एक कदम स्वच्छता की ओर

TEXTILE INTELLIGENCE CENTRE
IBTEX
INFORMATION BUREAU
TEXPROCIL

TEXPROCIL
NEWS CLIPPINGS

An ISO 9001:2015 CERTIFIED COMPANY
ISO 9001:2015
TÜVRheinland CERTIFIED
www.tuv.com ID 9105079408

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

IBTEX No. 158 of 2019 August 13, 2019

US 71.15| EUR 79.62 | GBP 85.88| JPY 0.67

Cotton Market (Aug 9, 2019)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19952	41700	**75.36**
Domestic Futures Price (Ex. Warehouse Rajkot), August		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20280	42385	**76.60**
International Futures Price		
NY ICE USD Cents/lb (December 2019)	59.58	
ZCE Cotton: Yuan/MT (September 2019)	12,220	
ZCE Cotton: USD Cents/lb	78.62	
Cotlook A Index – Physical	**70.30**	

Cotton Guide: We were expecting prices to dip first and then rise (as predicted in our previous report) due to our presumption of a weaker export sales data. On the contrary, the prices did not dip but rose from their current levels as the Export Sales data (to everyone's surprise) emanated that China has purchased decent amount of Cotton from USA (Last week).

ICE took cues also from the dryer weather prevailing at Texas which is one of the major cotton growing states in the Unites States.

US Cotton Export sales-

Upland-

Net sales for 2019/2020 summed up to 179,500 Running Bales starting August 1, 2019. Reductions were reported for Honduras at 400 Running Bales. A total of 7,372,800 Running Bales in Sales were carried over from the previous marketing year.

Country	Increases in Running Bales (RB)
China	60,100
India	28,700
Japan	18,100
Vietnam	14,300
Pakistan	12,300

Table 1: Net export sales

Export Shipments for August 1 were reported at 72,800 running bales and for the previous year the shipments amounted to 272,700 Running Bales.

Country	Export Shipments
Vietnam	35,800
Turkey	8,800
China	5,400
India	5,100
Bangladesh	4,800

Table 2: Export Shipments for August 1

Country	Upland Exports
Vietnam	71,800
Turkey	40,500
India	36,100
Indonesia	23,100
China	17,700

Table 3: Upland Exports for 2018/2019

Pima –

Net Pima Sales for 2019/2020 totalled 8,800 RB.

Country	Increases in Running Bales
Bangladesh	5,200
India	1,000
Hong Kong	900
Bahrain	400
Turkey	400

Table 4: Net Pima Sales

Upland exports for the marketing year 2018/2019 totalled to 13,158,900, which shows a decline of 11 percent from the previous year's amount of 14,830,600.

While analysing the situations internationally, ZCE September contract settled lower at 12,220 Yuan/tonne with a change of -40 Yuan. The losses for the other ZCE contracts were mapped in the range of -40 and -95 yuan. Today, we can see yuan at a 11 year high of 7.05 USDCNY. While speaking about international trade, Ministry of Commerce in China, has indicated that it plans to remove import quotas on some agricultural products. It will be interesting to see the way forward for US Cotton Imported in China.

ICE settled positive across the board with the most active ICE December contract settling at 59.58 cents/lb with a change of +75 points. On the Domestic front, while we are writing this report now at 8 am, there is fresh news coming in that due to incessant torrential rains in Maharashtra, there is some amount of crop damage being reported. This can push the domestic market prices up for the short term. Meanwhile the prices of Shankar 6 are averaged at 41,700 Rs/Candy.

Cotlook Index A has remained unchanged at 70.30 cents/lb. Fundamentally speaking, for today, we keep our stance consolidated with a positive bias in the short term as we expect prices to rebound to the early 60's soon.

Pima Exports for August 1 totalled to 2,200 running bales.

Country	Export Shipments
China	1,100
Bangladesh	400
India	400
Peru	300

Table 5: Net Pima Exports

On the technical front, Prices made a hammer bullish candlestick formation near the Support but trading in the range of 57.30-60.14 from the last 4 trading days. Meanwhile the recent fall after the breakdown of the bearish flag has completed the 100% (Fibonacci extension) mark at 58.00, which may provide an immediate support for price to rebound towards the near term resistance zone at 60. RSI recovered from the oversold zone and trading at 32 still suggesting the weakness in the prices. So for the day we recommend to trade in the range of 58-60 with a sideways view. In the domestic market MCX Aug future is expected to trade in the range of 20000-20600 with a sideways to positive bias. While a close below 20000 will weaken the price trend.

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

	INTERNATIONAL NEWS
No	**Topics**
1	USA: Confluence of Factors Push Apparel Prices Up Despite Cotton Slump
2	How China's Currency Devaluation Will Really Impact Sourcing Costs
3	Thailand looks forward to RCEP
4	Apparel sales in the UAE to improve over the next 5 years
5	Philippines clothing exports down eight per cent this year
6	As manufacturing shifts from China, the rest of Asia sees new opportunity
7	UAE apparel sales crossed $12 bn in 2018: Dubai Chamber
8	Vietnam: Exports of garment-textile, leather shoes surge 10.5 percent
9	Indonesia raising volume of garment-textile exports to US
10	Pakistan: Govt extends export package by 3 years

	NATIONAL NEWS
1	Governments should help textile industry, says TEXPROCIL Chairman
2	China promises to address India's concern over ballooning trade deficit
3	Economic slowdown: Govt plans urgent steps to boost exports
4	Why labour shortage not pinching textile mills now
5	'Pakistan move not to impact textile sector'
6	India's machinery, textile demand likely to spike; govt optimistic on opportunity amid trade war
7	Government likely to allow 100% FDI in contract manufacturing, say sources
8	MSMEs will have to grow big for India to become $5 trillion economy, says expert
9	Finance, commerce ministries lock horns over fiscal support for exporters
10	CAI retains July estimate for cotton crop at 312 lakh bales
11	GSP roll-back: Exports of goods to US grew 32% in June
12	Traders sign deals to import 50,000 bale cotton as global rates slump
13	Textile association opposes plan to levy import duty on cotton
14	No duty or tax payable by EOUs on re-export of goods imported free of duty
15	Trading with the world: Export promotion schemes provided by Government of India
16	View: Four options to revive the Indian economy
17	IIP growth slips to 4-month low of 2% in June

INTERNATIONAL NEWS

USA: Confluence of Factors Push Apparel Prices Up Despite Cotton Slump

All signs in the challenging supply chain landscape point in one direction: U.S. apparel prices are going up.

From the raw materials and inputs that go into fibers and fabrics–with the exception of cotton, which is at cyclical lows approaching 50 cents a pound–to the cost of labor and logistics, industry executive see increased costs leading to price hikes that, in many cases, have already begun.

On top of that, there's the 800-pound gorilla in the room–the threat and likelihood of 10 percent tariffs on imports of apparel from China as early as Sept. 1 ,and the potential for higher rates down the road.

"Prices are going up, no matter how much companies try to hold them down," Julia Hughes, president of the U.S. Fashion Industry Association, said.

As sourcing shifts out of China, Hughes said the countries that are getting increased production are raising prices to meet demand.

Tim Boyle, president and CEO of Columbia Sportswear Company, said if the tariffs on apparel are imposed, the company "along with many other manufacturers in our industry will be forced to raise prices on our products. This is a massive tax on employers and consumers, not on China."

Already, footwear and apparel are some of the most highly taxed products in the U.S., reaching as high as 37.5 percent.

"With President Trump's proposed 10 percent tax on goods manufactured in China, the American people will see almost half the cost of their shoes and clothing go to taxes," Boyle said.

The impact could challenge consumer spending in an already tough retail market.

“We appreciate that the concerns around tariffs are not just based on our production in China, but also the potential negative impacts on global consumer spending,” Scott Baxter, CEO of Kontoor Brands, said. “We recognize the most recent tariffs proposed act as an incremental tax on the U.S. consumer and many retailers will look to pass on higher costs in the form of higher prices.”

Retail apparel prices increased 1.1 percent in June, the first gain in four months, according to the Bureau of Labor Statistics (BLS). A fresh reading on prices is due on Tuesday when BLS puts out the Consumer Price Index for July.

While some cost pressures from the low raw cotton prices have eased in the supply chain, there are other areas where costs are causing prices to climb.

“The price of cotton has gone down, but there are a lot of other inflationary pressures that we have in the industry–labor, chemicals, transportation,” said Glenn J. Chamandy, president and CEO of Gildan Activewear, a vertical manufacturer from yarn to finished product.

Commenting on costs and prices on a conference call with analysts, Chamandy said, “Typically, we’ve raised prices in the last couple of years to counteract the higher price of raw materials. You’ll probably see more stable pricing as we move into 2020. At the same time, our low-cost manufacturing helps out margins.”

Thomas H. Caudle, president and chief operating officer of Unifi Inc., said the company experienced margin pressure in its international businesses, in part due to raw material cost fluctuations.

“The polyester business was dampened by the continuation of high levels of yarn imports, which play significant pressure on selling prices and profitability of our major polyester product line,” Caudle said. “However, we did experience some moderate raw material cost relief that aided gross profit.”

The Lenzing Group said, despite continued strong demand, capacity expansions for standard viscose caused higher pressure on prices, which fell to a historic low in the first half of 2019.

“The global fiber market remains under strong pressure due to the increasing fiber capacities in the Asian market, in particular in the standard fiber segment,” Lenzing said in its management report. “Lenzing therefore anticipates persisting high price pressure for standard fibers in the second half of 2019.”

Barry Hytinen, chief financial officer of Hanesbrands, said gross margin is expected to be up year-on-year for the full fiscal year “driven by more price and mix, principally in the fourth quarter, offsetting at that point lower commodity costs.”

In the third quarter, the company expects commodity costs will still be elevated.

“As we move into the fourth quarter, price will be in excess of commodity cost,” Hytinen said. “So that’s one of the reasons why [we] should anticipate gross margin performance getting better in the fourth.”

As a manufacturer, Hytinen said the company tends to see cost “long out” as it looks at its production.

“So what we saw was general labor inflation coming around the world in our manufacturing locations where apparel is made, as well as we saw some push on commodity,” he said. “We put our prices in place in mid-February and have seen them stick very nicely in the market.”

Baxter said Kontoor Brands “will be very strategic regarding pricing, with a comprehensive assessment of the elasticity helping guide our decisions.”

“This is a dynamic landscape that requires a dynamic approach and we are skilled at delivering, giving our leading supply chain expertise,” he added. “And while our supply chain is currently well positioned, we continue to seek ways to drive further competitive advantage. To that end, we began a top to bottom review of our global supply chain approach, an initiative that we are confident will yield additional process and production efficiencies to leverage and enhance our performance.”

Source: sourcingjournal.com- Aug 12, 2019

HOME

****

How China's Currency Devaluation Will Really Impact Sourcing Costs

China's devaluation of its renminbi this week sent markets into a temporary tailspin, and though things have somewhat rebounded since, supply chains may still have a price to pay.

Whether designed to offset the cost of President Trump's promised 10 percent tariff hike set to further burden the apparel, footwear and textile sectors starting Sept. 1, the currency fluctuation could have a manifold impact on sourcing costs.

Already, some Chinese suppliers are offering discounts as a result of the devaluation, but the price breaks haven't been big enough to account for what the tariffs could do to costs. In fact, factories are so far only giving back the same 2 percent rate that the fluctuated since the announcement of tariffs.

"Certainly currency did fluctuate on Monday…and we're seeing our factory partners' willingness to renegotiate on account of that, but it's just 2 percent," Win Cramer, CEO of consumer electronics company JLab Audio, said speaking on a media call hosted by Tariffs Hurt the Heartland Wednesday. "We've still got 8 percent to worry about."

With Chinese factories agreeing to concede just 2 percent on price in accordance with the currency shift, a 10 percent tariff on Chinese goods would still leave U.S. importers paying an 8 percent increase they'll have to offset by reducing overhead in other ways to avoid margins taking a hit.

On Friday, the People's Bank of China set the official midpoint reference for the yuan at 7.0136 per dollar, the weakest level in more than a decade. That midpoint serves as the daily anchor for the country's currency, marking the central point from which the renminbi (RMB) can strengthen or weaken by up to 2 percent within a day. Still, some economists have said that, to offset a 10 percent increase in tariffs, the dollar-yuan exchange rate would need to weaken further to between 7.1 or 7.2 to the American dollar.

If the currency weakens to 7.5 or even 8 renminbi to the dollar, that would significantly weaken the effect of Trump's tariffs, as it would be considerably cheaper for U.S. companies to buy Chinese goods.

But as far as discounting goes, Wade Miquelon, president and CEO of Jo-Ann Stores, agrees that while Chinese factories may modify prices, it won't be by much.

"Most of the products we import from China have much of their cost in dollars because of their import content—things such as oil, raw cotton and the like. In fact, the local Chinese content can be as little as one-third of the cost, so there is not a lot of financial room for many suppliers to discount based on yuan devaluation," Miquelon told Sourcing Journal.

And because many companies, the craft and fabric firm included, have developed their China-based supply chains over decades, certain products simply lack non-China alternatives.

"It often is a take-it-or-leave-it situation until viable alternative supply chains are developed," Miquelon said. "If you're the only game in town, you have leverage regardless of the RMB."

That means if Trump sticks to his plan to put the new tariffs in place—and the renminbi doesn't weaken much further—sourcing costs likely still will rise. And that means most brands and retailers are prepared to pass the costs along to consumers.

"We've had to take up some prices, and where we've had to take up prices, we've certainly seen hits from the customer," Miquelon said, pointing to the impact the Tranche 3 tariffs had on the business and the price hike it created. "If you extrapolate that more broadly to what we're going to see in List 4…it could create a vicious cycle of higher prices, less demand, higher prices, less demand."

Acknowledging his agreement, Lance Ruttenberg, CEO of American Textile Company, said, "There's no free lunch."

"At the end of the day, an increase in cost is going to harm somebody in the supply chain, whether it's the manufacturer or the retailer," he said. And with a word of warning, he added, "As prices increase and features and benefits don't, the demand will decrease."

On apparel alone, David French, senior vice president of government relations at the National Retail Federation, said the new tariffs could ultimately cost American consumers $4.4 billion more each year.

"I think the tariffs so far have only been on the margins of the consumer economy, so what has happened to date is not a good indication of what will happen in the future," French said on Wednesday's Tariffs Hurt the Heartland call.

But according to Adidas CEO Kasper Rorsted, China's currency fluctuation could pose even greater disruption to the industry than the tariffs would.

"We do 25 percent of our total business in China, 20 percent of our manufacturing capacity in China, so for us we can still move the rest out of China and have no impact," Rorsted said, addressing the potential effects of the impending tariffs on Bloomberg TV Thursday, following Adidas' second quarter earnings release Wednesday.

The much bigger impact in the current economic war, he said, is the fluctuation in the Chinese currency, and that is where his concern lies.

"The moment you start having a weaker RMB, this will hurt all regions in all countries, and it's an illusion to think this will be a win-lose scenario. This will be a lose-lose scenario," he said. "So I think when you look upon the macros of it…the currency war is much more severe, with much bigger consequences than the tariffs."

With regard to how the currency devaluation—which made China's currency weaker than 7 yuan to the dollar for the first time since the global financial crisis in 2008—affects the market outlook, IHS Markit chief economist Nariman Behravesh says the move adds even more uncertainty, and it's either going to have little impact at all, or major ramifications for the global economy.

"China's recent devaluation is relatively small in the whole scheme of things," Behravesh said. "If it stops there, and neither the U.S. nor China take any other actions that would give markets a fit, then this episode will probably blow over. On the other hand, if this is the beginning of a new and dangerous phase of the trade war, then all bets are off, and the ensuing financial fire storm could push the U.S. and global economies into a recession."

Source: sourcingjournal.com- Aug 12, 2019

HOME

****

Thailand looks forward to RCEP

Thailand's exporters hope for additional benefits from the Regional Comprehensive Economic Partnership (RCEP).They hope to be able to ship more machinery, electrical appliances, plastics, chemicals, autos and parts, tires, fiber, apparel, tapioca and paper to other RCEP countries. The agreement may also encourage Thai investment in other RCEP countries, in areas where Thailand has strong expertise, such as in construction, retail, health-related businesses as well as the movie and entertainment industries, especially in post-production and animation.

The Regional Comprehensive Economic Partnership may be signed next year. Once that happens it will be the largest trading bloc in the world. It comprises China, India, Japan, South Korea, Australia, New Zealand and the 10 Asean member states.

The countries involved hope the free trade agreement provides a forum for members to ease tensions and ensure smooth continuity of regional supply chains amid growing geopolitical tensions.

Negotiations on a total of seven chapters and three annexes have already been concluded, while remaining chapters or annexes near conclusion. These cover a wide range of issues from trade and investment to services, as well as new areas of business such as electronic commerce.

Recently concluded annexes include telecommunications, financial and professional services. Additionally, RCEP should lead to clearer trade and investment regulations.

Source: fashionatingworld.com- Aug 12, 2019

HOME

****

Apparel sales in the UAE to improve over the next 5 years

The Dubai Chamber of Commerce and Industry, which analysed recent data from Euromonitor International says, the outlook for UAE apparel sales is expected to improve over the next five years as economic conditions become more favourable, while consumer confidence strengthen.

Despite the dominance of store-based retail, online retail sales are witnessing a strong growth as many well-established brands explore omni-channel retailing, either through third parties, their own digital storefronts, or both.

This trend is expected to put pressure on prices as the industry becomes more competitive with traditional retailers expected to offer more deals to capitalise on consumer demand.

Menswear is expected to register a compounded annual growth rate (CAGR) of about 3.8 per cent between 2019 and 2023 to reach $7.8 billion in 2023.

Womenswear is expected to see a CAGR of 4.9 per cent in sales over the same period to reach $5.2 billion in 2023, largely driven by stable footfall and an increasing in spend on modest fashion.

Meanwhile, the children's apparel segment is expected to remain highly competitive, supported by good quality products and affordable prices offered by well-established brands.

Sales within this category are projected to register a CAGR of 3.7 per cent over the 2019-2023 period to reach $1 billion by 2023, the analysis found.

Source: fashionatingworld.com- Aug 12, 2019

HOME

****

Philippines clothing exports down eight per cent this year

Shipments of apparel and clothing accessories from the Philippines in June 2019 declined 8.7 per cent as compared the same period last year.Last year, exports of apparel and clothing fell 11.33 per cent.

Exporters, especially those operating in economic zones, want provisions securing tax breaks and exemptions for investors in the garments industry.

Garment manufacturers want tax perks, such as reducing the 12 per cent value-added tax, granting a special concession power rate and providing incentives to compensate labor rate differential.

They also want the duty-free importation of textile machinery and equipment to be extended and technical importation regulated to assist industry players.

A tax reform package seeks to reduce the corporate income tax to 20 per cent by 2029, from 30 per cent at present, and overhaul the menu of incentives.

The trade conflict between the United States and China has not really resulted in increased orders for the Philippines.

The country has benefitted only in a very small way, the reason being that the Philippines lacks competent manufacturers and locally milled textile plus the required accessories.

So, the Philippines got just ten per cent of the relocated garment orders from China. Most of the orders went to manufacturing powerhouse Vietnam.

Source: fashionatingworld.com- Aug 12, 2019

HOME

****

As manufacturing shifts from China, the rest of Asia sees new opportunity

Often dubbed 'the world's factory', China has recently been experiencing a shifting of manufacturing investment out of the country. A combination of the steady rise in wage costs in the industrial hubs of Southern China, and the ongoing trade war with the US are causes of it.

Major manufacturing corporations have begun restructuring their supply chains to give more prominence to South East Asian countries than before. This article explores the shifts taking place, which countries are gaining from it, and what Sri Lanka must do to latch on.

Shifts by electronics manufacturers

The electronics industry has been the most prominent among the industries with plans to locate to new destinations, amidst these trends. The world's number one and number three personal computer makers, HP and Dell, are already in the process of shifting 30% of their notebook production out of Chinai. HP has plans to build an alternate supply chain in Thailand or Taiwan, while Dell has been eyeing Vietnam. Other computer manufacturers evaluating plans to shift include Acer, Lenovo and Asustek Computer.

Further, the global consumer electronics giant, Apple is considering moving 30% of their iPhone production out of Chinaii. Microsoft, Nintendo, Sony, Quanta Computer and Foxconn are also contemplating shifts in some of its production facilities out of China, according to recent reports. In order to avoid additional tariffs imposed by the US Government, production by these firms have been, or are in the process of being, moved out – even partially – to countries ranging from Taiwan to Mexico and the Czech Republic.

The effects of the rising costs and the trade war go beyond the electronics industry. In the textile and garments industry too, the shifts are being seen.

Shifts in the apparel industry

The rising production costs over the past few years, and the tariffs imposed by the Trump administration more recently, has affected textile manufacturers in China. Since 2014, exports of Chinese textiles and clothing have declined from about $ 236 billion to $ 206 billion in 2016iii. The industry restructuring has made it difficult for big clothing brands to secure finance and make profits and has resulted in brands re-evaluating their decision to remain producing in China.

A decade ago, the main production base for major shoe makers Nike, Adidas and Under Armour was China, but now Vietnam holds that titleiv. Eclat Textile Co., a sportswear supplier to Nike and Lululemon Athletica, has exited China due to conditions not ideal for its manufacturing, and has set up shop in Vietnam instead.

Eclat's Chairman Hung Cheng-Hai said in an interview, "Judging from the global situation, the most important thing now is diversification. Clients also want us to diversify risks and don't want production bases to be in one country. Now 50% of our garments are made in Vietnam, so we are still not diversified enough."v

Eclat is looking to set up smaller regional manufacturing hubs and plans to invest in South Asian nations like Indonesia and Cambodia with the belief that a dispersed supply chain will lower any potential tariff risks and lower costs in the long term.

Cheng-Hai's sentiments are echoed by other manufacturers who are seeking a diversified base for their operations. The leading Hong Kong-based furniture manufacturer, Man Wah Holdings, which has more than 18 million square feet of manufacturing space in China has recently relocated to Vietnamvi. A growing number of factory operators from the manufacturing hubs of China are visiting Vietnam, India and Cambodia in search of solutionsvii. Yet, it is not easy to find mature manufacturing bases with sufficient skilled labour and infrastructure like China's and replacing China's so-called "complete industrial chain" is challenging.

Vietnam's boom, but with challenges

The trade war is having trade diversion effects in favour of Vietnam. According to the latest data by the US Census Bureau, US imports from China in Q1 2019 shrunk by 13.9% year-on-year, while imports from Vietnam grew a staggering 40.2%. Vietnam seems to be absorbing most of the firms shifting out of China.

“Locate here to counter the trade war” has become the main investment promotion slogan for Vietnam in attracting new tenants to their industrial estates. It is especially attracting small and medium-sized factories that make everything from electronics, to shoes, to furniture, to textiles in China’s Pearl River Delta and Yangtze River Delta regions, which are the main export production hubs in the country.

The latest data from Vietnam’s Foreign Investment Agency (FIA) shows that FDI to Vietnam in the first five months of 2019 reached a four-year high of $ 16.74 billion. This inflow represents a staggering 69.1% year-on-year increase. Around 1,363 new projects were licensed with a total registered capital of $ 6.46 billion in the January-May 2019 period, up 38.7% against the same period last year. Out of 19 sectors receiving capital, the manufacturing and processing sector came on top with $ 10.5 billion, accounting for 72% of total FDIviii.

However, there have been many problems in manufacturing operations in Vietnam, like labour recruitment and retention, worker management and supply of inputs, which are not readily experienced in China. This also points to the fact that countries looking to absorb ‘China-spill’ investment must focus on these factors in order to attract and retain these investments.

Apart from Vietnam’s own challenges, it would need to watch out for potential challenges from American policymakers – it could be the next target for Trump’s trade action as the country enjoys a $ 40 billion trade surplus with the US. Already in May the US Treasury added Vietnam to its list of countries being monitored for ‘possible currency manipulation’. The US has also taken firm action on ‘roundtripping’ of steel exports from Vietnam, which originated in South Korea and Taiwanix.

While there is a real risk of US trade action against Vietnam in the near future, Vietnam seems to have done well to diversify its market risks. The country has signed nearly 20 Free Trade Agreements, most recently an FTA with the European Union and the revamped Trans Pacific Partnership (CP-TPP).

India’s plans to capitalise on the shift

India hopes to compete with economies like Vietnam, Malaysia and Bangladesh, which are set to benefit most from the China shift. India has recently announced that they will offer financial incentives to lure companies leaving China and has made efforts to attract export industries in sectors vacated by US companies due to the growing trade tensionsx. Over 150 items have been identifiedxi. These efforts are expected to reduce the large trade deficit with China, India's largest trading partner.

India has identified electronics, consumer appliances, footwear, and toys, as well as hydraulic power engines and synthetic fibers as product sectors which have the highest potential to be attractedxii. India has proposed setting up affordable industrial zones across the country's coastline and giving preference in government procurement to manufacturers based locally as incentives to attract companies looking for alternate production bases. This plan builds on the current "Made in India" initiative which aims to boost manufacturing to 25% of the economy by 2020xiii.

Sri Lanka's opportunity, with the right focus

While the heightened trade tensions have disrupted global supply chains, and changing cost structures are forcing companies to pivot production to other parts of Asia, there is no reason why Sri Lanka too cannot gain from this.

According to Sri Lanka Apparel Exporters Association President Felix Fernando, Sri Lanka can gain from these trends and Sri Lankan apparel manufacturers have been approached by top US clothing buyers to partially manufacture some of the orders currently being serviced by China. However, as Sri Lanka lack the economies of scale possessed by China, we may have to settle for producing only partial orders while countries like Bangladesh and Vietnam which have cheaper costs produce the restxiv. Meanwhile, Sri Lanka's tile and bathware manufacturing group, Royals Ceramics Lanka PLC believes that the escalating tensions provide opportunities for Lankan manufacturers to position themselves as a viable alternative manufacturing destinationxv.

Despite popular belief, industrial wage costs in Sri Lanka in some technical categories are still lower than in China today. Sri Lanka must proactively identify sectors, and individual firms, that are being disrupted and attract them to set up in Sri Lanka. No doubt, not all would find the country attractive, and many would choose Vietnam, but among the exodus there is likely to be several who will either prefer Sri Lanka or choose Sri Lanka has an additional destination, as part of a risk mitigation effort. Sri Lanka must be realistic, though. We are competing with countries like India which are proactively incentivising the industries re-locating from China. In order to have a shot at success, we need to push forward our reforms on trade, investment and ease of doing business. Sri Lanka missed the last time there was a big shift in supply chains, when Japan was investing in the rest of Asia in the 1980s and 90s, and should take this chance to capitalise on the opportunities provided by this restructuringxvi. Sri Lanka would also need to take a closer look at the current investment incentives regime to see if it is fit for this. It's a limited-time opportunity.

Source: ft.lk- Aug 12, 2019

HOME

****

UAE apparel sales crossed $12 bn in 2018: Dubai Chamber

The value of apparel sales in the United Arab Emirates (UAE) was worth $12.3 billion in 2018, registering an annual growth rate of about 4.8 per cent, while the sector is expected to see stronger performance over the 2019-2023 period, according to the Dubai Chamber of Commerce and Industry, which analysed recent data from Euromonitor International.

The apparel market is a major segment and key contributor to the UAE's retail sector, the analysis found. Global fashion brands still view the country as a preferred entry point for establishing their presence in the Middle East North Africa (MENA) region, according to chamber press release.

The analysis identified menswear as the top-performing category with the segment accounting for $6.2 billion worth of sales last year or 53 per cent of the market value, followed by womenswear with 34 per cent and children's apparel with 7 per cent.

The outlook for UAE apparel sales is expected to improve over the next five years as economic conditions become more favourable, while consumer confidence strengthen. Despite the dominance of store-based retail, online retail sales are witnessing a strong growth as many well-established brands explore omni-channel retailing, either through third parties, their own digital storefronts, or both.

This trend is expected to put pressure on prices as the industry become more competitive with traditional retailers expected to offer more deals to capitalise on consumer demand, the analysis found.

Menswear is expected to register a compounded annual growth rate (CAGR) of about 3.8 per cent between 2019 and 2023 to reach $7.8 billion in 2023. Womenswear is expected to see a CAGR of 4.9 per cent in sales over the same period to reach $5.2 billion in 2023, largely driven by stable footfall and an increasing in spend on modest fashion.

Meanwhile, the children's apparel segment is expected to remain highly competitive, supported by good quality products and affordable prices offered by well-established brands. Sales within this category are projected to register a CAGR of 3.7 per cent over the 2019-2023 period to reach $1 billion by 2023, the analysis found.

Source: fibre2fashion.com- Aug 11, 2019

HOME

****

Vietnam: Exports of garment-textile, leather shoes surge 10.5 percent

Vietnam's export turnover of garment-textile and leather shoes during January-July grew 10.5 percent year-on-year to 18.34 billion USD, the Ministry of Industry and Trade (MoIT) said on August 9.

According to the ministry, domestic production of garment and textiles has enjoyed robust expansion on the back of the new-generation free trade agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement.

Good growth was seen in several key markets, including the US with export revenue of over 7 billion USD (up 10 percent), the CPTPP market with 2.5 billion USD (up 9 percent), the EU with 1.95 billion USD (up 5 percent), and the Republic of Korea with 1.4 billion USD (up 7.6 percent).

Chairman of the Vietnam Textile and Apparel Association (VITAS) Vu Duc Giang said the association set the industry's export turnover for this year at 40 billion USD, a year-on-year increase of 10.8 percent.

According to Giang, the US will remain the biggest importer, accounting for 42 percent of Vietnam's total exports, followed by the EU (21.5 percent), Japan (19.5 percent), and the Republic of Korea (14 percent). Meanwhile, the Middle East will be a new market of Vietnamese garment and textiles.

Regarding the leather and footwear sector, some 161.4 million pairs of shoes were produced during the seven-month period, increasing 7.1 percent from the same time last year. Exports of footwear rose 13.8 percent to an estimated 10.4 billion USD.

The MoIT said foreign-invested businesses contributed significantly to the export growth of garment-textile and leather shoes. In long term, local businesses should outline solutions to engage in global value chains to gain competitive edge over their rivals from Cambodia and Bangladesh.

Besides, experts recommended Vietnamese enterprises should work together to form a complete production chain so as to satisfy the rules of origin of the trade deals that Vietnam is a member. They said the move is significant for the firms to take full advantage of the preferences brought back by the trade pacts.

Source: en.vietnamplus.vn- Aug 10, 2019

HOME

****

Indonesia raising volume of garment-textile exports to US

The Indonesian Textile Association (API) is committed to support and contribute to the government's program in balancing position of the trade balance between Indonesia and the United States.

One of the efforts undertaken is to increase the volume of textile and garment exports, in addition to the cotton imports from the US, API chairman Ade Sudrajat said.

The potential for textile exports to the US is still very large because the volume of American textile imports from Indonesia is still in the range of 5 per cent of the total volume of American textile and garment imports, he emphasised.

However, Indonesia's utilisation of production capacity is not optimal. To continue to expand export opportunities, the API organises business meetings with the US Cotton Council International (CCI), cotton producers and major US buyers of Indonesian textile and garment in several US states, according to an Indonesian media report.

The API went there because it was supported by PT. Bank Rakyat Indonesia (Persero) Tbk through its Foreign Work Unit, BRI New York Agency (BRINYA).

Source: fibre2fashion.com- Aug 12, 2019

HOME

****

Pakistan: Govt extends export package by 3 years

The government has extended the export enhancement package for another three years with same conditions to encourage export of non-traditional goods as well from the country, said Parliamentary Secretary for Textile Aliya Hamza Malik.

Briefing the National Assembly on Thursday, she said new export sectors such as transport equipment, auto parts and accessories, machinery, furniture and stationary had been included in the package.

Government allows aluminium scrap import for industrial use

She pointed out that liquefied natural gas (LNG) tariff had been reduced for Punjab to bring it on a par with other provinces. "There has been no increase in gas prices for export-oriented industries including jute, carpet, textile, sports goods, leather and surgical goods," she said.

Replying to a question, she informed the house that customs and regularity duties on 236 tariff lines comprising raw material and intermediate goods had been reduced under the package to support economic growth.

She added that duty on cotton yarn had been waived compared to 10% earlier while export rates had been increased by 3% for the exporters.

Revised FTA with China 'silver lining' for Pakistan

In reply to another question, the parliamentary secretary told the house that low electricity cost would reduce the cost of doing business for industries, adding that the increase in tariffs was not going to affect major exporters.

Regarding trade with India, she said amid recent tensions with the neighbour over the Kashmir issue, the National Security Committee (NSC) meeting had decided to halt all bilateral trade with India while details of ongoing trade would be shared later.

Source: tribune.com.pk- Aug 09, 2019

HOME

****

NATIONAL NEWS

Governments should help textile industry, says TEXPROCIL Chairman

Cotton yarn exports in June this year is the lowest in the last five years

The Central and State governments should support the textile industry, which is passing through a crisis, with measures to improve the sector's competitiveness, said K.V. Srinivasan, chairman of Cotton Textiles Export Promotion Council (Texprocil) and South India Textile Research Association.

Mr. Srinivasan inaugurated Texfair 2019 and Farm to Finish Expo 2019, a four-day exhibition of textile machinery and spares, organised by Southern India Mills' Association at CODISSIA Trade Fair Compex.

He said factors such as poor demand in the export and domestic markets, lack of skilled labour, and high raw material cost were all affecting the textile units. Exports of yarn, fabric, and made ups grew over 50 % from 2008 to 2018.

However, in 2019, the yarn exports saw a steep decline. Cotton yarn exports in June this year is the lowest in the last five years. China is the main market for yarn exports. However, it gave duty free access to Pakistan in April this year and Bangladesh and Vietnam already have duty free access. "In a falling market, tariff difference of 4 % is significant. It is important to sustain competitiveness of the textile industry as it is generates employment in large numbers."

So, the Central and State governments should support it. The Union Government should refund taxes and duties paid for export of all textile products. The interest rates need to be competitive. Hence, the government should re-introduce the interest subvention scheme.

The State Government should have pro-active schemes to train labour. Another important factor for the industry is energy. The textile units have invested in wind energy in Tamil Nadu, initially because the State government encouraged it. The government should now support wind energy generation, he said.

Jugal Kishore Pansari, president of Indian Textile Accessories and Machinery Manufacturers' Association, said there is a general perception that the textile industry is going through a slow pace.

However, import of textile machinery and spares are on the rise. The ITAMA members are focusing on production concepts such as 5S, lean manufacturing, and energy audits. The textile engineering units have a huge potential to tap in the country.

According to Ajay D. Shah, president of Textile Machinery and Mill Stores Merchants Association, the textile industry is going through a phase of modernisation and the textile machinery manufacturers and mill stores merchants have the capacity to manufacture and supply parts that will serve as import substitutes.

P. Nataraj, chairman of Southern India Mills' Association, said Tamil Nadu accounts for 45 % of the spinning capacity in the country. The textile industry needs to upgrade technology constantly and concentrate on value addition.

The Texfair and Farm to Finish Expo have 250 exhibitors displaying products in 320 stalls.

The event is expected to attract one lakh visitors. The participants are from Coimbatore, other parts of Tamil Nadu, States such as Punjab, Maharashtra, and Gujarat and also countries such as China and Slovakia.

Source: thehindu.com- Aug 09, 2019

HOME

****

China promises to address India's concern over ballooning trade deficit

China on Monday promised to address India's growing concerns over the ballooning trade deficit and suggested expanding cooperation in areas like industrial production, tourism and border trade to achieve "overall balance" in bilateral commercial relations.

India has repeatedly voiced concern over the trade imbalance which last year crossed a whopping USD 57.86 billion over USD 95.5 billion total bilateral trade. The trade deficit in 2018, according to the official Chinese data, climbed to USD 57.86 billion from USD 51.72 billion in 2017.

External Affairs Minister S Jaishankar, who is here for talks with the Chinese leadership to prepare for the second informal summit between Prime Minister Narendra Modi and Chinese President Xi Jinping later this year in India, mentioned the trade deficit issue during talks as well as during a bilateral event.

India-China economic relationship too has seen "some progress, Jaishankar said. The bilateral trade has increased but so too has our deficit, which is a matter of some concern. "We appreciate the steps taken in the last few months by the Chinese side to enhance imports from India.

These efforts could expand to include measures to enable greater access for our pharmaceutical and IT products and services in the domestic Chinese market," he said at the 2nd meeting of the India-China High Level Mechanism on Cultural and People-to-People Exchanges here.

Chinese Foreign Minister Wang Yi, who was also present at the meeting, said China appreciates India's concerns over the trade imbalance. Wang said, "We stand ready to continue provide facilities to Indian exports to China.

"At the same time, we need to think broadly and need to expand cooperation in industrial production tourism, border trade and other areas so that we can achieve overall balance in our economic trade relations", he said.

This year, the bilateral trade is expected to touch USD 100 billion, a historic figure endorsed by the leadership of the two countries.

Source: financialexpress.com- Aug 12, 2019

HOME

****

Economic slowdown: Govt plans urgent steps to boost exports

The government is weighing a raft of measures — including "full reimbursement" of various imposts on exports and relaxed lending norms to improve credit flow — to reverse a slide in the growth of outbound shipments in recent months, sources told FE.

While the commerce ministry has already circulated a Cabinet note to phase out the flagship Merchandise Exports from India Scheme (MEIS) with a more WTO-compatible regime under which various state and central levies on inputs consumed in exports will be reimbursed, the government will likely top it up with an assurance that all embedded taxes borne by exporters will be fully refunded.

"The new scheme will be a dynamic one, so that all sorts of embedded taxes will be reimbursed once exporters bring them to notice. A government panel will examine their demand and take appropriate action. The idea, as we have stated, is that exports must be zero-rated as per the global best practices," a source said.

Though the goods and services tax (GST) regime has subsumed a plethora of levies, some still exist (petroleum and electricity are still outside the GST ambit, while other levies like mandi tax, stamp duty, embedded central GST and compensation cess etc remain unrebated). Similarly, the Reserve Bank of India (RBI) is willing to ease priority-sector lending guidelines for exporters.

Currently, exporters with a turnover of up to Rs 100 crore each are eligible for credit under the priority sector norms. This limit is likely to be scrapped or doubled so that more exporters are benefited. The maximum sanctioned limit of loans is also likely to be raised to Rs 40 crore per borrower from the current Rs 25 crore. Even the cap on export credit at 2% of banks' total loans could be relaxed soon.

However, the central bank has refused to endorse a proposal to allocate a part of its foreign exchange reserves for export credit — as is being demanded by some exporters — to boost flow of loans on the ground that such a move is fraught with risks, a source said.

Once tweaked, the revised priority sector lending norms and certain enabling guidelines are expected to release additional credit of anywhere between Rs 35,000 crore and Rs 68,000 crore for exporters, according to an RBI assessment. Recently, commerce and industry minister Piyush Goyal told the Rajya Sabha that banks' outstanding export credit, which rose from Rs 1,85,591 crore in March 2015 to Rs 2,43,890 crore in March 2018, dropped to Rs 2,26,363 crore at the end of March 2019.

Goyal has already held a series of meetings with exporters to address their concerns, and some of the steps being mulled will be finalised soon. The measures are proposed at a time when India's merchandise export growth collapsed to just 0.6% in April, 3.9% in May and -9.71% in June. Citing persistent risks from a global trade war, the IMF recently trimmed its 2019 trade growth forecast by a sharp 90 basis points from its April projections to 2.5%, against the actual rise of 3.8% in 2018.

As for the plan to reimburse levies, such a scheme has already been implemented in garments and made-up exports. However, its scope and reach will be expanded now. Exporters will be refunded levies through freely transferable scrips.

For the remission of state levies for garment and made-up exports, the government had allocated Rs 3,664 crore in FY19. However, the compensation level under this scheme was expanded in March to include central levies as well; even some embedded taxes were factored in. So the potential revenue forgone is now estimated at around Rs 6,300 crore annually. The government's potential revenue forgone on account of the MEIS is estimated at Rs 30,810 crore a year.

However, government officials have repeatedly stated that the entire allocation or potential revenue forgone on account of various such schemes (including MEIS) doesn't qualify as export subsidies, as in most cases, they are meant to only soften the blow of imposts that exporters have been forced to bear due to a complicated tax structure.

The US has dragged India to the WTO, claiming that New Delhi offered illegal export subsidies and "thousands of Indian companies are receiving benefits totaling over $7 billion annually from these programmes". Indian officials have rejected such claims.

According to Fieo president Sharad Kumar Saraf, for our exporters to become competitive, the government needs to ensure that transaction costs are cut drastically, embedded taxes are fully offset, raw materials are made available at reasonable prices and credit is extended at cheaper rates. "Land acquisition needs to be made easier and companies must not be dragged into unnecessary legal hurdles," he added.

Source: financialexpress.com- Aug 12, 2019

HOME

****

Why labour shortage not pinching textile mills now

They are forced to go for a production cut as exports plunge, inventory piles up

The labour shortage is a cause of concern for the textile industry in normal circumstances. This time around, this has come as a blessing in disguise as mills are facing financial constraints.
Steep fall in exports

Industry sources said mills are under pressure because yarn exports have declined sharply and the inventory has piled up. This has resulted in a production cut by the industry, after discussions between industry associations and their members, sources added.

While sources could not confirm the number of units which had halted operations in the last month or so, industry insiders put it at around 1 per cent of the total number of mills in the State. The cut in capacity utilisation levels across the industry is estimated at 15- 20 per cent.

Mills are clueless as to how long it will take for the revival of the industry as the present hardships are due to external factors.

They reiterated their demand for inclusion of cotton yarn and fabrics in the RoSCTL (Rebate of State and Central Taxes Levies) scheme.

The Southern India Mills' Assocation (SIMA) Chairman, P Nataraj, said that investments in Tamil Nadu's textile sector had started to slide in the past 4-5 years. "There are around 11 million spindles in the State, but the spinning sector lags in modernisation. Around 60 per cent of TUF (Technology Upgrade Fund) investments happened across mills in Tamil Nadu till about five years ago . This has fallen to 25 per cent now."

Stating that the entrepreneurs here were getting into value-added textile products, Nataraj said, "The opportunities are huge and so are challenges as labour is expensive and there is huge shortage of skilled man power."

Despite such hiccups, the industry is hopeful of some revival as the policy with regard to value addition, sources say, "is favourable".

The sector is expecting some respite from State's textile policy guidelines, which are expected soon .

Source: thehindubusinessline.com- Aug 09, 2019

HOME

****

'Pakistan move not to impact textile sector'

Pakistan's move to stop import of products from India or of Indian origin is not expected to have much impact on the Indian textile industry, said Dr. Siddhartha Rajagopal, Executive Director of the Cotton Textiles Export Promotion Council.

Pakistan imports mainly yarn and cotton from India. However, in recent years, Indian exporters have slowed down their supply to Pakistan. Between April and June this year, $38 million worth of cotton yarn was exported to Pakistan as against $42 million for the same period last year.

The annual yarn exports to Pakistan are about $100 million and it was mostly the low count yarns, Mr. Rajagopal said.

The Indian exporters, who are already facing a drop in cotton yarn exports, will have to look at other markets.

Chairman of the Cotton Association of India Atul Ganatra said India exported only four lakh bales of cotton to Pakistan this year as Indian cotton prices were relatively higher. Pakistan purchased mainly from the U.S. this year.

While direct exports to Pakistan (of cotton) has stopped, indirect exports might continue, he said.

Source: thehindu.com- Aug 10, 2019

HOME

****

India's machinery, textile demand likely to spike; govt optimistic on opportunity amid trade war

India may soon get a full-fledged opportunity to increase its exports and narrow its trade deficit. Machinery, chemical and textile sectors are likely to get surplus demand from the global market.

Competitive advantage for manufacturing and production of certain products can give an edge to explore the opportunities generated by the ongoing trade standoff between the US and China, said Piyush Goyal, Minister of Commerce & Industry in Rajya Sabha.

Products related to mineral, machinery, mechanical appliances and their parts, electrical machinery and equipment, chemicals, synthetic fibres, and textiles have a window of opportunity, he added.

Though, the minister underlined that the escalation in global trade tensions is a recent factor and India has been attracting better investments in manufacturing over the past four years, foreign direct investments (FDI) from China in metallurgical industries, service sector, renewable energy, electronics, and machine tools have significantly shot up in the previous financial year.

FDI from China in Indian metallurgical industries rose around five times year-on-year to USD 16.75 million in FY19 and in the renewable energy and services sector, the same rose three times year-on-year to around USD 25.5 million each.

Similarly, FDI from the US in Indian software and hardware industry rose more than three times year-on-year to USD 1.5 billion in FY19. Metallurgical industries, education and power sectors also saw a spike in FDI from the US. However, India's major export commodity, steel has seen a sharp decline of 35 per cent year-on-year in exports to the US due to the imposition of the additional tariff of 25 per cent on steel imports by the US.

"The government has sensitised all the trade promotion bodies to work towards enhancing exports by capitalising on this opportunity arising from the ongoing tariff standoff between the US and China," said Piyush Goyal in the parliament. However, market access, cost competitiveness of the product in comparison to the alternative in different markets and generation of adequate surplus in exports will be a few factors on which the extent of the increase in exports to narrow the deficit gap will depend, he further added.

Source: financialexpress.com- Aug 09, 2019

HOME

****

Government likely to allow 100% FDI in contract manufacturing, say sources

The government is working on a proposal to allow 100 per cent FDI in contract manufacturing with a view to attract overseas investments, sources said. According to the existing foreign investment policy, 100 per cent foreign direct investment (FDI) is permitted in the manufacturing sector under the automatic route. A manufacturer is also allowed to sell products manufactured in India through wholesale and retail channels, including through e-commerce, without government's approval.

"The current policy does not talk about contract manufacturing and it is not clearly defined in the policy. Big technology companies across the world are going for this, so there is a need for a clarification on the matter which government is considering positively," they said.

The commerce and industry ministry is working on a proposal that would be finalised soon and sent for Union Cabinet's approval. Commenting on the proposal, Rajat Wahi, Partner, Deloitte India, said the move if approved by the government will give a boost to the manufacturing sector.

"It is a welcome proposal for technology based companies like Apple," he said. Finance Minister Nirmala Sitharaman in her Budget speech in July had proposed relaxation in the FDI norms for certain sectors such as aviation, AVGC (animation, visual effects, gaming and comics), insurance, and single brand retail with a view to attract more overseas investment.

FDI in India dipped 1 per cent to USD 44.36 billion in 2018-19. Last year, the government had relaxed FDI rules for several sectors, including single brand retail, non- banking financial companies and construction.

Foreign investments are considered crucial for India, which needs billions of dollars for overhauling its infrastructure sector such as ports, airports and highways to boost growth. FDI helps in improving the country's balance of payments situation and strengthen the rupee value against other global currencies, especially the US dollar.

Source: financialexpress.com- Aug 11, 2019

HOME

****

MSMEs will have to grow big for India to become $5 trillion economy, says expert

Ever since Prime Minister Narendra Modi envisioned doubling of Indian economy to $5-trillion size in five years, economists and pundits have been debating on whether that's achievable and how if it is.

Nonetheless, it is quite certain that for India to hit that target, its micro, small and medium enterprises (MSMEs) will have a very prominent role to play, if not the biggest role.

MSMEs, which contributes 29 per cent to India's GDP, and mid-sized firms will have to grow big to increase the number of large firms in India from 500 to 2,500 for the country to become a $5 trillion economy, according to Gautam Kumra, Managing Director, McKinsey India.

"We have to generate another 2,000 large firms to really establish that kind of economic growth rate. This will only happen if more of the MSMEs become bigger and more of the mid-sized firms become large firms," Kumra told ET Now in an interview cautioning that the number of companies turning large annually has been stagnant since last five years.

Despite being regarded as the engines of economic growth, MSMEs have been continuously facing challenges around lack of access to credit, poor technology adoption and awareness, weak marketing strategies, low access to affordable yet skilled labour etc., that leads to low production capacity. Hence, it is critical to incentivising their growth and scale.

"If it is a game about productivity then you have to fix the composition of each and every sector," said Kumra, or "what is the right comparative industry structure to create," he said, in order to create "a playing field where the smaller companies are encouraged to actually become large."

Kumra also stressed on the significance of the startup ecosystem in the time to come. India already has 26 unicorns including the likes of OYO, Paytm, Ola, Byju's, Zomato, Swiggy, etc., while the startup ecosystem is the third-largest globally after the US and the UK in terms of the number of technology startups.

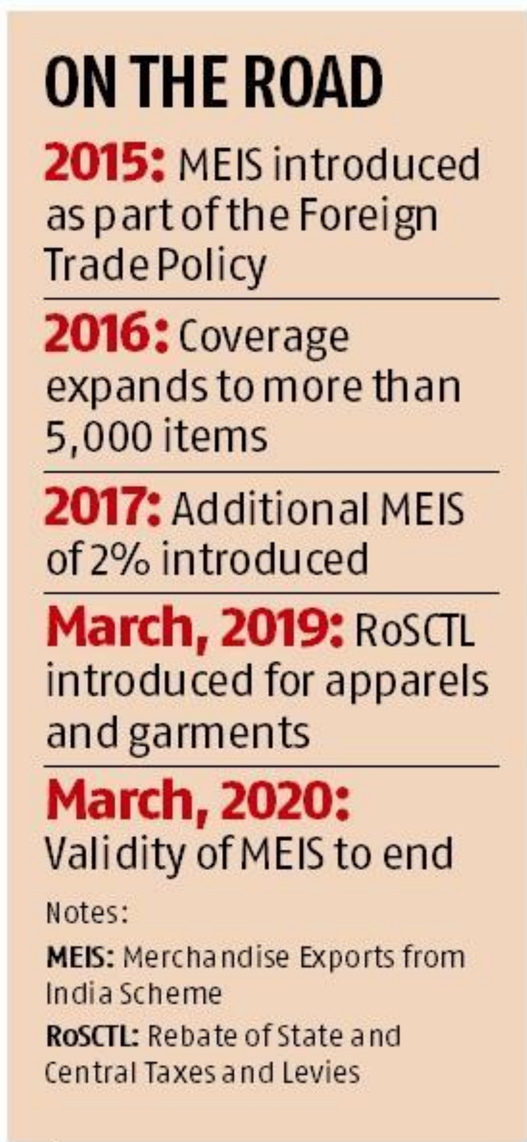
"These are trends that are likely to sustain for time to come because this trillion dollars of value that is going to be created is not going to be just owned by the existing incumbents," he said, adding that multiple new companies are likely to come up in areas such as consumer, agriculture, logistics etc.

Source: financialexpress.com- Aug 11, 2019

HOME

****

Finance, commerce ministries lock horns over fiscal support for exporters



ON THE ROAD

2015: MEIS introduced as part of the Foreign Trade Policy

2016: Coverage expands to more than 5,000 items

2017: Additional MEIS of 2% introduced

March, 2019: RoSCTL introduced for apparels and garments

March, 2020: Validity of MEIS to end

Notes:

MEIS: Merchandise Exports from India Scheme

RoSCTL: Rebate of State and Central Taxes and Levies

The commerce department last month pitched for the additional 2 per cent MEIS, introduced in 2017 for a few months, as a transitionary measure

Two ministries — finance, and commerce and industry — are at loggerheads over fiscal support for exporters.

While Revenue Secretary A B Pandey has pressed for withdrawing the Merchandise Exports from India Scheme (MEIS) once an alternative one for all export sectors is implemented, Commerce Secretary Anup Wadhawan has pitched for a phased withdrawal, sources said.

The revenue department has pitched for strict closure dates of any new reward schemes for exporters, or else they will stay valid till the end of the fiscal year in which these are introduced, sources added.

Here, the commerce department said it would assess and seek financial allocation on a yearly basis. The commerce department floated a Cabinet note last week, suggesting a replacement of the MEIS with the World Trade Organization-compliant Rebate of State and Central Taxes and Levies (RoSCTL) as one of the options.

The commerce department last month pitched for the additional 2 per cent MEIS, introduced in 2017 for a few months, as a transitionary measure.

The RoSCTL is in place since March for the apparel and made-ups sector.

The textiles ministry wanted continuing the MEIS simultaneously for a few months. However, the revenue secretary turned down the suggestion on the grounds that it would cost an estimated at Rs 5,131 crore a year and sought the immediate withdrawal of MEIS after the RoSCTL or any other scheme was introduced, sources said.

“While the revenue department wants the new scheme to be rolled out in three months, the commerce department has batted for a longer time frame and a staggered implementation to cover all export sectors,” said a government source.

Under the RoSCTL, the Directorate General of Foreign Trade will give the benefit to exporters in the form of duty credit scrips similar to the MEIS. But unlike now, it will be IT-driven and will rebate all embedded state and central taxes on paid inputs. This includes the value-added tax on petrol, mandi tax, electricity duty, and stamp duty on all export documents, among others.

“It had been decided in inter-ministerial meetings that the rate of scrips will be decided by the Duty Drawback Panel within three months of approval from the cabinet,” a government official said.

The MEIS, introduced in 2015 under the Foreign Trade Policy, incentivises merchandise exports of more than 5,000 items now and is the biggest of its kind. Exporters earn duty credits at fixed rates of 2 per cent, 3 per cent and 5 per cent, depending upon the product and country.

WTO battles loom

The rush to find a WTO-compliant export promotion scheme has gained pace since a dispute settlement panel was formed on July 23 at the WTO, to rule on India's export subsidies.

Source: business-standard.com- Aug 13, 2019

HOME

****

CAI retains July estimate for cotton crop at 312 lakh bales

The Cotton Association of India (CAI) has retained its crop estimate for 2018-19 at 312 lakh bales. In its July estimate released here on Friday, CAI has maintained crop estimate for the northern zone at the same level as in its previous month's estimate of 59 lakh bales (of 170 kg each) while estimate for the central zone has been increased by 50,000 bales.

There is an increase of 1 lakh bale in the cotton crop estimate for Gujarat to 87 lakh bales as compared to the estimate of 86 lakh bales made by the CAI during last month while there is a reduction of 50,000 bales in the estimate for Maharashtra to 70.50 lakh bales as compared to 71 lakh bales estimated earlier.

Also, there is a reduction of 50,000 bales in the crop estimate for Tamil Nadu compared to the previous month's estimate. The total cotton supply during the period from October 2018 to July 2019 is 353.80 lakh bales, which consists of arrival of 305.52 lakh bales up to 31st July 2019, imports of 15.28 lakh bales up to 31st July 2019 and the opening stock estimated at 33 lakh bales at the beginning of the season.

Further, the CAI has estimated cotton consumption during October 2018 to July 2019 at 263.50 lakh bales while the export of cotton estimated by the CAI up to 31st July 2019 is 44.50 lakh bales. Stock at the end of July 2019 is estimated by the CAI at 45.80 lakh bales, including 25.86 lakh bales with textile mills and remaining 19.94 lakh bales with CCI and others (MNCs, traders, ginners, among others).

There is no change in the projection of cotton export for the season and the same is retained at 46 lakh bales as estimated by the CAI previously. There is no change in the projection of import of cotton and the same is also retained at 31 lakh bales as estimated by the CAI previously, according to the crop committee of the association that had met earlier. The annual consumption estimated by the CAI is also retained at the same level as in the previous month at 315 lakh bales.

Indian cotton arrivals during October 2018 to July 2019 are estimated at 305.52 lakh bales. Around 98% of the total crop for the ongoing season has already arrived in the market.

The annual balance sheet projected by the CAI estimated total cotton supply till the end of cotton season (up to September 30, 2019) at 376 lakh bales, consisting of the opening stock of 33 lakh bales at the beginning of the cotton season and imports at 31 lakh bales, which are higher by 16 lakh bales compared to the previous year's estimate at 15 lakh bales.

Domestic consumption estimated by the CAI for the entire crop year is 315 lakh bales while for the season it is 46 lakh bales, lower by 23 lakh bales compared to the previous year's cotton exports estimate of 69 lakh bales. The carryover stock estimated at the end of the season is 15 lakh bales. Shipment of imports from October 1, 2018 to July 31, 2019, which have reached Indian ports are estimated at 15.28 lakh bales while balance 15.72 lakh bales are estimated to arrive during the period from August 1, 2019 to September 30, 2019 (total imports estimated during the entire season are 31 lakh bales).

Cotton export shipments from October 1, 2018 to July 31, 2019, which have already been shipped, are estimated at 44.50 lakh bales while balance 1.50 lakh bales are expected to be shipped during the period from August 1, 2019 to September 30, 2019 (total exports estimated during the entire season are 46 lakh bales).

The consumption by Indian spinning mills for 10 months from October 1, 2018 to July 31, 2019 is estimated at 263.50 lakh bales. Cotton stock held by mills in their godowns on July 31, 2019 is estimated at 25.86 lakh bales.

CCI, MNCs, ginners and MCX are estimated to have stock of 19.94 lakh bales as on July 31, 2019 which is equal to about 21 lakh running bales. Thus, total stock held by spinning mills and stockists on July 31, 2019 is estimated at 45.80 lakh bales, which is equal to about 49 lakh bales. Due to small crop size and very tight cotton balance sheet, stock as on September 30, 2019 is estimated by the Committee at 15 lakh bales.

Source: financialexpress.com- Aug 10, 2019

HOME

****

GSP roll-back: Exports of goods to US grew 32% in June

Exports of Indian goods, which were enjoying benefits under the preferential tariff system GSP, to the US registered a growth of 32 per cent in June, according to Trade Promotion Council of India (TPCI).

The US rolled back export benefits to over 1,900 Indian goods from June 5. These incentives were provided by America under its Generalised System of Preference (GSP) programme.

Citing the data from the United States International Trade Commission (USITC), it said the Indian exports to the US of those goods which were getting GSP benefits stood at USD 657.42 million in June as compared to USD 495.67 million in the same period last year.

"India's exports to the US on GSP withdrawn products has registered 32 per cent growth in June 2019 as compared to the same month last year," TPCI Chairman Mohit Singla said in a statement.

This is a very interesting trend as out of USD 190 million value of GSP benefit claimed earlier, the growth has already covered USD 161.74 million, month on month for June 2019 compared to last year, leaving a thin margin of US USD 28.26 million only, he said.

The major products which have shown increase in exports include plastics rubber, base metals (aluminum), machines and equipments, transport equipment, hides and leather, Pearls and precious stones. This is a clear indication that Indian products have the full potential to compete globally and not solely dependent on support, contrary to the perception, Singla said.

TPCI is a strong advocate of the phasing of subsidies and reducing government support. He said the need is to incentivise new sunrise sectors like furniture and electrical, by creating a cluster-based mega ecosystem, which can churn export growth completely.

The era of continuing fixation of labour incentive sectors should be over, as their growths have already flattened, despite sustained support, he said. India exported goods worth USD 6.3 billion to the US in 2018 under their export incentive programme.

Source: financialexpress.com- Aug 11, 2019

HOME

****

Traders sign deals to import 50,000 bale cotton as global rates slump

A slump in global cotton prices amid the escalating trade war has encouraged Indian textile mills to start importing raw material well in advance for the new season starting October, as domestic cotton turns out to be 10-12% costlier, trade sources said.

So far, deals to import around 50,000 bales (1 bale = 170 kg) of cotton have been signed for delivery in Oct-Dec, despite the quarter being the peak harvesting season in India, the officials said.

"Mills in north India have contracted 6,000-10,000 tn of cotton, while deals of around 3,000 tn has been signed by mills in southern India," said Gurusamy Rathakrishna, president of Coimbatore Cotton Association.

The situation is different from the one last year, when traders were busy selling the commodity to overseas buyers due to expectations of a bumper domestic crop, which eventually did not materialise.

The December new-crop cotton contract on ICE Futures US had hit a four-year low of 57.26 cents a pound earlier this week and analysts are expecting another 5-7% decline due to worsening relations between the US and China, the world's largest exporter and importer, respectively. Domestic prices have relatively been steady, creating a premium of 10-12% over global rates.

The import deals are being signed in a range of 70-73 cents a pound, sourced mainly from the US, Brazil and West Africa, as domestic prices are at around 80 cents.

J. Tulasidharan, president of Indian Cotton Federation, said that deals to import smaller amounts have been signed by one-two mills for delivery in Oct-Nov.

Global prices have also been hit by estimates of a rise of around 5% in cotton output in 2019-20, and slower growth in consumption, which may lead to higher ending stocks for next year, traders said.

As the domestic crop is expected to be nearly 10% bigger, prices may fall ahead of the harvest starting in October, which may halt imports.

Source: cogencis.com- Aug 09, 2019

HOME

****

Textile association opposes plan to levy import duty on cotton

The Indian Texpreneurs Federation has opposed a proposal by the Maharashtra Government to levy import duty on cotton. According to Prabhu Dhamodharan, convenor of the Federation, such proposals are "anti-industry and can change the entire dynamics of the textile value chain."

A "knee jerk reaction" of the government in 2010-2011 eroded nearly ₹15,000 crore from the system and the spinning mills are yet to recover from it.

The industry needs long term and stable policies to be competitive in the international market, he said. Indian textile industry should make value added products to capture the global market and to tap the opportunities arising because of the US-China trade war.

Therefore, the Union Textile Ministry should intervene and ensure there is no such duty on cotton imports. The Ministry should ensure stability in policy. There should be zero duty on cotton imports and exports. The Indian textile manufacturing sector always supported the policy of zero trade restrictions on raw material, he said.

Industry sources here said there cannot be a levy on cotton imports. Most of the mills that are operating now are using imported cotton. Further, it is learnt that the Union Textile Minister has assured that there will be no such levy on cotton imports and the policy of the Central Government will be uniform across the country.

Source: thehindu.com- Aug 09, 2019

HOME

****

No duty or tax payable by EOUs on re-export of goods imported free of duty

The merchant exporter can take credit of the GST that you charge and claim a refund of the same under Rule 89 (4B) of the CGST Rules, 2017

We are a 100 per cent EOU unit. We want to send rejected raw material/ capital goods to the supplier. What will be the duty/tax (BCD, ADD, CVD, GST, etc) impact on the said transaction?

As per Para 6.15 (a) (iii) of FTP, in case an EOU/EHTP/STP/ BTP unit is unable to utilise goods and services, imported or procured from DTA, it may be exported. Also, as per condition no. 4(i) of the notification 52/2003-Cus dated March 31, 2003, the proper officer may, subject to such conditions and limitations as may be imposed by him and subject to provisions of the Foreign Trade Policy, permit re-export. So, there are no duty or tax implications for re-export of the goods imported without duty payment under the notification 52/2003-Cus dated March 31, 2003.

As a sale and marketing consultant, I fetch orders for a merchant exporter, who sources the product under 0.1 per cent GST from local manufacturers and exports the goods with zero GST under LUT. I bill my services at 15 per cent of sales value in rupees to the merchant exporter and charge GST. The merchant exporter is unable to get refund of that (since it is a service and not goods). Please advise how the merchant exporter can get refund of GST paid to me.

The merchant exporter can take credit of the GST that you charge and claim a refund of the same under Rule 89 (4B) of the CGST Rules, 2017. It says that where the person claiming refund of unutilised input tax credit on account of zero-rated supplies without payment of tax has received supplies on which the supplier has availed the benefit of the notification No. 40/2017-Central Tax (Rate), dated the October 23, 2017, or notification No. 41/2017-Integrated Tax (Rate), dated the October 23, 2017, the refund of input tax credit, availed in respect of inputs received under the said notifications for export of goods and the input tax credit availed in respect of other inputs or input services to the extent used in making such export of goods, shall be granted. If the department contends that the service is not used in making export of goods, he can still claim refund under Rule 89(4) of the CGST Rules, 2017.

As an EOU, we have exported on IGST payment under refund claim from July 2018 onwards, but our claims are held up because our GST consultant has shown the tax amount in col. 3.1(a) instead of 3.1(b) in GSTR-3B. Our GST officers say that they cannot resolve this matter. Please advise how we can resolve this issue or whom we can approach.

For refund, the shipping details are matched with the details furnished in Table 6 of GSTR-1 and not GSTR-3B. Also, on September 4, 2018, the Rule 96 (10) of CGST Rules, 2017 was amended retrospectively, denying refund of IGST paid on exports to EOUs that have taken the benefit of notification 78/2017-Cus dated October 23, 2017. You may accordingly re-examine your eligibility for refund.

Source: business-standard.com- Aug 13, 2019

HOME

****

Trading with the world: Export promotion schemes provided by Government of India

The Government of India has taken quite a few steps towards enhancing Indian exports by introducing several export benefit schemes. The main objective of these export benefit schemes is to simplify the entire export process and make it easier.

After the "Make in India" initiative by the Modi government, Indian exports have increased manifold. There are numerous export schemes, financial aids and other benefits provided by the Government of India to exporters which have led to this increase in exports.

The following are the various export schemes provided by the Government of India so that the Indian economy grows with a corresponding increase in foreign exchange reserves:

- **Advance authorization scheme**: This scheme allows businesses to import inputs within the country without paying any duty. However, such inputs should be utilized further for the production of an export item.
- **Advance authorization for annual requirement**: This scheme is for those exporters who have had excellent export performance for the last two years. Such exporters can benefit from the Advance Authorization for Annual requirement scheme.
- **Customs, central excise, and export duty drawback scheme**: In this scheme, the exporters can get a refund of all duty and taxes which were paid for the inputs against the exported products. The Duty Drawback is nothing but the refund that is received by the exporter. If the export schedule does not have the details of the duty drawback scheme, the exporter can speak to the tax authorities to get a brand rate as per the duty drawback scheme.
- **GST tax rebate:** The Government of India also offers rebates on GST to exporters, if such output services for the export goods are specified.
- **Duty-free import authorization**: This scheme, which is provided by the Government of India, is clubbed with the Duty Exemption Entitlement Certificate (DEEC) (Advance License) and Duty Free Replenishment Certificate (DFRC) so that the exporters can get free imports on certain products.
- **Export Promotion Capital Goods' (EPCG) zero duty scheme**: This scheme applies to all the exporters who are into electronic goods. Zero percent customs duty is to be paid by the exporter in case the export value is at least six times that of the duty saved on imports of capital goods for production, pre-production, and post-production. The exporter must confirm the value which is an export duty, within six years of the issue date.
- **Post Export EPCG duty credit scrip scheme**: As per this scheme, exporters can get an EPCG license and directly pay to the customs officials if they are not sure about paying the export obligation. The government can refund the exporter taxes which were paid earlier and which satisfy export obligations.
- **Towns of Export Excellence (TEE):** The towns of export status are such towns which produce and export goods which are above a particular value in some of the identified sectors. Such statuses given to the towns are based on their performance and potentiality of exports so that they can enter new markets.
- **Market Access Initiative (MAI) scheme**: This scheme provides financial advice to such agencies who directly or indirectly are involved

with marketing activities like market research, capacity building, branding, and compliances in importing markets.

- **Marketing Development Assistance (MDA) scheme**: The main motive of this scheme is to encourage export activities abroad, help the export promotion councils to promote their products and to take such other measures to market internationally.
- **Scheme related to Merchandise Exports**: This scheme applies to the export of certain goods to some particular markets. Benefits for exports under this scheme are payable as a percentage of the realized Freight on Board (FOB) value.
- **Rebate of State Levies**: This scheme allows the exporters to claim refunds from the center for all such levies and duties which are paid by the exporters at the state level.
- **Freight Assistance to Exporters**: The government has introduced Transport and Marketing Assistance (TMA) scheme to enhance the exports of agricultural products by providing a definite amount of freight charges as reimbursement and to provide help to the exporters for the marketing of agricultural products.

Considering that the Indian economy is one of the fastest growing economies in the world, the Government of India has created various economic policies which can enhance India's economic progress. Improving Indian exports is one such plan of the government.

Thus, the government has taken a quite a few steps towards enhancing the exports of India by introducing the export benefit schemes as mentioned above. The main objective of these export benefit schemes is to simplify the entire export process and make it easier. These export benefit schemes are a combination of socially independent and liberal policies.

Source: economictimes.com- Aug 12, 2019

HOME

****

View: Four options to revive the Indian economy

The obvious indicator is GDP growth and the immediate timeline is 2019-20 and 2020-21.

Where is the economy headed? The answer depends on the timeline and indicator. The obvious indicator is GDP growth — that is, real GDP growth — and the immediate timeline is 2019-20 and 2020-21.

For 2018-19, there was real annual growth of 6.8%. But for the four quarters, the number was 8%, 7%, 6.6% and 5.8%, respectively, a progressive slowing. Both the Economic Survey and budget expect real GDP growth to be 7% in 2019-20. In its latest projections, the Reserve Bank of India (RBI) also expects 6.9%, with 5.8-6.6% in the first half, and 7.3-7.5% in the second.

Sundry other organisations and individuals have their own numbers. Most of these are around 7%, a few decimal points higher or lower. Implicitly, if not explicitly, there has to be some assumption about inflation, measured by the GDP deflator. There is near unanimity about this being 4%.

None of these projections are based on sophisticated modelling. That is close to impossible. Therefore, there are subjective calls to make. The critical one is about Q4 2018-19. Was that an aberration? If it was, then basing oneself on 6.8%, 7% in 2019-20 is eminently doable. After all, if one contrasts 2017-18 with 2018-19, there have been no remarkable changes in the growth components of consumption, government expenditure, investments and net exports.

However, if 5.8% was no an aberration, given the progressive slackening over several quarters, then 7% is implausible. When Q1 2019-20 figures become available at the end of the month, there will be more clarity, and we will be better informed. But as things stand now, a little less than 6% in the first half of 2019-20, and a little more than 6% in the second half of 2019-20, are not unlikely. In other words, 6% in 2019-20, not 7%.

Time Lags

Consumption, investment, government expenditure and net exports — which of these indicates a breaking away from a band of 6-6.5% (6% in 2019-20 and 6.5% in 2020-21)? There is a long list of desirable reforms (such as reform in factor markets) that can trigger these. But they take time to deliver, and when reforms are delivered, there are time lags before delivery manifests itself in the form of higher growth.

Meanwhile, if we take $5 trillion as an objective, 8% required growth computed by the Economic Survey becomes elusive. (In any event, required growth will be higher than 8%.) The long list of desirable reforms typically involves state governments, legislature and judiciary, and there is a political economy attached to pushing these. Therefore, options for the Union government — Union government being properly defined —are limited.

But there are options, though these too will have time lags of at least a year before they manifest as higher growth. Here are four to make the transition to 8%, and all four are Union government prerogatives.

Remove CSR

1. **Direct taxes**: The task force on direct taxes has now received an extension till August 16. Thus one doesn't know the recommendations. Essentially, exemption reduction is a red herring. For both personal income tax and corporate tax, they must be eliminated. Anything short of that is incremental tweaking, such as special treatment for this slab or that.

If all exemptions are eliminated, compliance costs decline, & tax rates can drop significantly for both corporate tax and personal income tax. Without taking a revenue hit, surcharges and corporate social responsibility (CSR) can both be removed.

The world isn't neatly divided into salaried taxpayers who pay personal income taxes and corporate business. Unincorporated enterprise is covered by personal incometax provisions. If all exemptions are removed, median tax rates for both will probably be around 20%.

2. GST: Though indirect tax rates are decided by the Goods and Services Tax (GST) Council, the Union government has a voice. Now that GST has been in the works for some time, we need three rates — something like 6%, 12% and 18%. As with direct taxes, exemptions and special treatment are antithetical to streamlining and simplification, and do not facilitate procedural easing.

3. Public expenditure: The 15th Finance Commission will submit its recommendations towards the end of the year, and they will come into effect from April 1, 2020. The present package of central sector and centrally sponsored schemes also ends on March 31, 2020.

Ostensibly, the number of such schemes has been reduced to 28. But these 28 are umbrella schemes, and the large number of existing schemes were simply gathered under one or the other of these parasols, without really reducing the number. Because of fiscal consolidation commitments, there are limits to increasing public expenditure. However, existing levels of public expenditure can be made more efficient by pruning the number of centrally sponsored schemes to not more than 10-15.

4. Privatisation of 'central' public sector enterprises (PSEs): This should start with an inventory of land, both because valuation of land is contentious and because such PSE land often belongs to state governments, with leases for a specific purpose.

Source: economictimes.com- Aug 12, 2019

HOME

****

IIP growth slips to 4-month low of 2% in June

Contraction in manufacturing, capital goods and mining hit factory output

Factory output growth slipped to 4-month low of 2 per cent in June, lower than the 7 per cent growth recorded in same month last fiscal.

For the April-June 2019 period, the Index of Industrial Production (IIP) grew 3.6 per cent as against 5.1 per cent in the same period last year, official data released on Friday showed. The IIP performance in June was weighed down by poor show in manufacturing and mining.

The previous low in IIP growth was seen in February when it had inched up 0.2 per cent.

Thereafter, IIP grew at 2.7 per cent in March, 4.3 per cent in April and 4.6 per cent in May this year.

Manufacturing sector grew 1.2 per cent in June, much lower than 6.9 percent a year ago. Mining sector growth fell to 1.6 percent in June from 6.5 per cent in same month last year.

Capital goods saw a contraction of 6.5 per cent in June as compared to 9.7 per cent growth in June last year.

The expansion in power generation sector stood at 8.2 per cent as against 8.5 per cent in June last year.

Madan Sabnavis, Chief Economist, CARE Ratings, said that IIP growth at 2 per cent "comes as a kind of surprise as our forecast was 0.7 per cent. Yet it fails to inspire any cheer as it is also a continuation of declining growth rate in the last three months.

"Quite clearly there is concern in most sectors of industry with both consumer durable and capital goods slipping into negative territory".

Aditi Nayar, Vice-President and Principal Economist, ICRA, said "although the sequential dip in industrial growth is partly on account of the base effect, the anaemic June IIP print as well as the YoY contraction in 15 of the 23 sub-sectors of manufacturing, reinforce the evidence of a slowdown emerging from various sectors".

Source: thehindubusinessline.com- Aug 09, 2019

HOME

****