per cent in terms of TEUs (twenty-foot equivalent units).

According to the figures, Deendayal port handled the highest traffic volume at 92.41 MT during the April-December period, followed by Paradip at 83.61 MT, Visakhapatnam at 53.53 MT, JNPT at 50.72 MT, Kolkata (including Haldia) at 47.09 MT, and Mumbai at 46.16 MT. Chennai port handled 35.83 MT of cargo, while New Mangalore handled 27.60 MT.

The volume of seaborne cargo is essentially in the nature of derived demand and is mainly shaped by the levels and changes in both global and domestic activity. These major ports handle about 60 per cent of the country's total cargo traffic.

Source: thehindubusinessline.com- Jan 12, 2020

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India to revamp scheme for states' statistical capacity

The government plans to revamp the Capacity Development Scheme to improve the statistical systems and capacity of states. The Ministry of Statistics and Programme Implementation (MoSPI) and the World Bank will give $30 million each for the scheme to augment resources and training capacity for bringing out key economic indicators, various socio-economic surveys, capacity building and strengthening statistical coordination.

"The World Bank team also made a brief presentation on the National Programme for Improving Quality of Statistics in India (NPIQSI), a project under preparation envisaging the assistance of World Bank under Investment Project Financing as a first phase," the ministry said in a statement on Friday after it organized a one day workshop for strengthening of statistical system of states.

The overhaul comes in the wake of the government working on an umbrella information portal collating official data on employment, industry, health, GST and trade is in the works to put out timely, credible and user-friendly official data through a single window.

The scheme started in 2010 as a Centrally Sponsored Scheme with a total outlay of Rs 650.43 crore of which 80% was funded from World Bank and rest from the Indian government.

"All this is for technical capacity building and training. It is still in the negotiation stage," said an official in the know of the development. The project is likely to be a for a five year period.

In addition, India is also seeking the multilateral funding organisation's assistance to strengthen the states' systems. That project to cost around $250 million.

"Talks are on with the World Bank and this way we will get the best global practices," the official said.

Funds are released to states for this purpose after detailed examination of their proposals.

Source: economictimes.com- Jan 10, 2020

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Industrial output breaks 3-month downward streak, expands by 1.8% in Nov

A rebound in manufacturing activity pulled up November's overall industrial output, helping it to grow 1.8 per cent after declining for three consecutive months. Output had declined by 3.8 per cent in October after a 4.3 per cent contraction in September, the steepest fall in eight years.

The rise in the Index of Industrial Production (IIP) helped pull up cumulative growth in industrial output to 0.6 per cent in the April-November period of financial year 2019-20 (FY20), the data released on Friday showed.

However, this was still lower than the 5 per cent rise in output registered in the previous fiscal year. Broad-based slowdown across sectors has meant that output was negative in four of the eight months till November in FY20. Manufacturing output rose 2.7 per cent in November.

The sector accounts for 78 per cent of the index. In October, it had contracted 2.1 per cent.

Return of manufacturing

Of the 23 sub-sectors within manufacturing, 10 recorded year-on-year contractions, down from 18 in the previous month. However, economists suggested that the worst may not yet be over.

"As anticipated, a favourable base effect led to the IIP posting a turnaround to a mild growth in November 2019, although the pace trailed our expectations. On average, industrial performance remained lacklustre in October-November 2019, with a year-on-year decline of 1.2 per cent, driven by all the use-based categories, except intermediate goods and consumer non-durables," Aditi Nayar, principal economist at ICRA, said.

Most importantly, the capital goods segment, which signifies investment, contracted 8.6 per cent in November, after a 21 per cent fall in the previous two months. Production in the category remained in the red for the tenth month, despite government efforts to open up even more sectors to easier foreign direct investment (FDI) flows earlier this year.

The IIP database showed that contraction remained entrenched across automobile segments, with motor vehicle production falling 12.6 per cent in November, albeit lower than the 28 per cent fall in October.

Similarly, production of electronics also reduced almost 10 per cent in November, lower than the 30 per cent fall in the previous month. This comes in spite of the government pushing domestic production in the sector over the past two years through a series of benefits and a phased manufacturing programme, aimed at reducing imports of electronics goods.

Auto components, steel and sugar, were flagged by the government as sectors pulling down overall IIP growth. Machinery production shrank four per cent, lower than the 18.1 per cent contraction seen in the previous two months.

Consumer demand fizzles

A month after the festive season traditionally begins, November saw production of consumer durables contract for a sixth consecutive month. However, production contracted 1.5 per cent in November, a much lower pace than October's 18 per cent. The contraction baffled economists who said e-commerce sales in October were very high.

Crucially, the consumer non-durables category turned positive in November, after having contracted for two months, with production growing 2 per cent.

"The turnaround in factory output growth still cannot be interpreted as some kind of a green shoot on the industrial front. Until a majority of the use-based sectors show positive growth on a sustained basis, it would be difficult to believe that Indian industrial sector has come out of the woods," Sunil Kumar Sinha, principal economist at India Ratings, said.

Meanwhile, mining output rose 1.7 per cent after an eight per cent fall in October. Contraction in electricity generation fell to five per cent from 12 per cent in October.

Economists said the growth of mining output would strengthen in December 2019, while the pace of contraction of electricity generation would narrow, thereby supporting the overall performance of the IIP.

Source: business-standard.com- Jan 11, 2020

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Commerce Ministry looking at ways to revamp SEZ policy

The Commerce and Industry Ministry has examined revamping of the Special Economic Zone (SEZ) policy to meet the global challenges being faced by Indian exporters, an official statement said on Friday.

It has also discussed ways for implementation of the remaining recommendations of Baba Kalyani report on SEZ to facilitate ease of doing business in the present global market scenario, the ministry said in a statement.

Commerce and Industry Minister Piyush Goyal chaired a meeting here on Thursday to review these issues.

The statement said the recommendations which have been completed include review of specific exclusions proposed in NFE (net foreign exchange) computation in light of 'Make in India' initiative, sharing of duty exempted assets/infrastructure between units to be allowed against specific approval, and formalisation of de-notification process for enclaves.

The committee was constituted by the ministry to study the existing SEZ policy and had submitted its recommendations in November 2018.

"If India is on the path to become a USD 5 trillion economy by 2025 then the present environment of manufacturing competitiveness and services have to undergo a basic paradigm shift," the statement said.

Source: economictimes.com- Jan 10, 2020

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Apparel Export Promotion Council eyes 10% rise this fiscal

The Apparel Export Promotion Council (AEPC) is looking at a 10% rise in garment exports in the short term.

A. Sakthivel, the newly-elected chairman of the council, said the immediate focus was on 10% growth and that for the next fiscal, the sector could be looking at a 15% increase.

"If we get pending export incentives from the government immediately, we can get more orders from overseas buyers in the next two months," he said. Garment exports last financial year came to approximately $16.5 billion.

Mr. Sakthivel added the Centre had announced that the MEIS (Merchandise Exports from India Scheme) would continue till December-end.

Exporters used to get 3.8-4.8% benefit from the scheme. They placed orders taking it into account while working out the costs. However, funds have not been disbursed under MEIS.

The government later announced the Rebate of State and Central Taxes and Levies scheme.

The AEPC and the Cotton Textiles Export Promotion Council submitted data to the government on the taxes that exporters pay so that these could be reimbursed under the scheme. However, that too is yet to be implemented. This has hit working capital availability for exporters. Mr. Sakthivel said the Centre had assured him that these would be addressed soon.

To improve export competitiveness, the AEPC also plans to study the products and markets that Vietnam and Cambodia supply to in apparels. Garment exports are surging for both countries and India should work to compete with them, Mr. Sakthivel said.

Source: thehindu.com- Jan 12, 2020

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High growth can bring inclusiveness in wealth creation: Shaktikanta Das

The theme of "Broad-based Prosperity: Tackling the Fundamentals", chosen by Mr. Shanmugaratnam for today's lecture, is relevant globally and also for the Indian economy. The importance of broad based prosperity has been well recognised for a long time and there is a consensus on the need to ensure that the benefits of economic growth reach the populace at large.

As an idea and a policy objective, it is similar to the concept of inclusive growth. While there is consensus on the need to achieve a more egalitarian social and economic order globally as well as within a country, it is equally important to focus on the fundamentals and create an eco system that facilitates greater inclusion. The underlying theme has to be structural reforms.

In this context, let me mention that the mandate given to RBI on maintaining price stability, financial stability and economic growth is not only important from macroeconomic perspective, but also for the objective of inclusive growth. Persistently high inflation adversely impacts the 4 economy's allocative efficiency and impedes growth. It also contributes to a worsening of income distribution by depreciating the real income of the poor.

In the backdrop of very high domestic inflation as compared to G20 countries, we adopted a flexible inflation targeting (FIT) framework in 2016 under which primacy has been accorded to the objective of price stability, while simultaneously focusing on growth when inflation is under control.

Similarly, high growth with financial stability augurs well for inclusive growth. High growth can bring inclusiveness in the process of wealth creation and its spread effect. I need not elaborate, but higher growth also improves tax-GDP ratio which enhances the resource availability with Government to undertake social and infrastructure expenditure.

Again, a sound financial system with healthy banks and NBFCs can play an important role in meeting the credit requirements of the bottom of the pyramid. Therefore, we have been focusing on strengthening regulation and supervision to develop a robust framework of financial stability where the banks and the NBFCs are able to fulfil the expectations of the society.

The Government and the Reserve Bank of India have also taken several micro-level initiatives to achieve social and financial inclusion and to bridge income inequalities. Financial inclusion in the Indian context is seen as part of a broader structural reform agenda. The Jan Dhan Yojana to provide access to banking services has enhanced the opportunities and scope for wider population to share the benefits of the growth process. Other schemes such as PM-KISAN, e-NAM, etc. have been launched with the objective of providing income support and doubling of farmers' income.

In the area of agricultural market reforms, there is consensus that improvement in the supply chain could become a major channel for promoting inclusive growth, as this can increase the share of farmers in retail prices paid by the consumers. A survey conducted by the RBI in 2018 covering farmers, traders and retailers in 85 mandis spread across 16 states found that the difference between retail prices that consumers pay and mandi prices that farmers receive (i.e., margins or mark-ups) varies across crops and centres.

The average share of farmers in retail prices of major primary food items varies between 28-78 per cent. It is lower for perishables and higher for non-perishable items. Higher share of retail prices going to farmers augurs well for the rural economy, which in turn, could help sustain domestic demand. Initiatives towards wider rural roads network, better communication facilities for faster exchange of information and easier access to micro credit will contribute to better price realisation for the farmers. This ongoing process needs to be sustained alongside further agricultural market reforms. Prioritizing food processing industries in the policy agenda, encouraging direct sale of farm produce by farmers to consumers, strengthening e-NAM for better price discovery and promoting storage facilities near producing centres will boost farm income and rural employment opportunities.

...The Reserve Bank of India has also taken various measures to increase the level of penetration of banking services to unserved and underserved areas. Recently, the National Strategy for Financial Inclusion (2019-24) prepared by the RBI has been approved by the Financial Stability and Development Council (FSDC). It sets forth the vision and key objectives of financial inclusion policies in India and aims to provide access to formal and affordable financial services; broaden and deepen financial inclusion; and promote financial literacy and consumer protection.

Leveraging latest technology for benefit of the people is also on the policy agenda of the Reserve Bank. To fulfil the vision empowering every Indian with access to a bouquet of e-payment options that is safe, secure, convenient, quick and affordable, a focused effort has been made to develop a state of the art national payments infrastructure and technology platforms. Recently on December 16, 2019, we rolled out the 24x7x365 NEFT facility.

With this, India has joined an elite club of a handful of countries having payment systems that ensure round the clock funds transfer and settlement on real time basis. For ease of settlement, RBI has also enabled liquidity support facility on 24x7 basis to participating banks. We have removed the charges levied for offering NEFT. Savings bank customers can now initiate online NEFT transactions free of cost. Going forward, this can pave way for the large value Real Time Gross Settlement (RTGS) system to be offered to the country on 24x7 basis. As of now, we have extended the timing of Real Time Gross Settlement (RTGS).

To give impetus to small value digital payments, a new type of prepaid payment instrument (PPI) with amount outstanding not exceeding Rs 10,000 has been introduced recently...

Source: business-standard.com- Jan 11, 2020

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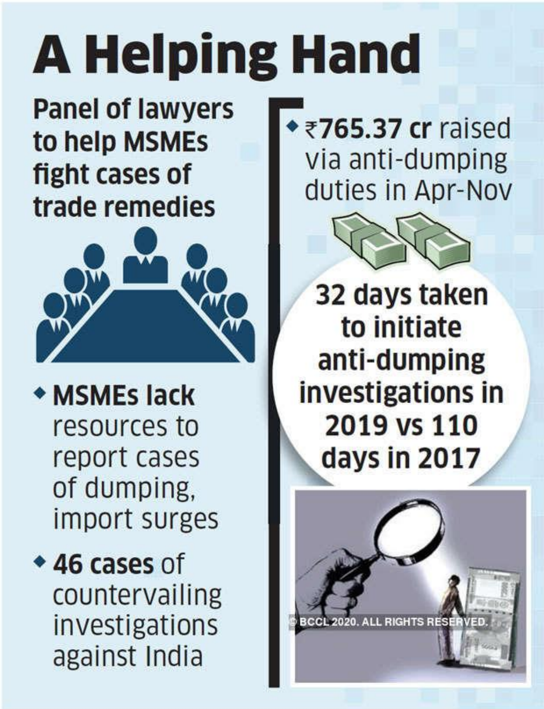
Legal platform to counter cheap imports

The commerce dept is looking to constitute a panel of lawyers to provide legal guidance to micro, small and medium enterprises.

India is putting in place a legal platform to help small and medium enterprises, threatened by cheap imports in their fight against trade distorting practices.

The commerce department is looking to constitute a panel of lawyers to provide legal guidance to micro, small and medium enterprises (MSME) in the area of trade remedies such as anti dumping duty, countervailing duty and safeguard measures. “This assistance may include advice on information, documents necessary to file a trade remedy petition and process details,” said an official in the know of the developments about the proposed panel.



A dedicated panel of lawyers is seen as crucial in view of various forms of support as also trade protectionist measures being adopted by many countries for local manufacturers, the official said.

Remedial trade measures available to address trade distortions to the domestic industry include anti-dumping duty, countervailing duty and measures including safeguard duties and quantitative restrictions. India's trade deficit was $106.84 billion in the April-November period in the financial year. Typically, MSMEs find engaging lawyers to fight such cases a costly and complex affair.

"The main problem is that MSMEs take time to realise that dumping or import surge has happened and they are not prepared. This is a good move as trade remedial actions are costly, especially for small players who are not organised," said Ajay Sahai, director general, Federation of Indian Export Organisations. The Directorate General of Trade Remedies (DGTR) has already taken various measures to protect domestic industry from unfair trade practices.

Source: economictimes.com- Jan 13, 2020

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