USD 70.35 | EUR 79.05 | GBP 90.93 | JPY 0.64

Cotton Market

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

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tbody>
<tr>
<td>21770</td>
<td>45500</td>
<td>82.63</td>
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Domestic Futures Price (Ex. Warehouse Rajkot), May

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tbody>
<tr>
<td>21640</td>
<td>45228</td>
<td>82.11</td>
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International Futures Price

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<tbody>
<tr>
<td>NY ICE USD Cents/lb (July 2019)</td>
<td>68.45</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (September 2019)</td>
<td>15,170</td>
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<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>100.83</td>
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Cotlook A Index – Physical

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<td>80.70</td>
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Cotton Guide: And Down it goes!

This morning when we look at the Daily charts, we can only see red candlesticks. ICE July futures are trading at 67.42 cents/lb this morning. The Daily Relative Strength Index - RSI (14) is already at 20 showing that oversold conditions are prevailing. The negative slide for the previous week that ICE July emanated was seen at a whopping 9% on two factors First, News of Large US Supply and Second, the Famous Trade Tensions which every person in agriculture business is aware about. The ICE July futures almost declined around 7 cents along with the ICE December Futures showing a decline around 5 cents/lb.
The ICE July settled at 68.45 cents/lb with a change of -178 points and down -723 points for the week. That means it was ICE July’s 10th lower settlement in 11 sessions showing net loss of 987 points, whereas the next important contract ICE December settled at 69.40 cents/lb with a change of -117 points. The other futures settled from -71 to 112 points lower. For the week the settlement figures ranged from -213 to -466 points lower. With the massive fall Cotton moves into an invert. ICE July is currently trading 1 cent below the December price. Two weeks ago the market was the other way round. The volumes seen on Friday were at 44,951 contracts which is a healthy figure. Major trading volumes have outweighed July. The overall daily average volume last week was around 50,000 contracts. The aggregate OPEN INTERESTS were around 220,000 contracts out of which ICE July and ICE December have the highest concentration while July is marginally higher than December OI.

The MCX contracts on the other hand found it difficult to strain themselves more down due to a supply dearth seen at the domestic spot market. The MCX May contract settled at 21,640 Rs/Bale with a change figure of +80 Rs. The MCX June and MCX July contracts settled at 21,850 Rs/Bale and 22,000 Rs/Bale with change figures of +60 and +30 respectively. Nevertheless, we think market may continue to remain under stress in the near term. Also, as discussed from the above we could see minimal relief rally in the price. Fundamentally speaking, the May future may move in the range of Rs. 21340 to Rs. 21900 per bale. Total volumes were however fine, showing figures of 5524 lots. Volumes figure are expected to vary this week.

The Cotlook Index A 2018/2019 was down at 80.70 cents/lb with a change of -1.20 cents/lb. On May 03, 2019 the Cotlook Index A was at 84.95 cents/lb. That means, the Cotlook index A 2018/2019 declined by around 5%. Today, the Cotlook Index A 2019/2020 is at 80.40 cents/lb, that means the current cotlook Index A and the forward cotlook Index A are approaching to be almost at par. The average prices of Shankar 6 are at 45,500 Rs/Candy.

The other agricultural commodities like Soybean, Corn and Wheat also fell in the similar lines by 3% to 6% each. No respite was witnessed in the other markets. Equity indices across the globe settled lower with US Dollar Index also marginally lower.

Overall, there has been good volumes of mill purchasing. From here onwards, we can expect a rebound in both ICE and MCX Futures as it will become difficult for Farmers/Ginners to sell at such low prices. We expect a correction and presume prices to touch the 70’s range for this week. Volumes will ultimately decide the long term trend. However, it could also be possible that market might stay oversold for quite sometime. As of now no signs of buying trend is visible.

The major report that was released last week was the USDA WASDE Report. For the first time new season 2019/20 report was released. The report claims US cotton production to rise to 22 million bales, making the stocks higher. While the Global production is estimated steady but cut in the ending stocks. The 2018-19 world ending
stocks declined by 25,000 bales. The report included a 250,000 bale drop in 2018-19 US exports from 15 million bales to 14.75 million bales.

The report sent Cotton market further lower. Although it is the first report of the season many more updates/ Changes will come going forward in the estimates as the season progresses.

On the pricing front we could see July trading in the range of 66 to 71 cents per Pound. There are 6 weeks remaining for this contract to move into its 1st Notice period.

On the other market, Oil might continue to remain in the range of 60 to 63.50 USD/ Barrel. Indian rupee may move sideways in the band of 70 paisa.

Technical analysis for the upcoming week - prices made a Marubozu bearish candlestick pattern suggesting continuation of selloff may continue. Prices are well below the WEMA (3,5) indicating the base trend is down. Immediate support level is at 66.40-66.70 (prior minor lows) and the resistance is placed at 69.50-70.00 levels (prior swing low). Monthly Relative strength index (RSI) is at 31.08 and below its moving average showing the weakness in the prices. For the week we are recommending sell on rise strategy around 70.00-70.30 TP: 67 SL 71.70. MCX COTTON (May) : Sell at 21600-21650 TP : 21150/21050 SL 21900.
Compiled By Kotak Commodities Research Desk, contact us: mailto:research@kotakcommodities.com or can contact: allwyn.stewart@kotakcommodities.com, Source: Reuters, MCX, Market source
# NEWS CLIPPINGS

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<td>Vietnam's cloth import up 8 pct in 4 months</td>
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## NATIONAL NEWS

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<td>As cotton saturates, Kaveri Seed sees richer harvest in other crops</td>
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<td>Textile mills worried over retro entry tax</td>
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INTERNATIONAL NEWS

US hits $200-b Chinese goods with tariff hike; Beijing to retaliate

But both nations still on negotiating table; window remains open to sort out issues

The US escalated a tariff war with China on Friday by hiking levies on $200 billion worth of Chinese goods amid last-ditch talks to rescue a trade deal, as President Donald Trump signalled that talks could drag on beyond this week.

In a series of early-morning tweets on Friday, Trump defended his decision to raise tariffs, saying there was no need to rush into a deal and adding that the American economy would be boosted more by the levies than by an eventual deal.

But even as Beijing threatened retaliation, negotiators agreed to stay at the table in Washington for a second day, keeping alive hopes of an agreement that would remove a major threat to the global economy. Trump, who has adopted protectionist policies as part of his “America First” agenda, issued orders for the tariff increase, saying China “broke the deal” by reneging on earlier commitments made during months of negotiations.

China’s Commerce Ministry said it would take countermeasures, without elaborating.

Chinese Vice-Premier Liu He, US Trade Representative Robert Lighthizer and US Treasury Secretary Steven Mnuchin talked for 90 minutes on Thursday and were expected to resume efforts on Friday to rescue a deal that could end a 10-month trade war between the world’s two largest economies.
The Commerce Ministry said negotiations were continuing and that it “hopes the US can meet China halfway, make joint efforts, and resolve the issue through cooperation and consultation.”

With negotiations in progress, US Customs and Border Protection imposed a 25 per cent duty on more than 5,700 categories of products leaving China after 12:01 a.m. EDT on Friday.

Seaborne cargoes shipped from China before midnight were not subject to the new tax as long as they arrived in the US prior to June 1. Those cargoes will be charged the original 10 per cent rate.

“This delay might create an unofficial window during which the US and China can continue to negotiate,” investment bank Goldman Sachs wrote in a note, adding that it was a “somewhat positive sign” that talks were continuing.

Trump gave US importers less than five days’ notice about his decision to increase the rate on the $200 billion category of goods.

Source: thehindubusinessline.com- May 10, 2019
US textile and clothing imports up in value terms

In 2018 US textile and clothing imports rose in value terms to their second highest level on record and in volume terms to a record high. Within 2018 total, imports of fabrics, made-up textiles and apparel reached record highs in volume terms. Apparel continued to account for the biggest share of total imports. However, its share was down to its lowest level in several years. By contrast, there were significant increases in the shares of yarns, fabrics and made-up textiles. Meanwhile, the average price of US textile and clothing imports fell for the seventh year in succession to a record low—reflecting primarily a decline in the average price of imports from China.

In terms of fiber type, manmade fibers accounted for the largest share of US apparel imports for the fifth consecutive year. China remained by far the USA’s biggest textile and clothing supplier. Furthermore, its share of total US textile and clothing imports reached a record high in volume terms, although in value terms its share fell. Cambodia and Italy both increased their shares of US textile and clothing imports in value and volume terms but Honduras, Indonesia, Mexico and Pakistan suffered declines. Bangladesh, India and Vietnam, meanwhile, more or less maintained their market shares during the year.

Source: fashionatingworld.com- May 12, 2019

China: April cotton yarn imports may increase 10.44% m-o-m to 201kt

1. Imported cotton yarn arrivals to China assessment
Cotton yarn imports to China in Apr are estimated at 201kt, up 37.2% y-o-y and 10.44% m-o-m.

According to the shipments in overseas market in Mar, the arrivals of imported cotton yarn in Apr are predicted to hit the peak in the first half of 2019. The imports from Vietnam is estimated at 73kt, from India 54kt, from Pakistan 26kt, from Uzbekistan 13kt, from Indonesia 13kt, from Taiwan 8kt and from other regions and countries 14kt. With bullish expectation after Spring Festival holiday and the obviously widening gap between foreign and Chinese cotton price, cotton yarn imports of China from major origins all increased, except for Pakistan.

2. Traders' reflection
Note: Over 30 enterprises are surveyed, covering over 50% of cotton yarn imports.

Major traders and L/C issuing companies reflected higher arrivals of imported cotton yarn and the arrivals in Apr may be the highest in the first half of 2019.

3. Imported yarn stocks and supply and demand outlook in May

Stocks of imported cotton yarn in May increased largely. In particular, sales of traders moved slowly after mid-Apr. The stocks in China ports are predicted at 98.8kt, in Jiangsu and Zhejiang 39.5kt, in Guangdong 38.1kt and in North China 11.9kt.

In early May, the stocks reached high level and traders were burdened with
high pressure. But later arrivals are predicted to reduce gradually and the cost will step upward.

Ordering was cautious in China. In terms of the price, the costs of stocks in China ports were not high. Calculated with current spot price, traders can gain profit of 200-500yuan/mt.

The payment will be intensive in May. If the market does not improve and tends weak, the profit of traders will be compressed further. The ordering for forward imported cotton yarn kept sluggish.

Source: ccfgroup.com- May 10, 2019

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**Pak-Turkey FTA to be signed by mid of June**

The Free Trade Agreement (FTA) between Pakistan and Turkey is likely to be signed by mid of June, a senior official in Ministry of Commerce said.

The decision in this regard was made after the conclusion of 9th round of negotiation between the two sides.

Talking to APP, the official informed that during the last round of negotiation, the two sides agreed on final list of tariff lines and Turkey also agreed to give duty free access to local textile product in its market. The dialogue on FTA between the Pakistan and Turkey would conclude in June, followed by a final agreement to boost bilateral trade, he said.

The official said that Pakistan would finalise the FTA with Turkey under the Pakistan-Turkey Strategic Economic Framework (SEF) plan of action. He added that the proposed sectors for enhancing the cooperation include textile, tourism and culture, investment in industrial cooperation, auto industry, agriculture, banking and finance.

Turkey, he said was also agreed on treatment basis of offering lowest tariff on all tariff lines which was given to the other trading partners in the past.
The ministry official further said that through the FTA, both sides agreed to increase business to business relations for enhancing cooperation between the business communities of the two countries.

Replying to a question, he said that industrial and investment cooperation was also on the card through the Memorandum of Understanding (MOU) between the boards of investment of Turkey and Pakistan for cooperation and facilitation in local Special Economic Zones (SEZs).

He informed that the two countries can increase bilateral trade to $6.5 billion in the short term from the existing level of $6 billion.

Pakistan’s top 20 high-potential exports can go up from $400 million to $2.6 billion, while Turkey’s top 20 high potential exports to Pakistan can be enhanced to $2.6 billion from $200 million. The country’s major exports to Turkey included denim PET, ethanol, cotton yarn, fabric and rice, garments, leather, carpets, surgical instruments, sports goods, and chemicals.

Source: pakistantoday.com.pk- May 12, 2019

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**Need to breathe life back into WTO**

Rich countries are pushing their agenda in areas such as e-commerce. Developing country interests should be safeguarded.

These are challenging times for developing countries at the WTO. Ministers and officials of 23 Developing and Least Developed Countries (LDCs) will bear the brunt of the Delhi heat on May 13-14 to brainstorm trade issues of long-term consequences. India is hosting this informal ministerial of select WTO members.

The four significant issues of concern to developing countries are: (i) Push for a new decision making model at the WTO — from the current all-member consensus principle to small group-based plurilaterals; (ii) Push for negotiations on e-commerce where understanding is limited; (iii) Push for abolishing flexibilities available to developing countries; (iv) Prevent the Dispute Settlement Mechanism (DSM) from becoming dysfunctional. Let us understand the key arguments of each issue.
Plurilaterals: WTO members at the launch of the Doha Round in 2001 agreed for an ambitious development-centric negotiation agenda on agriculture subsidy, market access and services. However, big countries seem to have lost interest in these issues and are pursuing new subjects of interest to their corporates. This is the background for their pursuing plurilaterals. But could consenting members coming together to sign plurilateral agreements be an alternative to the consensus-driven decision making at the WTO? Even plurilaterals should be introduced only by consensus of all WTO members.

Developed countries do not agree. They took the first step and proposed four plurilaterals in the last WTO Ministerial meeting at Buenos Aires in December 2017. Areas are e-commerce, investment facilitation, MSME and gender. As many as 70-100 members support these. But, should large participation legitimise the action? Developed countries can quickly get such numbers. Fifty LDCs with little domestic capacity say yes to them. Add OECD countries including 28 EU members and number crosses 100.

Looking at the push from developed countries, many feel days of multilateral level rule-making may be numbered. And Agreement on Fishery subsidy slated for next year could be the last Multilateral Agreement of the WTO. The real game is between developed countries on one side and large developing countries such as India, Brazil, South Africa, and Indonesia, etc. on the other. China has already joined most plurilaterals.

E-Commerce: This sector has most dollars at stake and hence is turning out to be the most heated. Large US technology firms dominate the digital economy space. Google and Facebook deal with data and services while Amazon sells goods. With a technology lead backed by deep pockets, they have no rivals in any country. Except for China, which followed a three-pronged strategy.

It did not allow entry to Google or Facebook and gave a tough time to Amazon. It also developed national champions like Baidu and Tencent. China also introduced cybersecurity laws and other necessary regulations creating a robust ecosystem. Only after fortifying its interests, China has joined the e-commerce plurilateral negotiations. It is now in a position to negotiate global markets for Baidus and Tencents while preventing the free run of Google or Facebook.
India has taken steps to introduce e-commerce policy framework, online data protection and data localisation rules. These need to be expanded and woven into a central law. India also needs to promote national champions. But nurturing firms needs active government support. Imagine one obscene or hyper-national rant on an Indian platform and the promoter lands in jail. Who bothers about such things on Google or Facebook?

On their part, the US, EU, and Japan are in a great hurry to have WTO rules on e-commerce. The US wants no restrictions to data flow, the EU wants full protection of personal data, while others like India, countries of Africa and Indonesia feel it’s too early to make global rules at the WTO. Members that are interested may sign FTAs.

Countries are still grasping the significance of issues like data flow, server localisation, mandatory disclosure of source code, etc. Here is an example, how half-baked understanding does not help.

One country prescribed disclosure of source code as a necessary condition for grant of business. Firms from most countries declined. Finally, a Chinese firm shared the code and got the business. It turned out that the code was dynamic and changed every moment. Signing a deal without complete understanding will throw such surprises. It would turn the world into a passive consumer with no place for domestic firms.

Special and Differential Treatment: SDT are flexibilities allowed by WTO to developing countries and LDCs in implementation of the WTO agreements. A few examples are (i) higher domestic support for agriculture, (ii) Export subsidy not to be treated as prohibited subsidy for developing countries with less than $1000 per capita income, (iii) longer implementation period under various WTO agreements like TRIPS.

How SDTs were incorporated in the WTO agreements is interesting. Developed countries accepted SDT elements in return of developing countries agreeing to developed countries’ proposals on introducing non-trade subjects like intellectual property in the WTO.

But now the US, EU and Japan argue that developing countries are sufficiently developed and do not need SDT which should be limited to LDCs alone. Most developing countries including India, China, and countries of the African group oppose this move. They argue that gap in the standard of
living between developed and developing countries has only increased over the years and hence SDT must continue. Also, SDTs are part of the WTO agreement, so any change would require negotiations among all members.

Dispute Settlement Mechanism: DSM has proven to be the most useful of the WTO bodies, settling over 500 trade disputes. But it is at risk of being dysfunctional with the US stopping the appointment of Appellate Body members. The US probably foresees that most of Trump’s action would fail the DSM test. It will stop functioning from December 2019 with the retirement of last of the three members. Without DSB, the WTO will lose its bite as countries cannot not be tried for violating WTO rules.

WTO has been a fertile ground for the power play. But the developing countries secured a reasonable deal in the past by having a common position. Time will tell if they are lucky again.

Source: thehindubusinessline.com- May 12, 2019

Worker turnover and unrest undermines Ethiopia sourcing

High worker turnover in Ethiopian garment factories means brands often end up paying more to source from the country than other low cost locations, according to a new report – which is calling on global brands and retailers to take steps to align their business practices with realities.

A new report 'Made in Ethiopia: Challenges in the Garment Industry's New Frontier' by the NYU Stern Center for Business and Human Rights, says the country's efforts to attract international investment in clothing manufacturing is failing the Ethiopians who work in factories making apparel for some of the world's biggest brands.

Its findings are based on interviews with workers at several factories at the Hawassa Industrial Park located 140 miles south of the Ethiopian capital of Addis Ababa. The park, one of five the government has inaugurated since 2014, currently has some 25,000 employees and is supposed to grow to 60,000. Factories here produce for brands and retailers including Levi Strauss, Guess, PVH, H&M and Hanesbrands.
Ethiopia has no legally mandated minimum wage for the private sector, and the report's findings suggest entry-level workers in Ethiopian garment manufacturing – most of whom are young women – are typically paid a base salary of just US$26 a month, leaving them struggling to get by and unable to save or send money home. They also receive very little training – often two weeks or less – leaving them with little time to adjust to the culture of factory life. They often don't understand why they would be disciplined for lateness, absenteeism, or chatting at the expense of completing their sewing tasks.

It also notes cultural differences between management – many of whom are from South and East Asia – and workers, and a "weak trade union movement" as further issues leading to worker dissent in the park. The report's findings suggest "only a handful" of the 21 sites across the park operate fully functional worker councils in place of traditional union representation.

"Ethiopia's plan to become a major garment-exporting nation rests in large part on the assumption that workers would accept the extremely low base pay of $26 a month, which isn't enough to live on, even in Ethiopia," says Paul Barrett, deputy director of the NYU Stern Center for Business and Human Rights.

"Rather than the compliant, cheap workforce promoted in Ethiopia, the foreign-based suppliers have encountered employees who are unhappy with their compensation and living conditions and increasingly willing to protest by stopping work or even quitting."

During the park’s first year of operation in 2017, overall attrition hovered around 100% – meaning factories were replacing workers every 12 months, driving up training costs up and pushing efficiency rates down.

"Viewed through this lens, it actually costs more to make a basic T-shirt in Hawassa than in a Bangladeshi supplier," according to one expert consulted for the research. "Ethiopian labour has turned out to be considerably more costly than the government had initially advertised.

In March, just-style revealed workers at the park embarked on a strike over low wages, unsafe working environments and exposure to sexual abuse and abduction. At the same time, Mywage.org/Ethiopia and the Confederation of the Ethiopian Trade Unions (CETU) published the results of a survey that
found 90% of workers across 52 factories in the country are earning less than the living wage.

"Brands can mitigate these challenges for suppliers and their employees by aligning business practices with realities in Ethiopia," says Dr Dorothée Baumann-Pauly, research director for the NYU Stern Center for Business and Human Rights. "Long-term sourcing commitments, investment in on-boarding and on-the-job training, and the provision of non-financial benefits like meals, transportation, and housing subsidies can help to increase the currently low-efficiency levels and eventually lead to higher wages."

**Recommendations...**

**...for the Ethiopian government**
- Establish a minimum wage that ensures decent living conditions for garment workers. The government is considering such a move, which must be done gradually so as not to drive away foreign manufacturers.
- Address ethnic tension in Hawassa and elsewhere. Ethiopian Prime Minister Abiy Ahmed needs to apply his "ample political skill" to defusing potential violence that could threaten Hawassa and other industrial parks.
- Craft and implement a long-term economic plan for strengthening the apparel industry, including developing a domestic supply chain, shoring up industrial parks, and diversifying into other sectors.

**...for foreign manufacturers and Western brands**
- Provide more extensive training on both hard and soft skills. Evidence of the need for more training comes in the form of low efficiency numbers and high attrition rates.
- Promote more Ethiopians more quickly into middle-management jobs. Doing so would alleviate the tension between managers from East and South Asia and their Ethiopian charges.
- Build worker dormitories that offer subsidised rent. The lack of decent housing is the most pressing form of worker deprivation in Hawassa.

**What the brands say**

just-style reached out to some of the brands mentioned in the report for their response to the claims.

"We believe that our presence in Ethiopia has a positive impact, contributing to much needed economic growth in the country," says a spokesperson for
H&M. "Since we began sourcing from Ethiopia in 2013, around 18,000 jobs have been created. However, as a company, we need to ensure that the growth created is sustainable and contributes to positive development. "We are building long-term partnerships with suppliers, in Ethiopia and in other production countries. Even if we currently only work with nine supplier factories in Ethiopia and our production volume is small, we see the potential to further reduce unemployment, raise social and environmental standards and contribute to decent working conditions. Since approximately 80% of Ethiopia’s population resides in rural areas with agriculture leading the economy, the textile industry is important for the country to be able to take further steps towards industrialisation.

"Earning a living wage is a fundamental human right and the reason why we, as one of the very first companies, acted on this. Summing up the first five years of our Fair Living Wage strategy, we can see that the processes are beginning to fall into place: by empowering garment workers and making fair negotiations possible, we have formed industry collaborations, that will enable the entire industry to take steps forward.

We have also improved our purchasing practices to ensure that they support fair living wages, for example by excluding labour costs from price negotiations. And most importantly, within the industry approach ACT, we have, together with 21 other brands and the global union IndustriAll that represents garment workers, paved the way for a true game-changer and turning point for the industry: collective bargaining agreements at industry level supported by responsible purchasing practices.

"To deal with challenges within the Ethiopian textile industry, commitment from and collaboration between for example the government, brands, investors and NGOs is crucial. This is why we have our own production office in Addis Ababa; making collaborations possible, but also enabling us to regularly follow-up on our strict sustainability standards with our suppliers, and more importantly, to develop close partnerships with them."

A spokesperson for Hanesbrands adds: "We are committed to being an industry leader in ethics and workplace practices. Hanesbrands is currently sourcing a very small quantity of T-shirts, barely a fraction of 1% of our total volume, from one supplier in Ethiopia to help us test the viability of garment production in the country. For many decades, the apparel industry has
served as a primary catalyst for developing economies, which often takes time to mature.

"For us, part of doing business with any supplier in any country is ensuring that it is operating according to our Global Standards for Suppliers, which fully aligns with the Fair Labor Association's Code of Conduct. Hanes is an accredited member of the FLA and undergoes rigorous review to protect workers' rights, including fair compensation, and improve working conditions in factories around the world."

While Gap Inc was mentioned in the report as sourcing from Ethiopia, the company confirmed to just-style it does not presently source from Ethiopia and that it has reached out to the report's authors to amend this.

Levi Strauss could not comment at the time of going to press, while Guess, PVH and The Children's Place did not respond to requests.

Source: ust-style.com- May 10, 2019

Bangladesh Garment Industry Employs Gamification To Offset Automation

Automation is a cornerstone of all industries hurtling towards the Fourth Industrial Revolution.

The fashion industry is seeing widespread changes to the way clothes are designed and made in an effort to keep pace with Millenial and Gen Z ‘Instagram Age’ consumers, who want products at the tap of a smartphone button, driven by social media.

What does that mean for a sector built on six-month manufacturing cycles of high volume ‘mass’ product? It means manufacturing small quantities monthly, with greater flexibility and responsiveness as global fashion brands try to keep up with ever-changing consumer trends.

Bangladesh is the world’s second-biggest exporter of ready-made garments for the global fashion industry (after China) and is feeling the effects of
orders shrinking from 600,000 units on a six-month cycle to as little as 500 units per style, monthly.

Responding to this change is posing significant problems for the sector, which makes up 80% of Bangladesh’s total exports. In response, the Bangladesh Apparel Exchange launched the annual Bangladesh ‘Fashionology’ Summit, to catalyze the digitalization of the manufacturing sector in Bangladesh, calling on international pioneers and experts to join local stakeholders to debate and devise a future framework for the sector.

This makes Bangladesh fertile ground for startups looking to test their tech. Receptive and enterprising garment manufacturers have partnered with a number of startups to run pilots, seeking to find solutions to what are believed to be the biggest barriers to digitalization - data (quality, collection, and ownership), training and education, gender imbalance, and adoption and integration of new technologies.

New York-based Shimmy Technologies is one such startup. Presenting at the summit on May 2nd, Shimmy founder Sarah Krasley explained how the C&A Foundation had funded the first phase of her platform, Shimmy Upskill, which gamifies learning to teach garment workers the basics of computer-aided design.

Their recent white paper stated that “In 2018, McKinsey Apparel, Fashion & Luxury Group surveyed US apparel executives and international procurement officers and projected that simple garment production will be fully automated by 2025, resulting in an 80 percent reduction in the labor force. If that estimate holds true, it leaves us with less than six years to transition approximately 65 million workers to new ways of making a living - many of whom have no marketable skills and limited digital literacy.” Shimmy Upskill seeks to begin the digital literacy journey of these workers.

The beta pilot tests Krasley ran in garment factories demonstrated that “low computer and digital literacy is not a barrier. In the Bangladeshi pilots, most of the participants (10 out of 11) did not own smartphones, using basic cell phones that do not have touchscreen capability. Most of the testers (10 out of 11) had never used a computer.”

However, all workers completed each learning module on the digital touchscreen interface within 40 minutes. Krasley stressed the importance of
gamification providing a safe environment for experimentation and making mistakes in order to learn. In an industry where mistakes have serious repercussions, including cost, learning through gamification is liberating. The ultimate aim of Shimmy Upskill is to transition these female workers to higher paid roles and protect them from job loss as automation continues to be implemented in garment factories.

To the question “why Bangladesh?”, the founder told the summit audience that it was “the country that didn’t laugh us out of the room when we proposed Shimmy Upskill be piloted in factories”. Perhaps it is the reinvention of the industry of the back of the Rana Plaza tragedy and the subsequent resilience it has shown, but there is a palpable sense of enterprise and open-mindedness in the dialogue and attitudes at the summit. If change is needed, it will be embraced.

Another tech platform arming garment workers with powerful knowledge and access to a safe, anonymous platform to raise grievances and learn about their rights is QuizRR. Founded by Sofie Nordstrom, “QuizRR digital training solutions are based on customized film dramas, followed by quiz questions. The films cover real-life situations in factories, always in local language and in a local setting.” Aiming to provide training that is fun, fast and engaging, the platform teaches employment rights and responsibilities to workers on user-friendly touch screen tablets. It takes less than an hour to complete a training session.

Like Shimmy Upskill, QuizRR utilizes gamification to ensure learner engagement and interest. “All training results are saved and displayed at a web portal, making it possible for suppliers and brands to measure and share their progress”, adding a transparency thread to the training bow. During the summit, Nordstrom spoke about an upcoming pilot QuizRR will run in Bangladesh, in partnership with the BSR, to train garment workers on basic finances as they transition from receiving their wages in cash to receiving them via a digital payment system. This highlights the amount of training and progress needed to achieve widespread digital literacy and the importance of accessibility via easy and effective tools like QuizRR.

The future of female garment workers, in particular, is at risk due to automation. Women historically made up 80% of the RMG workforce in Bangladesh, but automation has seen this figure reduced to 53%, according to a CPD study, claimed SK Jenefa Jabbar, Director Human Rights, and
Legal Aid Services, BRAC. Men are taking on the new digitized roles for no reason other than bias, she said. Urging intervention by government, industry and all stakeholders, she said the “people who have run this industry should not be left behind. Women have driven the growth of this country.”

It appears women are not only the backbone of the RMG industry in Bangladesh but vocal champions for its future. Nazma Akter echoed Jabbar, speaking plainly and forcefully when she declared “all stakeholders must collaborate more closely to ensure that the transition to digitization doesn’t overlook women. Women are not heard. They are overlooked.” Refreshingly bold, open and transparent, the summit raised and debated data, transparency, sustainability, workers rights, and current digitalization challenges.

As a hub for the global industry, the perspective of local manufacturers was powerful in balancing the western narrative that often presents the Asian manufacturing sector as a quagmire of dangerous factories mistreating workers and stuck in bad old ways of working.

Whilst some factories undoubtedly have much to improve, many are world class (in fact, Bangladesh has the largest number of LEED-certified green garment factories in the world) and their owners pulled no punches in retorts about sustainable manufacturing. David Hasanat, Chairman of Viyellatex Group, which owns one of the world’s few Bluesign textile and garment factories, was vocal about the low carbon emissions per capita in Bangladesh and hailed it as a good choice for those wanting to buy sustainable clothing, from a global climate-impact sense.

The Bangladesh Fashionology Summit role is to reshape fast-fashion’s transparency, sustainability, and efficiency for the emerging social-media engaged consumer. Judging by the discussions and actions demonstrated by the summit, they are on the right track.

This points to a bright future for the RMG industry in Bangladesh and an opportunity to rewrite the outdated-narrative based on the industry of the past, to the pioneering industry of today and beyond.

Source: forbes.com- May 10, 2019
Iran textile exports up in 2018: Official

Iranian textile exports rose over six percent in value and 26 percent in weight during the last Iranian year (ended March 20), an official said on Sunday.

Last year, 312,000 tons of textiles and clothing products worth $1.93 billion were exported, which shows a rise of nearly six percent in value and 26 percent in weight as compared to the preceding year's corresponding period,” Afsaneh Mehrabi, the director general of the Textile and Clothing Industry Office at the Ministry of Industry, Mine and Trade (MIMT) told IRNA.

Iran exported 10,000 tons of tissue paper as well as 180,000 tons of packaging materials, she noted.

Mehrabi added that Iranian textile manufacturers imported 397,000 tons of textile raw materials worth $1.12 billion during the last Iranian year, showing a reduction of 32 percent in value and 35 percent in weight.

Iran’s textile and clothing industry needs some $4 billion worth of raw materials, supplies and machinery, $2.5 billion of which is imported, she stressed.

Source: Iran-daily.com- May 12, 2019
Escalated US-China trade war to benefit BD RMG sector to shine

Bangladesh will stand to benefit from the latest escalation of the US-China trade war, as heavy tariff on Chinese goods will give it an opportunity to have a bigger share in American market.

The Trump administration on Friday raised tariffs to 25 per cent from 10 per cent on US$200 billion worth of Chinese exports, including garment items, marking a sharp escalation in tension between the world's two largest economies.

"Imposition of a higher tariff on Chinese exports has given an opportunity to a handful of countries to pick up their respective shares in the US market. Bangladesh is among them to get benefit from the spillover impact of the trade war," Dr Khondaker Golam Moazzem, a Research Director at the Center for Policy Dialogue (CPD) told The New Nation on Sunday.

Bangladesh fetched $5.60 billion from exports to the US market in 2018, and apparel products alone contributed to US$5.40 billion of the total exports, according to a US official data.

"In fact, locally produced garments are most competitive in the US market followed by Vietnam. A 25 tariff on Chinese textiles and clothing products will push cost of sourcing by American buyers forcing them to shift work orders to Bangladesh," said Khondaker Golam Moazzem.

"Bangladesh's export to the US market is set to increase in the months to come cashing the additional flow of work orders from the US buyers. "The escalated trade war has created huge opportunity for Bangladesh's apparel industry. But, it may not be able to take full advantage of the situation due to lack of diversified products," noted Khondaker Golam Moazzem.

Bangladesh's apparel products are subjected to pay 15 per cent average duty while entering the American market. "Our garment exports to the US market has been showing an upward trend over the last few months thanks to ongoing trade tariff war between the US and China and improved workplace safety," Faisal Samad, Senior Vice-
President of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) told The New Nation.

Bangladesh's garment exports to the US have increased 10.10 per cent to $1.08 billion year-on-year in the first two months of this year.

"Local exporters are looking for increasing their export further to the US market taking advantage of a higher tariff on Chinese garment items," said Faisal Samad adding that imposition of a higher tariff has made Chinese goods costly fuelling tensions to the US buyers over sustaining their investment and supply chain viability."

To cope up with the situation, he said that a large number of American buyers are now looking for Bangladesh to reap benefit from its low cost apparel products. A lot of work orders are expected to shift from China that will ultimately benefit Bangladeshi garment sector.

When asked, Faisal Samad said, "No doubt, an opportunity has been created. But, we need to do more to have a bigger share in the US apparel market. Bangladesh is the second largest apparel exporter after China and the south Asian nation earned over US$30.6 billion from exports of apparel in the last fiscal (2017-18)."

"The trade war between USA and China has caused a shift to global trade creating an opportunity for some other low cost manufacturers like Bangladesh and Vietnam," a Commerce Ministry official told The New Nation yesterday on condition of anonymity.

He said Bangladesh has already earned good name in apparel manufacturing thanks to cheap labour.

Major international fashion brands, such as H&M, The GAP, Levi's and Zara, have manufacturing facilities in Bangladesh.

"Even before the trade war, Bangladesh's share in the US garment exports was on the rise due to competitiveness of its products. High tariffs on imports from China make such products more expensive in the US forcing the American fashion companies to divert orders to Bangladesh," said the Commerce Ministry official.
So, Bangladesh may end up as a beneficiary from the renewed escalation of US-China trade tensions.

Source: thedadilynewnation.com- May 13, 2019

Philippine: Gov’t urged to implement law on local fabrics use

Philippine exporters are pushing for a law on tropical fabrics that has not been implemented for more than a decade now, saying it could help revive the country’s textile industry.

This was expressed by an official of the the Philippine Exporters Confederation Inc. (Philexport), who cited the lack of political will behind the implementation of the Philippine Tropical Fabrics Law.

Also known as Republic Act 9242, the 2004 law required the government to use Philippine tropical fabrics—such as from abaca and pineapple—for the uniforms of government officials and employees.

“It had no impact, no continuity. For some reason, they killed it immediately. It was implemented but it was suddenly gone,” Robert Young, Philexport trustee for textile, yarn and fabric sector, said in a phone interview on Saturday.

The implementation of the law, he said, was only a baby step toward reviving the local textile industry, which is currently dominated by imports.

In a separate statement, he said the law’s implementation would translate to more than 1.3 million metric tons of extracted tropical fabric, excluding cotton.

Tropical fabrics, he explained, are harvested from plants, which are then mixed with cotton in order to manufacturer textiles. These textiles are used to make garments.

A number of factors had played a part in the demise of the local textile industry, which is linked also to the fall of the local garment industry.
These factors included the removal of quotas in textile and clothing trade, which scrapped the import quota allocated for these Philippine products since 1995.

Young, who is also president of the Foreign Buyers Association of the Philippines (Fobap), recalled that the export of garments reached its peak during the early 1980s.

However, textile imports later became tax-free, he said, which kept companies from using local textiles instead.

“Eventually, this was abused by selling around 30 to 40 percent of the textiles to the local market, coupled with the rampant smuggling by independent importers. And so the end of the textile era,” he added.

Source: business.inquirer.net- May 13, 2019

Indonesia`s Textile and Clothing Industry`s Growth Reaches 18%

The growth of the textile and apparel industry was the highest recorded at 18.98 percent in the first quarter of 2019, where the number rose significantly compared to the same period last year which was recorded at 7.46 percent and also increased from the acquisition in 2018 of 8.73 percent.

"The textile and textile products (TPT) industry is one of the mainstay sectors because it contributes greatly to the national economy. Moreover, the textile industry is a sector that is classified as labor-intensive and export-oriented," said the Ministry of Industry's Director of the Textile, Leather and Footwear Industry Muhdori in his statement in Jakarta on Sunday.

Data from the Central Statistics Agency (BPS) also show that the production of large and medium manufacturing industries (IBS) in the first quarter of 2019 rose 4.45 percent compared to the same period last year.
The increase in IBS production was sustained by the production of the apparel industry sector which skyrocketed to 29.19 percent due to the abundance of orders, especially from the export market.

According to Muhdori, the high growth that occurred in the textile industry, mainly due to the existence of substantial investment in the upstream sector, especially rayon producers.

This can be seen from the operation of PT Asia Pacific Rayon (APR) in Riau at the end of 2018, with an investment of Rp11 trillion. The plant adds a production capacity of 240 thousand tons per year, half of which is oriented to the needs of the export market.

Read: Trade Minister: Indonesian Textile Industry Grows Positively

"That led to an increase in exports. In addition, the increasing supply from upstream also encourages performance to the downstream and intermediate industries, so that cumulatively the industry gets more excited. This is indicated by TPT's exports which rose 1.1 percent in the first quarter of this year," he said.

Then, with the existence of a control policy on imports carried out by the government since February 2017, it also had a positive impact on the decline in imports which reached 2.1 percent in the first quarter of 2019.

"The decline in imports also had an impact on the trade balance surplus which also rose," he said.

Furthermore, increasing the productivity of the textile industry is also supported through various vocational education and training activities conducted by the Ministry of Industry. This program creates competent and productive industrial human resources.

In fact, there was also the momentum of general elections some time ago, which some textile industry players produced attributes for the campaign.

"The consumption of textile and textile products is also believed to continue to increase along with population growth and lifestyle changes. In taking advantage of this opportunity, the national textile industry players must work hard to improve productivity, quality and efficiency through the
application of more modern technologies in accordance with the digital era, "Muhdori said.

Source: en.tempo.co- May 13, 2019

**Switzerland Lowers Customs Duties For Textiles**

The Swiss Federal Council has approved an Ordinance on the Temporary Suspension of Customs Duties on Textile Input and Intermediary Materials, which will enter into force on July 1.

The Council said that Switzerland's highly specialized textile industry relies on imports of input and intermediary materials for its production processes. It explained that the taxes on these products are considerably higher in comparison to input materials for other industries.

According to the Council, the high duty rates were originally intended to protect the domestic textile industry but are now having a detrimental effect.

Under the Customs Tariff Act, the Federal Council can, in the interests of the Swiss economy, order the temporary suspension of customs duties applicable to certain goods.

In January 2016, the Federal Council temporarily reduced customs duties under 60 tariff headings to CHF0. The current measure extends the existing tariff suspension and its scope to a total of 522 tariff headings. The Council is responding to a request from the Swiss textile association to suspend customs duties on all textile input and intermediary materials.

The Federal Council expects these measures to reduce customs revenues by around CHF3m (USD2.95m) a year. However, it also expects the reliefs to have a positive effect on the economy as a whole.

Source: tax-news.com- May 09, 2019
Vietnam's cloth import up 8 pct in 4 months

Vietnam poured nearly 4.1 billion U.S. dollars into importing cloth in the first four months of this year, posting a year-on-year rise of 8 percent.

Its largest cloth import markets included China, South Korea, and Japan, according to the Vietnamese Ministry of Industry and Trade on Monday.

In the four-month period, Vietnam also imported 530,000 tons of cotton worth 988 million U.S. dollars, down 2.5 percent in volume and down 0.6 percent in value. Meanwhile, the country's yarn import totaled 800 million U.S. dollars, surging 11.2 percent on-year.

In 2018, Vietnam poured 12.9 billion U.S. dollars into importing cloth, up 13.5 percent; over 3 billion U.S. dollars into importing cotton, up 28.5 percent; and 2.4 billion U.S. dollars importing yarn, up 32.7 percent.

Vietnam reaped 30.4 billion U.S. dollars from exporting garments and textiles last year, up 16.6 percent against 2017, mainly to the United States, Japan and China, according to the country's General Statistics Office.

Source: xinhuanet.com- May 13, 2019
NATIONAL NEWS

India’s import tariff very low, not so for US, China

US President Donald Trump may call India the “tariff king”, but data show New Delhi has exercised “maximum self-restraint” in taxing imports. While India’s average bound rate — or the maximum duty it is allowed to charge under the World Trade Organization (WTO) framework — is as much as 48.5%, its actual applied tariff is as low as 13.8%, according to the WTO data. On a trade-weightage basis, the tariff is even lower — just 7.5%.

In contrast, China’s applied tariff of 9.8% is almost as high as its permissible limit (bound rate) of 10%, while South Korea’s is 13.7% against 16.5%. Importantly, at an average of 3.4%, the actual US tariff is as much as it is allowed to slap.

In other words, the US hasn’t shown any restraint and hit the maximum ceiling of tariff barriers it’s entitled to impose under the WTO rules, say analysts. The bound rates for countries are determined after serious negotiations at the WTO on a range of issues and indicators, including the stage of the development of an economy. Brazil, a member of the so-called BRICS grouping like China, charges as much as 13.4%, compared with its bound rate of 31.4%. Importantly, on a trade weightage basis, the tariff levels of both South Korea (9%) and Brazil (10.3%) are higher than India’s (7.5%), while Beijing’s (5.2%) is closer to New Delhi’s. The tariff rates are based on the WTO’s World Tariff Profile 2018.

While US commerce secretary Wilbur Ross on May 7 flayed India for imposing “not justified” tariff on ICT products (20%), motorcycles (50%)
automobiles (60%) and alcoholic beverages (150%), the US charges 350% on tobacco (350%), 163.8% on peanuts, 48% on footwear, 38% on glassware for toilet and 32% on shoes. In fact, analysts say in some cases, duties are very difficult to calculate or implement. For instance, for every wristwatch, the tariff is 93 cents plus 4.8% on the value of the case plus 2.2% on the value of strap, band, and bracelet, they added. This means one needs to know the value of each component separately.

Source: financialexpress.com- May 13, 2019

As cotton saturates, Kaveri Seed sees richer harvest in other crops

Sees ‘huge opportunities’ in rice and vegetable seeds which will contribute more to product mix

Telangana-based Kaveri Seed Company Limited expects its business mix to change going forward.

Against the present 55:45 mix of cotton versus other seeds, over the next couple of years, rice and vegetable seeds will account for about 60 per cent and cotton 40 per cent.

In the ₹15,000-crore organised hybrid seed market, the company commands 8-10 per cent of the business.

Interacting with media here, GV Bhaskar Rao, Chairman and Managing Director, said, “We believe that the cotton seed market has reached some sort of a saturation point where we have a major market share. In order to further consolidate our business, we expect to expand our business in non-cotton areas. These include rice and vegetables, which provide huge opportunities to grow and expand.”

Set up nearly a decade ago, the company has has been growing at a compounded annual growth rate of over 20 per cent. Given the growing focus on improving yields, the company believes that the rice, maize and
vegetables seeds business will get bigger. The company’s focus is on growing hot pepper (chillies), tomato, brinjal, among a host of others.

Cash reserves

The company, which has cash strong cash flows, has reserves of about ₹389 crore. It is cautious about investing in acquisitions as it has already set up infrastructure which will sustain it for some more years.

Kaveri, which has more than 65,000 acres under seed production and its won warehouses and packaging facilities, has a dealer network of over 35,000. C Mithun Chand, Executive Director, said that while most of the company’s revenue is generated from domestic sales, 2.5-3 per cent comesfrom exports to Bangladesh and South-East Asia. It expects to ship to African markets also.

Bhaskar Rao said, “We are a farmers’ company and they always look at monsoons in a positive manner and hope it would be good. Therefore, we expect sowing to be normal but yield will depend on the monsoons.”

Referring to curbs on cotton seed sale in AP, he said it has been lifted.

Source: thehindubusinessline.com- May 10, 2019

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Industrial output shrinks by 0.1% in March

Number is lowest in 21 months; annual IIP growth at 3.6% is least in three years

Monthly industrial growth has contracted for the first time after June 2017 while yearly growth has recorded the lowest number in three years, government data has revealed.

This may translate into greater pressure on the Monetary Policy Committee (MPC) to cut rates for the third time this year, when it meets in June. Also, the RBI is expected to nudge the commercial banks to transmit its policy rate cuts. In the last two reviews, the rates were lowered by 50 basis points (100 basis points means 1 per cent), but the banks lowered their lending rates by just 10-20 bps.
Meanwhile, data released by the Central Statistics Office on Friday pointed to negative growth in the manufacturing sector affecting overall industrial production. The manufacturing sector is key to job creation and a contraction there is the evidence of poor status of job creation.

Factory output, as measured in terms of the Index of Industrial Production (IIP), contracted by 0.1 per cent in March 2019, against a growth of 5.3 per cent in March 2018. It's the lowest since June 2017, when it contracted by 0.3 per cent.

Sequential growth

On a sequential basis, only the electricity sector grew faster in March 2019 (2.2 per cent, against 1.3 per cent in February).

IIP growth slowed to 3.6 per cent in FY19, against 4.4 per cent in FY18 and 4.6 per cent in FY17, its trajectory mirroring that of GDP growth. FY19 IIP growth was supported by infrastructure/construction goods and consumer durables.

However, on a quarterly basis, both these sectors also witnessed a growth slowdown; consumer durables even contracted in the fourth quarter of FY19. Capital goods contracted consecutively for three months in January-March 2019, repeating a trend seen in May-July 2017. On a quarterly basis, IIP growth has been the lowest in the new 2011-12 series, and the same is true for the manufacturing and electricity sectors.

“The declining growth of primary goods and deepening contraction of intermediate goods, and weakness in both investment and consumption...
activities, suggest very fragile industrial activities in the near term,” said Devendra Kumar Pant, Chief Economist with India Ratings.

Disappointing trend

Madan Sabnavis, Chief Economist at CARE Ratings, wondered whether the trend will get reversed and how soon it will happen. “The annual growth number of 3.6 per cent is lower than the 4.4 per cent of FY18, which is disappointing. This also means that there will be some downward revision in the GVA (gross value added) from manufacturing as the unorganised segment is represented by this number. On the whole, the difference may not be very significant, however,” he said.

Source: thehindubusinessline.com - May 10, 2019

Manufacturing sector's sentiment positive in Q4 FY19'

The overall sentiment in the manufacturing sector was positive during the January-March quarter of financial year 2018-19, a FICCI report said on Sunday.

Capacity utilisation in the manufacturing sector rose by 80 per cent during the fourth quarter (Q4), said the 'Quarterly Survey on Manufacturing'.

"Overall sentiment in the manufacturing sector remains positive as the proportion of respondents reporting higher output growth (around 54 per cent) during the January-March 2018-19 has remained same as compared to Q3 of 2018-19," it said.

On the hiring front in the sector, the report noted that the outlook for near future seemed to have marginally improved.

"While in Q4 of 2017-18, 70 per cent respondents mentioned that they were not likely to hire additional workforce, this percentage has come down to 62.5 per cent for Q4 of 2018-19. Going forward it is expected that hiring scenario will improve further. Around 37.5 per cent in Q4 of 2018-19 as
compared to 30 per cent in Q4 of 2017-18 are looking at hiring more people now."

In the survey, the industry body assessed the sentiments of manufacturers Q4 2018-19 for twelve sectors including automotive, capital goods, cement and ceramics, chemicals, fertilizers and pharmaceuticals, electronics and electricals, leather and footwear, metal and metal products, paper products, textiles, textile machinery and tyres.

Responses were drawn from over 300 manufacturing units from both large and SME segments with a combined annual turnover of over Rs 3.56 lakh crore, FICCI said.

In terms of order books, 44 per cent of the respondents in January-March 2019 are expecting higher number of orders against 43 per cent in October-December 2018-19.

The cost of production as a percentage of sales for manufacturers in the survey has risen for 72 per cent respondents against 62 per cent during the same period the previous fiscal, according to the report.

"This is primarily due to increased cost of raw materials, wages, power cost, rising crude oil prices, increase in finance cost and rupee depreciation," said the report.

On the outlook for investments, the report estimated "moderate" investment levels but said that it would improve marginally.

Source: business-standard.com- May 12, 2019

Textile mills worried over retro entry tax

Import of yarn, dyes and chemicals, capital goods, spare parts, electrical goods, and electronic goods for manufacturing did not attract any entry tax on imported goods and the companies in Rajasthan were assessed accordingly in the past. But now, after more than four years, the commercial taxes department has sent notices to textiles mills in the state to reopen the cases and recover dues.
Voicing concern, Rajasthan Textiles Mills Association has written to the commercial tax department expressing fears that such a move will further strain the industry which is already battling credit crunch and demand squeeze. The industry body in the letter said the tax exemptions during the 2013-2014 to June 30, 2017 have been passed on to the consumers since they were never considered as a tax liability. “The department’s initiation for levy of entry tax for past four years is an additional cost which was never thought of and passed on to the end consumer of our products,” the association wrote in the letter.

“When the goods are consumed by industry and changed into products, VAT is paid on them. Hence, the levy of entry tax after the period when the transactions have been completed long back, such a levy will not only hamper the working capital but will also break the backbone of the running business,” the industry body said. What triggered the tax department to issue the letters to the mills is a Supreme Court order in October 2017 that upheld the validity of the entry tax. However, the judgment was only for four states of Kerala, Jharkhand, Odisha, and Bihar.

“The order was meant for the four states. But what surprised us that Rajasthan has used the order to send notices to the mills in the state,” a mill owner said. However, he said the government is willing to listen to the industry’s views and find a solution.

Since the new Congress government came to power, a payment crisis has surfaced affecting several departments. An unbudgeted farm loan waiver seems to be strained the coffers of the government. “Retrospective taxes always erode the credibility of the government. If there is a fund crunch, there are other options the government should look at,” said an industrialist, preferring anonymity.

Source: timesofindia.indiatimes.com- May 11, 2019