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IBTEX No. 53 of 2019 March 13, 2019

USD 69.54| EUR 78.55 | GBP 91.43 | JPY 0.62

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20431	42700	**78.07**
Domestic Futures Price (Ex. Warehouse Rajkot), March		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21010	43911	**80.28**

International Futures Price	
NY ICE USD Cents/lb (May 2019)	74.85
ZCE Cotton: Yuan/MT (May 2019)	15,200
ZCE Cotton: USD Cents/lb	102.77
Cotlook A Index – Physical	**81.55**

Cotton Guide: It was a complete reversal for the trend in the short term. In the past few days the trend was consolidated but yesterday the trend showed signs of moving north. A triple digit gain was seen for the ICE May and ICE July contracts. After calling the 75 cents/lb a Lakhsman Rekha the ICE May futures finally touched the 75 mark but could not exceed it therefore settling at 74.85 with an increase of +165 points. The ICE July contract also settled at 76.04 cents/lb with a gain of +160 points. Strong Buying was witnessed last evening which escalated the prices to another level altogether. As we are writing this report at 7:45 am the prices are touching the 73.87 cents/lb mark. There was a spike in volumes as well which indicates that the market is showing an uptrend.

The total volume recorded yesterday was 43,815 contracts as compared to 24,099 contracts which is an increase of 19,716 contracts.

The MCX contracts on the other hand emanated a series of modest gains within the range of 70 Rs and 80 Rs. The MCX March contract settled at 21,010 Rs/bale with a positive gain of +70 Rs whereas the MCX April and MCX May contract settled at 21,310 and 21,570 Rs/bale respectively with similar gains of Rs 80. We assume MCX contracts will follow the trend of ICE in this week. After interaction with a number of market participants it seems that there is a bullish wave going across India.

The total arrivals estimated are 124,000 lint equivalent bales (source cotlook) including 40,000 registered in Maharashtra, 39,000 in Gujarat and 19,000 in Andhra Pradesh. The average prices of Shankar 6 have shot up by 200 Rs showing a price of 42,700 Rs/Candy. The cotlook Index A has been readjusted towards the negative side at 81.55 cents/lb with a change of -0.20.

The reasons for a bullish trend are:

1.Domestic Mill demand is picking up, as the cash flow is seen to have ameliorated the previous adverse financial conditions of the mills.

2.China is expected to buy huge amount of cotton soon.

3.Trade tensions between Washington DC and Beijing seems to be easing, in the near future.

4.OPEC Production cuts – We need to keep in mind that among all commodities highest correlation is seen between crude and cotton. Higher the prices of crude, Higher will be the prices of cotton.

5.Global Economic Growth is helping to increase demand for cotton products.

The reasons for a bearish trend are:

1.Bumper crops in Brazil and United states.

2.Geopolitical Economic uncertainty with respect to European countries.

Despite the aforementioned bearish factors, the market sentiment seem to be bullish. Also with the rise at ICE and appreciation of the rupee the basis has increased therefore, making the Indian Exporters of Cotton to wait for more news on confirmation of the trend. However, it seems that the prices have bottomed out and a buy on correction is recommended.

On the technical front, ICE Cotton May future is trading in a wider range of 71.80-74.80 since last few weeks. The downside in prices got restricted around 71.80 as reversal in momentum indicator from the oversold zone with formation of positive divergence in combination with lower band of the channel supported the change in bearish bias in prices. On the higher side 74.80-75.20 zone holds near term resistance, followed by 76.14. Only a move above would bring fresh buying in Cotton future. Likewise, below 71.80 crucial support exists around 70.80. So for the day price is expected to remain in the range of 72.40-75.20 with side ways to positive bias. In the domestic market MCX Cotton Mar is likely to consolidate in the range of 20850-21220 with positive bias

Currency Guide

Indian rupee may witness choppy trade against the US dollar but general bias may be on the downside. Rupee hit a high of 69.4913 in intraday trade yesterday but shed some of the gains and ended at 69.71. Weighing on rupee is mixed economic data, weakness in major equity markets and firmness in crude oil price. India CPI inched up to a four-month high of 2.57% in February beating Bloomberg forecast of 2.4% growth. Industrial production rose 1.7% in January as against forecast of 2.1% growth. Global equity markets are under pressure amid Brexit uncertainty and mixed economic data from US and major economies. Concerns about Brexit rose as UK lawmakers on Tuesday rejected the government's latest deal to leave the European Union. UK leaders will now vote to exit without a deal or to delay the Brexit. The 12-month US inflation number of 1.5% was the lowest recorded since September 2016. Brent crude trades near $67 per barrel amid unexpected decline in US crude oil stocks and Saudi's plan to further reduce production next month. However, supporting rupee is investor inflows, easing geopolitical risks and Fed's patient rate hike stance. Rupee has appreciated sharply in last few days but may struggle to extend the gains amid weaker risk sentiment. USDINR may trade in a range of 69.45-69.95 and bias may be on the upside.

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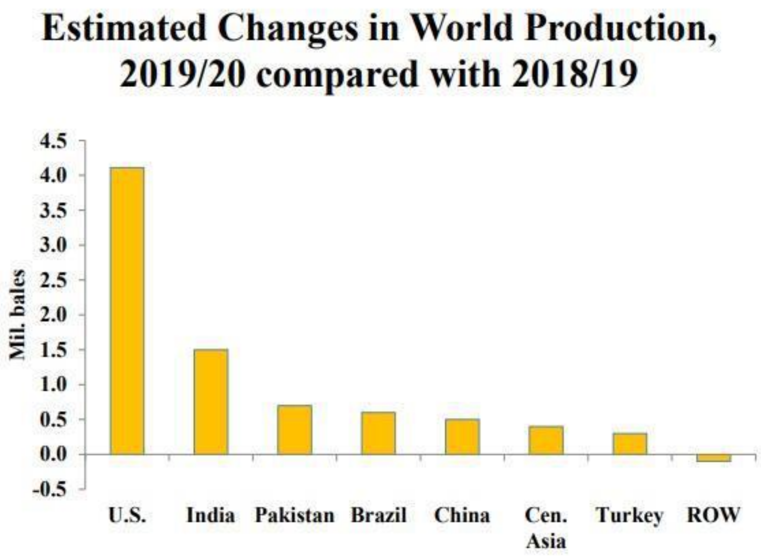
INTERNATIONAL NEWS

World cotton output to rise 6.8% in 2019-20: USDA



World cotton production is expected to rise 6.8 per cent with yields rebounding in several countries and area also rising, according to the first projections for 2019-20 season released by the US department of agriculture (USDA). In the US, cotton production is expected at 22.5 million bales, based on higher planted area and sharply lower abandonment.

The outlook for China shows imports, consumption, and production projected up, while stocks are expected to fall for the fifth consecutive year. "With the decline in China's stocks, stocks outside of China are projected to increase significantly. As a result, the average A-Index and the season-average US farm price are expected to decline," the Foreign Agricultural Service of USDA said in its 'Cotton: World Markets and Trade' March 2019 report.

World trade is projected to expand, bring it near the record levels seen in 2011-12 and 2012-13. Much of the increase is expected in China as smaller sales from the State Reserve reduce available domestic supply, meaning that higher imports will be needed to close the gap, the report said.

Global consumption in 2019-20 is expected to continue growing, but at a rate slightly below its long-run average based on weaker global economic growth.

Meanwhile, for 2018-19 season, cotton production is forecast up slightly, led by larger crops in Brazil and Pakistan more than offsetting lower production in Australia. Trade is projected down slightly on lower imports for Indonesia and lower exports for Brazil. Global use is virtually unchanged. The US forecast is unchanged. The US season-average farm price is lowered 2 cents to 70 cents/lbs

Source: www.fibre2fashion.com- Mar 13, 2019

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APTMA, Tajikistan association sign MoU

The All Pakistan Textile Mill Association (APTMA) has signed a Memorandum of Understanding (MoU) with the Union of Private Sector Development of Tajikistan for an intensive week-long business tour of the Tajikistan textile delegation to Pakistan, aimed at establishing business contacts, learning best practices and experiences, and developing long-term collaborations. Central Chairman APTMA Syed Ali Ahsan, Chairman APTMA Punjab Adil Bashir and other office-bearers of the Association were present on this occasion.

APTMA gave a presentation on the textile industry structure, strength and opportunities and the way forward for achieving various goals for doubling investment, production, exports and employment . The presentation also highlighted prospects of cooperation at Association level with Tajikistan textile industry.

It may be noted that a delegation consisting of managers and representatives from 13 textile and clothing (T&C) companies, two consulting companies, two universities, as well as the Union of Private Sector Development and the Ministry of Industry and New Technologies of Tajikistan is visiting Lahore and Faisalabad during a business study tour starting from last Saturday.

This is the first time ever that Tajik T&C companies have such a tour to Pakistan, which is among top 10 textile producers in the world. The study tour was organized with the support of the Government of Switzerland through the International Trade Centre (ITC)'s Global Textiles and Clothing Programme (GTEX) in close cooperation with the USAID funded project "Pakistan Regional Economic Integration Activity" (PREIA).

The USAID Pakistan Regional Economic Integration Activity (PREIA) is a five-year project instituted to further the development of Pakistan's trade sector by improving Pakistan's competitiveness in regional and international markets. Achieving this objective necessitates the establishment of linkages between private business organizations from Pakistan and the Central Asian Republics (CARs).

The main objectives of the study tour are to gain exposure to the textile value chain in Pakistan, including the use of technology, manufacturing practices, to establish business contacts and to explore the possibility of sourcing materials and understand the retail environment.

Source: fp.brecorder.com- Mar 12, 2019

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U.S. to End Trade Preference Program for India and Turkey

An announcement from the Office of the United States Trade Representative indicates that Turkey and India will both be removed from a trade preference program afforded by the U.S. The two countries have been included in the Generalized System of Preferences (GSP) program for several years. The GSP program is designed to assist developing countries that may not have a particularly strong economy to better compete in the trade market.

Created in the Trade Act of 1974, GSP is the largest and oldest American trade preference program. The GSP program allows particular products to be exported to the U.S. duty-free so long as eligibility requirements set by Congress are upheld. Some of the criteria include recognizing worker rights as well as combatting child labor. Other requirements for GSP status include intellectual property protection and affording the U.S. reasonable market access.

Each of the countries is being removed from the program for different reasons. Turkey has been classified as a GSP beneficiary developing country from nearly the beginning of the program. The country has since experienced dramatic growth in Gross National Income per capita while poverty rates were on the decline, exemplifying economic development that no longer warrants inclusion in the GSP program.

India has put several trade barriers in place that have negatively affected U.S. commerce and has been under review for eligibility for the GSP program since April 2018. The country exports more than $5 billion worth of goods to the U.S. every year. Official removal from the program will be a 60-day process that will ultimately make it challenging for Indian and Turkish exports to keep their prices at their current value.

In a letter to congressional leaders, Trump said: “I am taking this step because, after intensive engagement between the United States and the government of India, I have determined that India has not assured the United States that it will provide equitable and reasonable access to the markets of India.”

Source: agnetwest.com- Mar 12, 2019

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Pakistan: Trade deficit dips 11pc in eight months

ISLAMABAD: The country’s trade deficit further shrank 11.03 per cent to $21.52 billion in 8MFY19, from $24.19bn in same period last year, reported the Pakistan Bureau of Statistics.

Similarly, during 8MF19, trade deficit declined 11.03pc to $21.52bn, as against $24 in corresponding months of last year. This decrease came on back of the steep decline in the overall import bill even though export proceeds posted a mixed trend.

Exports edged lower by 0.37 per cent year-on-year to $1.88bn in February due to the border tensions with India. The massive 33pc rupee devaluation since July 2018 coupled with cash assistance to major sectors, mainly textile and clothing wasn’t enough to boost the country’s exports as they grew a marginal 1.85pc to $15.11bn during 8MFY19, from $14.83bn in corresponding period last year.

Last month the government claimed that the impact of currency devaluation will be visible in the export trajectory, say that foreign sales will pick up momentum and imports will record steep decline in the months ahead.
Article continues after ad

The value of imported goods in the eight-month period was recorded at $36.63bn, down 6.13pc, from $39.02bn. The decline was even steeper in February, falling by 12.26pc to $4.18bn, from $4.76bn in same month last year.

According to the government, the decline in imports is mainly due to imposing of regulatory duties on imports of luxury items and automobiles. Moreover, government also slapped ban on import of furnace oil last month. The Commerce Division claims that imports have began their downward journey due to a number of policy interventions by the government such as import contraction measures like regulatory duties (RDs) on non-essential items, improved energy supply, import substitution drive, economic stabilisation and currency devaluation.

Source: www.dawn.com- Mar 13, 2019

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Bamboo-labelled textile items may not be as green: Canada

The Competition Bureau of Canada recently issued an advisory, cautioning customers that bamboo-labelled sheets, T-shirts and other textile products found in stores and online may not be as 'green' as they seem as transforming bamboo fibre into soft fabrics for clothing, towels or bedding involves the use of a lot of environmentally harmful chemicals.

The end product of this major chemical transformation process is a fabric called rayon or viscose, which contains no trace of the bamboo plant or its anti-microbial properties.

Though the advertisements and labels for these fabrics must include terms such as rayon, viscose, rayon from bamboo or viscose from bamboo, these are often misrepresented as bamboo without any mention of rayon or viscose, the advisory said.

The practice of trying to make products seem more eco-friendly than they are by companies is called greenwashing, which is against the law, it said.

Source: www.fibre2fashion.com- Mar 13, 2019

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Nigeria:The failed $2bn national textile policy

A report published yesterday indicated that four years after the federal government approved a national policy on Cotton, Textile and Garment (CTG) Nigeria is yet to meet any of the targets set in the policy.

The appalling situation paints the gory picture of a comatose sector that hitherto prided itself as the largest employer of labour and a major contributor to the country's gross domestic products (GDP) which is seemingly defying policy frameworks geared towards its revitalisation.

In 2015, the federal government through the Ministry of Industry, Trade and Investment, launched the National Cotton, Textile and Garment Enterprise Policy to stimulate the textile industry. Despite not meeting any of the targets, the Central Bank of Nigeria (CBN) recently announced foreign exchange ban for textile importers to help bolster the local textile industry. The policy, initially aimed at developing the local textile industry, launched under Olusegun Olutoyin Aganga as the then trade minister four years ago, is aimed to create an environment to encourage textile production in the country and limit importation.

The policy document projected savings of $2 billion in foreign exchange through import substitution, increase in the level of direct employment in the sector from the then 24,000 workers to 50,000 workers by the end of 2015 and to 100,000 workers by 2017.These targets have not been achieved even by 2019.

The policy also targeted an increase in seed cotton production in the shortterm from 200,000 metric tonnes to 500,000 metric tonnes by the end of 2015 and indirect employment expected to increase from the current level of 650,000 people to 1 million people by 2015, and 1.3 million people by 2017.

"Export earnings are also expected to increase to at least $3 billion annually or 0.5 per cent of the global share of international trade in textiles and garments in five years.

FDI into the Nigerian textiles and garment sector will increase to as high as N255 billion cumulatively over the next five years," the policy stated. Details of the implementation of the policy under Dr. Okechukwu Enelamah have remained sketchy as it appears the trade ministry under him has abandoned the policy.

Earlier in 2010, the federal government had introduced the N100 billion Cotton, Textile and Garment Revival Fund managed by the Bank of Industry (BoI) to turn around the fortunes of the textile industry, but just like the national policy, it has also failed to revive the textile sector.

Explaining why federal government's N100 billion Cotton, Textile and Garment Revival Fund could not achieve the desired goal, CLS Stockbrokers Limited, a member of the FCMB Group, said most players in the textile industry "did not avail themselves of the loan as repayment became a major challenge to those who did, since it was difficult to contest with imports from Asian countries which have taken over the market."

The company, which is a member of the Nigerian Stock Exchange, explained that the 'National Cotton, Textile and Garment Policy' approved in 2015 targeted cumulative investments of over N255 billion (US$0.71billion) in the textile industry over five years.

The policy provides that all military, para-military agencies and government schools purchase only made-in-Nigeria textiles and garments.

"The Nigerian textile industry can still be a major revenue earner for Nigeria and a major employer of labour considering the local availability of the major raw material (cotton) and the chemicals needed for production (mainly by-products of petroleum). However, the success of the industry depends more on the ability of the government to address the fundamental challenge of poor infrastructure, mainly power.

" Speaking on the development, an economist, and former Director General, Abuja Chamber of Commerce and Industry (ACCI), Dr Chijioke Ekechukwu, said that latest CBN's forex restriction for textile import will not have so much effect as importers will continue to import textile by sourcing for forex through the secondary forex markets of bureau de change and through privately arranged international money transfers. Ekechukwu said the restriction will rather increase the price of the imported textile materials and the price burden will be borne by the ultimate consumers.

He explained that the forex restriction is not a ban on textile materials, but “a not-valid-for-export regime,” which is not likely to protect the local textile manufacturers.

The United Nations had in a report stated that in 1987 there were 37 textile firms in Nigeria, operating 716,000 spindles and 17,541 looms. Between 1985 and 1991, it recorded an annual growth of 67 per cent and as at 1991, it employed about 25 per cent of the workers in the manufacturing sector. Sadly, this once cherished national cash cow has now collapsed.

Blueprint is, therefore, miffed that a policy formulated to return Nigeria’s textile industry to its golden period is being frustrated by bureaucratic bottlenecks.

That a policy document that would facilitate the nation’s industrialisation and boost employment remains dormant for four years is as unacceptable as it is undesirable. Consequently, we call on the federal government to set up an inquiry with a view to determine the immediate and remote causes of the failure of the national policy on reviving Nigeria’s textile industry.

Source: www.blueprint.ng- Mar 12, 2019

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Textile, other items: government urged to resolve anti-dumping barriers in Turkey

President of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI),Engr Daroo Khan Achakzai has urged the government to resolve/negotiate all anti-dumping barriers imposed by Turkey on Pakistani textile and other items before the signing of Free Trade Agreement (FTA) with Turkey.

These anti-dumping and safeguard measures were said to have reduced Pakistan's current exports to Turkey to $ 327 million as against $ 850 million in 2011.

Appreciating the efforts of the government of Pakistan and Turkey to enter into Strategic Economic Framework (SEF) for enhancement of bilateral relations in trade, tourism, healthcare, hospitality, industry, education, housing, agriculture, aviation and banking, he stated that the main purpose of SEF is to enhance bilateral trade by five folds from current US$ 800 million (approx) and for achieving this goal it is expected that both governments may sign FTA during the current year. He further said that Pakistan and Turkey both are the members of ECO, D-8, CACCI and OIC and the existing trade volume doesn't reflect the significant bilateral relations.

He said that textile and rice are the main exportable items of Pakistan facing high tariff rates in Turkey.

The imposition of extra duty on Pakistan's textile in terms of safeguard and antidumping makes our product uncompetitive in Turkey. He said that under FTA arrangements government of Pakistan can seek the same duty structures for its textile products that Turkey has extended to Egypt and Jordan.

Engr Daroo Khan Achakzai further stated that there are huge potentials available in plastic items, sports goods, carpet, edible fruits, agriculture products and leather goods whereon Turkey should give concession in tariff rates to Pakistan.

He underlined that Turkey is currently importing surgical items from Germany that are originally manufactured in Pakistan. He further added that automobile industry is one the growing industry of Pakistan should not be affected under FTA with Turkey. Apart from trade, the FTA should also facilitate the investment opportunities between both nations, he suggested.

Source: fp.brecorder.com- Mar 12, 2019

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Turkey gains scope as European textile hub while entering recession

The Gross Domestic Product (GDP) of the country registered in the fourth quarter of 2018 a fall of 2.4% compared to the previous quarter, falling into technical recession for the first time since 2009.

Turkey consolidates its role in the European fashion sourcing while its economy weakens. The county, which has entered a technical recession, shot up last year its exports of textile and fashion goods to Europe, relying mainly on the devaluation of the local currency. Now, in this new period of recession, everything indicates that the situation will persist.

Turkey's Gross Domestic Product (GDP) registered a 2.4% fall in the fourth quarter of 2018 compared to the previous quarter, entering technical recession for the first time since 2009, according to data published yesterday by the Turkish Statistical Institute (Turkstat). **In Inter-on-year terms, the country's GDP recorded a 3% drop.**

Despite the setbacks of the Turkish economy in the last two quarters of the year, 2018 as a whole had a positive performance, with an annual increase of 2.6% compared to 2017. However, **the rise was well below that registered one year ago, when it stood at 7.4%**.

The textile, highly sensitive to production costs, took advantage of such devaluation to increase purchases to the country

For the time being, the Turkish Minister of Finance and Treasury, Berat Albayrak, stressed yesterday the temporary nature of the economic slowdown and explained that the country has started a moderate recovery driven by exports and tourism income. Part of this recovery is based on the devaluation of the local currency executed last year on several occasions by the Turkish Government in order to gain competitiveness in foreign markets.

The textile, highly sensitive to production costs, took advantage of such devaluation to increase purchases to the country.

In 2018, the European Union raised by 2% its purchases to the Turkish textile industry, which establishes itself as the third largest hub in the European sector, according to the latest data by Icex.

Turkey was the only proximity sourcing of the European Union which increased its sales to the region last year, when in Italy fell by 2.2%, in Check Republic had a drop by 5.6% in and Portugal plummeted by 10.2%.

In the specific case of Spain, in 2017 Turkey had already overtaken Bangladesh as the second supplier of textiles, clothing, accessories and footwear

In the specific case of Spain, in 2017 Turkey had already overtaken Bangladesh as the second supplier of textiles, clothing, accessories and footwear, and in 2018, it even increased the gap between them. Two years ago, the Spanish market rocketed by 16% its Turkish textile purchases while imports from Bangladesh only grew by 8%.

Also in the case of the fashion industry in Spain, Turkey has distorted the sourcing map of the sector in proximity. Thus, while the Eurasian country has increased its sales of fashion items to the Spanish market at a double digit rate between 2017 and 2018, Portugal's textile industry has registered drops of 23.5% in 2017 and 13.9% in 2018.

As for Italy, Spanish purchases also shank in the last year, with a decrease of 4.2%, while those of Morocco moderated the growth rate, going from 23.3% in 2016 to 8 % in 2017 and 5.9% in 2018.

Source: www.themds.com. Mar 13, 2019

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Why Turkey's export rise is hard to sustain

As Turkey's March 31 local elections draw nearer, debates over the ailing economy are flaring up, marked by attempts to use economic data for propaganda, minus any objective and prudent analysis. Turkey's economic woes last year resulted in a 3% contraction in the fourth quarter, officials announced March 11. Amid the downturn, Turkey's imports have declined and exports have grown — a trend that both the economy management and some industrialist groups present in exaggerated terms to the public.

In early March, Trade Minister Ruhsar Pekcan made the following comments on the still unofficial foreign trade figures for February: “Despite all problems in global trade, we had the highest February export figure in Turkey’s history. Exports increased 5% in the first two months of the year, while imports decreased 23.1%.” She maintained that the rate of exports covering imports was the most important economic indicator this year and it had reached 87.3% in the first two months, up from about 64% in the same period last year.

The relative increase in exports and the sharp decline in imports is obvious, but what really matters are the dynamics underlying the trend and how sustainable it is.

Turkey’s economy grew only 1.6% in the third quarter of 2018 before shrinking 3% in the fourth one. As a result of the sharp contraction, the importation of items used by the industry — intermediate goods, inputs and investment machinery — has dropped. The decline is a direct reflection of decreasing production and stalling investments. Similarly, the increase in exports is hardly the sign of some industrial boom but has to do with goods produced of now-depleted or stocked raw materials. Hence, the uptick that Pekcan hails is hard to sustain for the time being.

Indeed, the big increase in Turkish exports in recent years has been accompanied by a similar increase in imports. In 2017, exports hit $157 billion, increasing 234% from $47 billion in 2003. Imports, meanwhile, rose 239% to $234 billion from $69 billion in the same period. Consequently, the country’s foreign trade deficit expanded to $77 billion in 2017 from $22 billion in 2003.

In other words, production depends heavily on imports; hence, exports cannot grow without imports. In major export items such as automotive products, food, textiles, apparel, white appliances and iron and steel, the equivalent of up to 60% of export proceeds is spent on imported inputs. Without those imports, production and therefore exportation is not sustainable.

The dependency on imports varies between sectors, but on average it stands at about 60%. This could be observed in the so-called inward processing permission certificates, which denote government incentives to exporters. The “inward processing regime” is the backbone of export activities and, as a policy, has contributed to the exports' dependency on imports. Under the system, tax exemptions and other perks are granted to industrialists who do processing at home and export their products within a certain period of time. The incentive certificates are published monthly in the official gazette.

Since its introduction in 1996, this incentive system has come to encompass nearly half of Turkey's exports. Under the system, companies notify the authorities of their export plans, asking for exemption from taxes and fees. In their applications, they specify export commitments and identify what they need to import for that purpose, for which they receive incentives as well.

Though figures vary from year to year, the value of incentivized imports is equivalent to around 60% of the value of exports within the scope of the inward processing regime. In 2010, for instance, the ratio hit 60%, with incentivized import permissions of $33 billion for exports worth $55 billion. In 2017, the ratio was 55%, with the import and export figures standing respectively at $34 billion and $62 billion.

In the 2003-2017 period, dependency on imports reached up to 75% in some categories such as base metal, computers and electronics, while generally standing at some 60% in the automotive sector and around 50% in the food industry.

Several recent examples could give a better idea. According to incentive certificates issued in July 2018, Ford Otosan, a leading automotive company that is part of the Koc business empire, received incentives for exports worth some $1.5 billion, for which it needed to import goods worth $887 million. This means that for the said batch of exports, the need for imports was some 60%. Similarly, tire maker Birsa declared a need for $42 million imports for an export batch of $76 million, meaning a 55% dependency on imports. Icdas, a major company in the iron and steel industry, needed to import items worth $153 million — probably scrap iron — to export goods worth $199 million, which means a dependency ratio of up to 77%.

The reliance on imports is not limited to intermediate and capital goods, extending to subsectors such as food, textiles and apparel, where Turkey is generally known as a competitive country. The importation of wheat to make flour for export is a typical example. In the apparel sector, even basic items such as cloth and yarn are being imported.

The share of imported inputs particularly grew in the 2003-2013 period, when Turkey enjoyed low foreign exchange prices under the impact of an abundant inflow of foreign funds, stimulated by favorable external and domestic conditions. As a result, the importation of many inputs was seen as more profitable than buying them domestically, which, in turn, brought about the demise of many local suppliers.
Such a reliance on imports in the industry has a damaging impact on competitiveness once foreign exchange prices shoot up, as happened last year, making imports more expensive and thus increasing production costs. To make the old scheme work, one needs to bring foreign exchange prices down, which, in turn, requires an increase in the inflow of foreign capital.

This, however, appears a distant prospect for Turkey in the near future. There are serious signs that the Turkish lira has again entered a downward trend, which means that the headway of exporters is limited to stocks since the uptick in exports can hardly be sustained with foreign inputs purchased on the current exchange rates. The replacement of imported inputs and machinery with local ones, meanwhile, requires a steady long-term effort, including most notably a review of Ankara's growth paradigm, which has for years encouraged construction while ignoring the industry.

Source: www.al-monitor.com- Mar 12, 2019

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Pakistan: Sluggish day on cotton market

KARACHI: Slow trading was witnessed on the cotton market on Monday as buyers took to the sidelines.

Brokers blamed overall slowdown in commodity markets for low activity. Textile spinners who were active last week were absent on the cotton market. There was selective buying with strong focus on quality cotton, though prices stood firm.

It is being estimated that next crop could be bumper provided the government takes necessary measures including increase in area of cultivation, providing of certified seed and pesticides.

Cotton analyst Naseem Usman said that as per El Niño cycle, the climate pattern would be favourable for cotton crop and the country could easily achieve a target of 15 million bales.

He further said that cotton prices could surge in May when supply starts slowing down though there would be sustained demand from textile industry.

There is very little phutti (seed cotton) left behind in cotton fields and most of the supply is coming from ginners stocks, he added.

The Karachi Cotton Association (KCA) spot rates were firm at weekend level at Rs8,600 per maund.

Only two deals were traded: 600 bales, station Ghotki, at Rs8,850; and 2,000 bales, Rahim Yar Khan, at Rs8800.

Source: www.dawn.com- Mar 12, 2019

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Pakistan: Supply chain risk factors in the fashion industry

A guide to the complexities of fashion supply chains

In the past few decades, consumers' demand has made the supply chain management of the fashion industry more challenging. Fashion, apparel and textile supply chains are becoming extremely complex. This industry has an unpredictable and very short life span which needs to refresh fashion products in a timely and efficient manner. It implies reducing lead time and associated logistical costs in order to avoid an intense reduction in prices at the end of the selling season due to rapid changes in trends. Today, fashion retailers are facing different risks in maintaining their supply chains with changing trends and awareness of the fashion industry, which has high volatility, with items' shelf life being a few weeks before the consumer switches to a new design, fabric or colour. A principal criticality of fashion lies in the ability of knowing the taste of customer and then converting it into a required product.

Technology is one of the risks that fashion retailers are facing because now consumers can easily compare prices online and want more time for internet browsing instead of visiting a shopping mall. It has stimulated the fashion retailers to optimize their supply chain activities and setting the prices low, and due to pressure from price side they start outsourcing from markets with low cost.

Trend assessment is another big risk of the fashion industry and these trends are mostly erratic. A successful clothing store takes advantage of the latest trends and is well aware of situations when such trends are on their go-down time. A single slip-up may lead to excessive inventory, destroying credibility and a chaotic brand identity for the store, and consequently may prove disastrous in the clothing business. Stores may avoid stumbles by hiring experienced people, to go for reputable brands and to purchase commercialized clothing. Another possible risk is from offshoring trend; while it assures a significant cost advantage, it contributes to lengthy lead times. This may lead to replenishment time extensions and therefore a lot of trouble in timely responding to the delays along the chain or change in the demand.

There are also some legal and political factors which affect businesses in the clothing industry. Rights of workers, child labour laws, workers' unions are existing issues in clothing manufacturing plants. Workers may picket their employers and then lockouts would come up, due to unfairness in wages or other benefits which impact on the production of clothing and consequently these can cause delays for retailers in getting changing season fashions on time.

Due to the adoption of conventional semi-permanent demand forecasting, any change or fluctuation may lead to overstocking, as products quickly become obsolete or out of fashion. On the other hand, under-stocking may be faced which may lead to decrease in actual volume of sales resulting in destruction of image and lost sales. There is still lack of educated and skilled labour in the textile industry of Pakistan. There are many social and environmental challenges in Pakistani factories which have always been difficult to detect. Beyond tier 1 or 2, it is not easy to oversee adequate transparency in the production processes where businesses may not be aware of social and environmental issues. Negative attitude towards female labour and unsafe working conditions in the garments industry is common. These kinds of problems have an impact on the quantity, quality and management of the textile industry. Also, a government order imposing a trade barrier against a company’s imports would push purchasers in the clothing industry to find different suppliers.

To improve performance on productivity and quality, the government should spend money on polishing the skills and management development of workforce belonging to fashion industry.

There are many textile fashion brands which are manufactured in Asian countries like Pakistan, China, India and Bangladesh with a fashion cycles of once or twice per year, which is favorable to some extent for the Pakistani market to respond to their lead time. Lead time in the textile and fashion business of world indicates that it is shrinking day by day. China is giving tough competition to the apparel industry of developed countries because Chinese are proficient in manufacturing apparel in a short time and then making them available to sell in the market at a competitive price. But in many developing countries like Pakistan, apparel industries are mismanaged and not yet fully developed. Big fashion industries like Zara and H&M have achieved very short lead times for design and production by adopting a flexible supply chain.

It is important for Pakistan's fashion industry to focus on developing the apparel sector in order to raise the export revenue from textile and apparel products. Externally, global recession hit the Pakistan textile industry very hard. Internally, the swift rise in energy and fuel costs resulted in higher cost of production and then the depreciation of the Pakistani currency raised the cost of imported raw material. At the same time, inflation and crises of energy have also affected the textile industry. To improve performance on productivity and quality, the government should spend money on polishing the skills and management development of workforce belonging to fashion industry.

Behind the success of the largest fashion retailers in the world, the key to success is to bring the correct products to customers speedily in an efficient manner so that those products are sold at ordinary price with minimum reduction of price or sell-outs, so to get high profit objectives. In order to reach this goal, large fashion retailers combine domestic as well as off-shore sourcing to optimize business profitability by using flexible sourcing for high fashion products domestically and cost efficient offshore sourcing for basic fashion products. To develop a sound supply chain policy of fashion industry that is holistic in its approach, it is imperative to have authentic data and a continuous interaction among stakeholders within domestic and international markets.

Source: www.pakistantoday.com.pk- Mar 13, 2019

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NATIONAL NEWS

India may reach cotton export target

India may be able to export 50 lakh cotton bales. As of today Indian cotton quality wise rate is ruling from Rs 40,000 to Rs 42,000 per candy for 27 mm to 29 mm cotton. At this rate Indian cotton is the cheapest cotton available in the world due to which there is a good demand for Indian cotton from across the world. Since the past many years India has been a net cotton exporting country.

This year, cotton sowing in India was done in around 123 lakh hectares. But rainfall has not been satisfactory. States like Gujarat, Karnataka, Telangana and Maharashtra have had a rain deficit. Hence, this year there will be no third and fourth pickings in most of these cotton growing states. Maharashtra and Telangana advised farmers to remove cotton plants by December 31 to avoid pink ball worm problems. Because there will be no third, fourth or fifth pickings in India, there will be a big drop in Indian cotton crop figures this year.

Against this year's crop size of 328 lakh bales up to February 28, 2019, 213.42 lakh bales of cotton have arrived in the market, which is 65 per cent of the total crop size.

Source: fashionatingworld.com- Mar 11, 2019

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India, Pak shouldn't let trade ties suffer

There is high unemployment in both countries and they urgently need to increase expenditure on health and education. Under such circumstances, any escalation of the conflict will raise their financial burden and make ordinary people suffer as the governments will spend more on arms than on improving the quality of life. Pakistan cannot afford to have a prolonged conflict with India because its economy is in a shambles.

The Economist called India and Pakistan 'natural trade partners'. Indeed, if there were friendly relations between the two neighbours, trade and investment partnership would have flourished and the welfare gains would have benefited the common person on both sides. In agriculture, manufacturing and services, much complementarity exists between the two countries. India is Pakistan's giant neighbour with 130-crore population and huge resources. Pakistan is grappling with high inflation, rising sovereign and domestic debt, a falling currency (138.39 Pakistan rupees to a dollar) and a fiscal deficit of 5.1 per cent.

The official trade between the two countries is small at $2.4 billion. It could have been many times more, according to the World Bank, and could reach $37 billion if there were no tariff or non-tariff barriers.

Smuggling amounting to another $5 billion takes place along the border. A substantial amount of trade also takes place through countries such as the UAE and Singapore, amounting to $5-10 billion. After 2012, there have been no business negotiations between the two countries. A roadmap was worked out between their commerce secretaries for improving trade and investment in September 2012.There was a meeting between the Prime Ministers in 2014 and an attempt was made to normalise trade. Prime Minister Narendra Modi promised to look into making visa processing easier for businessmen from Pakistan.

After the Pulwama terror attack, India revoked the Most Favoured Nation (MFN) status which it had granted to Pakistan in 1996 in accordance with the World Trade Organisation (WTO) rules, under which all WTO members have to grant MFN status to their trade partners who are also members of the WTO. It involves granting them equal tariff treatment. India has granted Pakistan the same for more than two decades. But after the recent conflict, India is set to impose 200 per cent duty on all Pakistani exports.

Pakistan has not granted MFN status to India all these years, even though their Parliament had approved of it. It is possible that many ordinary Pakistanis, especially those working in micro, small and medium enterprises, would suffer after the steep increase in custom duties imposed by India. There are reports that Pakistani goods are lying at the Wagah-Attari border because Indian businessmen are failing to lift them on account of the high duty added. These include sports goods, steel instruments like knives and scissors, surgical instruments and cement.

In the past, Pakistan and India trade never really took off, even though the latter reduced the negative list of banned imports under the SAFTA (South Asian Free Trade Agreement), initiated under SAARC. Pakistan continued to have a long negative list of 1,209 items that acted as an effective non-tariff trade barrier. Among the banned goods on Pakistan's list are textiles, garments, pharmaceuticals, plastic and polymer, cars, trucks and auto parts.

Even though trade is not playing an important part in bilateral relations, Pakistan cannot afford to have a prolonged conflict with India because its economy is in a shambles. It is in urgent need of a bailout from the International Monetary Fund (IMF) of around $12 billion. It needs more foreign aid and loans from other sources, but its credit rating by international agencies has fallen. Recently, Saudi Arabia and China have given $2 billion each in loans to Pakistan.

Its net forex reserves are at a very low of $7.2 billion, which can support imports for just six weeks. Its trade deficit is at $31.2 billion. The foreign investment inflows are not enough to finance the trade deficit.

India is in a more comfortable position regarding forex reserves of around $405 billion, but its economic outlook is not as bright as before because its GDP growth has slowed down to 6.6 per cent recently. The foreign investment inflows have also slowed down and investors are waiting and watching on two counts — the outcome of the forthcoming elections and the fear of escalation of the armed conflict between India and Pakistan. To regain the confidence of investors, a strong signal is needed from both sides that the conflict will be de-escalated.

The threat of a prolonged conflict may witness a slowdown of FPI (Foreign Portfolio Investment) inflows into India that will have an adverse effect on the rupee. Following the Pulwama attack, FPIs withdrew Rs 3,000 crore from the Indian markets. The Royal Bank of Canada has predicted that the rupee will decline to Rs 80 to a dollar in 2019. India imports 83 per cent of its oil needs and if there is also a rise in the crude prices, the rupee will have a free fall.

The escalation of the conflict will mean diversion of budgetary resources towards the buying of arms. India is the second biggest arms purchaser in the world. For two developing countries in which millions are living below the poverty line, it makes little sense to keep buying arms from highly advanced countries like Russia, Israel and the US. Both India and Pakistan are ranked low on the Human Development Index (HDI) and are burdened by poor social and physical infrastructure. There is high unemployment in both countries and they urgently need to increase public expenditure on health and education.

Under such circumstances, any escalation of war will increase the financial burden on both nations and make ordinary people suffer as the governments will spend more on arms than on improving the quality of life, which includes expenditure on reducing environmental pollution. Dialogue between the two countries is very important at this juncture for defusing the geopolitical tension in the region.

Source: www.tribuneindia.com- Mar 13, 2019

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Export index for states on anvil to boost competition

Government think tank Niti Aayog and the commerce ministry are working on an index to rank states on their readiness for exports and promote a healthy competition among them, senior officials said.

The export index will rank states on half-adozen key parameters, including their policies, ease of doing business, infrastructure NSE 0.29 % , access to finance, and output, which will assess the overall export market and exports from each state.

A senior government official said there will be 30-40 parameters under the six main subheads, based on international trade parameters but tweaked to Indian scenario.

“The government is seized of the fact that if India intends to increase its exports and subsequently its share of global trade, we will have to improve the export readiness of states,” he told ET. “Hence, the whole idea of an export index is to make states more competitive.” According to the official, export policies of various states are being studied to identify the best practices. “We will also collate the best practices as part of the first report to help other states benefit,” he added.

The commerce department has identified indicators to reflect issues such as truck stoppages, anti-competitive practices and role of intermediaries affecting exports. These preliminary indicators will be based on efficiency in processes, ease of arranging logistics, quality of infrastructure, adherence to time lines, competence and quality of logistic operators. They will provide qualitative and quantitative assessment of the logistics available to export consignments. The draft logistics policy also seeks to ease bottlenecks.

While computing the index, Aayog will seek inputs from trade bodies like Export-Import Bank of India, and Indian Institute of Foreign Trade, besides different divisions of the commerce ministry including Director General of Foreign Trade. Aayog has been aggressively moving towards outcome-based monitoring and has been in the process of ranking states on key indices like health, education, water composite index, and agriculture, much in line with its role of promoting competitive and cooperative federalism.

The government expects India's merchandise exports to grow 7.3% year on year to $325 billion in 2018-19. The growth rate would be lower than 9.8% clocked in 2017-18 due to factors including muted growth of traditional exports such as gems and jewellery, farm and engineering, a liquidity crunch, and global factors. India's exports stood at $303 billion in 2017-18

Trade has been a top priority for the government. However, infrastructure bottlenecks, high transaction costs and manufacturing constraints continue to be big challenges for exports. With the implementation of goods and services tax, however, India has become a unified market, subsuming more than a dozen federal and provincial levies, freeing up trade.

Source: Economic Times - Mar 13, 2019

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Tamil Nadu's Thirubuvanam silk sari gets GI tag

Weavers take almost 15 days to complete elaborately hand-woven saree with intricate art works.

Thirubuvanam silk saris produced by the Thirubuanam Silk Handloom Weavers Co-operative (Thico) Production and Sales Society Ltd. have been given geographical indication (GI) tag by the Registry of GI according to P. Sanjai Gandhi, President of the Intellectual Property Attorney Association and advocate of Madras High court.

Sanjai Gandhi, who along with Union ministry of Textiles took efforts to get the GI tag following application from the society in 2013, told presspersons at Thanjavur on Tuesday that the registrar Mr. Gupta and deputy registrar Chinnaraju Naidu gave the certificate to him on Monday. "I will hand over this certificate to weavers of the society on Wednesday at Thirubuvanam," he said.

Like most other commercial silk sarees, Thirubuvanam silks sarees are also made from domesticated 'Genus Bombyx' silkworm. The finest quality raw silk and the highest fibre production come from this silkworm, which mainly feeds on the leaves of mulberry tree.

Thirubuvanam silk sarees are crafted in handlooms, as against power-operated or automated looms. Weavers make a number of design motifs and various art works in the sarees. The aesthetic silk saree, weighs around 450-1250 gm. The silk alone weighs around 400 gm and the rest of the weight comprise zari. Traditionally these silk sarees would measure about 12ft in length and 4ft in breadth.

Weavers take almost 15 days to complete elaborately hand-woven saree with intricate art works. The sarees have excellent draping qualities and have natural resistance against creasing and wrinkling.

Sanjay Gandhi, counsel for the petitioner, said on behalf of the society, the department Of handlooms and textiles Government of Tamil Nadu, has filed the petition.

Silk saris are produced from the time of the king Kulothunga Cholan-III at Thirubuvanam. The society (Thico) was formed in 1955 and there are 1,850 members (weavers) in the society. 'Thico silk saris' are unique in having a Gopuram symbol on the border and specific to Thirubuvanam It provides employment to about 2,000 families. The society presently has 37 sales outlets spread throughout Tamil Nadu, and two in Puducherry.

The Thirubuvanam variety of silk sari has its own unique features. It is very smooth and it spreads over the body of the wearer elegantly. The pallu is woven continuously on the loom and the pallu simply runs on from the body of the saree, he said, The society uses
best skilled yarn and pure zari. The society caters to both contemporary and traditional taste, and is a hub for sarees, especially during the bridal seasons, he added.

Source: Deccan Chronicle,- Mar 13, 2019

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