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IBTEX No. 179 of 2019 September 13, 2019

US 71.38| EUR 78.62 | GBP 88.01| JPY 0.66

Cotton Market (Sep 12, 2019)

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

Rs./Bale	Rs./Candy	USD Cent/lb
19904	41600	**74.27**

Domestic Futures Price (Ex. Warehouse Rajkot), October

Rs./Bale	Rs./Candy	USD Cent/lb
19520	40797	**72.83**

International Futures Price

NY ICE USD Cents/lb (December 2019)	59.37
ZCE Cotton: Yuan/MT (January 2020)	12,970
ZCE Cotton: USD Cents/lb	82.67
Cotlook A Index – Physical	**70.90**

Cotton Guide: There is some hint of indirect optimism coming in front the US China trade war front. Both sides have agreed to delay the imminent tariff hike on each other. The reason why we used the word indirect is that China has announced tariff exemptions on 16 types of US goods, but the tariffs on the US agricultural goods still remain unaltered. As a result the prices of cotton are seen to be trading higher this morning almost approaching 60 cents per pound for the ICE December contract.

On the other hand, yesterday, the sentiments of the market participants remained fragile and weak. It's as if minute trading is happening on the ICE Exchange. The total volumes were seen to show up with miniscule numbers at 15,825 contracts.

The MCX contracts emanated to be slightly positive. The MCX October contract settled at 19,520 Rs per bale with a change of +40 Rs. The MCX November contract settled almost neutral at 19,250 Rs per bale with a change of -10 Rs. The volumes at MCX were again low at 795 lots.

Fundamentally speaking for today we can expect prices to be very jittery especially post 6 pm IST after the release of the US Export Sales Data. WASDE Monthly report scheduled to be released at 9:30 pm IST will cause further volatility. If the production figures are seen to be very high then the falling prices will find it very difficult to regain higher grounds.

According to some external sources, Cotton Corporation of India is expected to have geared up for the procurement of around 100 lakh Bales. This amount stands at almost 1/3rd of the total Indian produce. This means that the prices are expected to be lower than MSP during the coming season. Government purchases will support the psychological sentiments of the people.

It is also quite interesting to see how international prices have affected the Indian Cotton prices. Despite lower Domestic production noted at 310 lakh bales for the year 2018-2019, the prices instead of skyrocketing high, followed the footsteps of the international prices. This implies that fundamental and technical aspects are being over-powered by the exogenous Geopolitical factors.

On the technical front, ICE Cotton Dec future has closed above the higher end of the downward sloping channel. In the daily chart, price is trading above the DEMA (5 and 9) at (59.31, 59.11). Momentum indicator RSI is above 50 levels which supports further bullish momentum in price, along with positive divergence with reference to price. Thus, price would have the immediate resistance zone at 60.50-60.70 (also 50% Fibonacci retracement level) and the immediate support would be the higher end of the channel, followed by 23.6% Fibonacci retracement level at 59-58.50. So for the day price is expected to move in the range of 58.50-60.50 with sideways to positive bias. Only close above 60.64 would strength the bullish momentum. In the domestic market MCX Oct future is expected to trade in the range of 19300-19580 with a sideways to positive 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

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INTERNATIONAL NEWS

Cotton Highlights from September WASDE Report

The September 2019 World Agricultural Supply and Demand Estimates (WASDE) report has been released by USDA. Here's this month's summary for cotton:

The 2019/20 U.S. cotton estimates include lower beginning stocks, production, exports, and consumption, while ending stocks are unchanged. Beginning stocks are reduced 400,000 bales this month, reflecting 2018/19 reported ending stocks data from the Farm Service Agency and the NASS Cotton System Consumption and Stocks report.

Production is lowered 654,000 bales to 21.9 million, largely due to a decline for the Southwest, while consumption is lowered 100,000 bales reflecting recent activity. Exports are projected 700,000 bales lower due to reduced U.S. production and a lower projected U.S. share of world trade. The 2019/20 season-average price for upland cotton is forecast at 58 cents per pound, down 2 cents from last month.

In both the 2017/18 and 2018/19 U.S. cotton balance sheets, the estimate for unaccounted cotton is revised downwards and exports are revised upwards. The unaccounted element of the U.S. cotton balance sheet has been growing in recent years, indicating an imbalance in the sum of the other components. The estimates for production, consumption, and stocks have maintained their consistency over this time, but a growing difference has occurred between the sources available for estimating U.S. exports.

For 2017/18, exports are raised 432,000 bales, and unaccounted is reduced 332,000 bales. For 2018/19, exports are raised 546,000 bales, and unaccounted is 546,000 bales lower than the result based on the methodology used in past years. In each marketing year, revised exports are estimated as the average of the export levels reported by the Bureau of the Census and USDA's Export Sales Reporting System.

See the Foreign Agricultural Service's Cotton: World Markets and Trade for more details on the export change and the Economic Research Service's Cotton and Wool Outlook for a detailed explanation of the stocks calculation.

The 2019/20 world estimates this month show higher beginning stocks, but lower production, consumption, and world trade. Production is forecast 709,000 bales lower as reductions for the United States and Australia offset an increase for India.

Consumption is forecast 1.3 million bales lower than in August, with lower estimates for China, India, Brazil, Thailand, Vietnam and the United States offsetting an increase for Turkey. World trade is lower, as lower imports are forecast for China, Vietnam and Thailand. World ending stocks for 2019/20 are forecast 1.3 million bales higher this month at 83.7 million bales, 2.9 million bales above the revised 2018/19 estimate.

Source: cottongrower.com- Sept 12, 2019

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China dominates world cotton fabric market with production and exports

A new report 'Asia – Woven Fabrics Of Cotton – Market Analysis, Forecast, Size, Trends and Insights', reveals revenues of the cotton fabric market in Asia increased by a meager 2 per cent to reach $43.9 billion in 2018. Though the overall consumption of cotton fabric in China witnessed a steady decline during 2010 -2019, the country remains the largest cotton fabric consumer in Asia, accounting for 32 per cent of total consumption. China's consumption exceeds almost twice that of the region's second-largest consumer, Bangladesh which consumed 869 million sq. mt. of fabric; Turkey emerged third globally with consumption of 819 million sq. mt.

In terms of growth in value, China topped the list by selling cotton fabrics worth $13 billion in 2018. On the otherChina dominates world cotton fabric market with production hand, India sold fabrics worth $9.7 billion while Bangladesh sold cotton fabrics worth $4.9 billion.

These two countries held a combined 63 per cent share of the total market. The countries with the highest levels of cotton fabric per capita consumption in 2018 included: Turkey (9,988 sq. mt. per 1,000 persons), Bangladesh (5,219 sq. mt. per 1000 persons) and Vietnam (2,483 sq. mt. per 1000 persons).

China remains top cotton producer

Over the period under review, cotton fabric production continues to indicate a mild decrease. The most prominent rate of growth was recorded in 2015 with an increase of 5.9 per cent year-to-year. Cotton fabric production attained its peak level at $59.6 billion in 2008; however, from 2009 to 2018, production failed to regain momentum. In 2018, production of woven cotton fabrics in Asia was 6.2 billion sq. mt, declining -4.2 per cent against the previous year. In value terms, cotton fabric production stood at $46.9 billion in 2018 estimated in export prices.

China remained the largest cotton fabric producing country in Asia, accounting for 50 per cent of total production. It was followed by Turkey with a production of 833 million sq. mt. The third position in this ranking was occupied by India which produced 792 million sq. mt.of cotton fabric.

Exports remain flat

Exports of cotton fabrics indicated a relatively flat trend pattern from 2010-2018. The total exports of woven fabrics of cotton in 2018 totaled 2.2 billion sq. mt, leveling off at the previous year. China was the major exporter with 56 per cent of the total exports. It was distantly followed by Pakistan with exports of 422 million sq. mt, India with exports of 118 million sq. mt. and Turkey with exports 109 million sq. mt. Together, these three countries generated a 29 per cent share of total exports.

Import of cotton woven fabrics in Asia increased 4.9 per cent in 2018 with the region importing approximately 2.1 billion sq. mt. of fabrics against the previous year. The total volume of imports increased at an average annual rate of +2.1 per cent over the period from 2007 to 2018 with the pace of growth being most pronounced in 2017 when imports increased by 42 per cent year-to-year.

Bangladesh was the topmost importer of cotton woven fabrics in Asia, with volume of imports reaching 873 million sq. mt, nearly 42 per cent of the total imports in 2018. Vietnam followed with 12 per cent share of total imports, China, Hong Kong SAR, Indonesia, Cambodia and Turkey made up the list.

Source: fashionatingworld.com- Sept 12, 2019

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1.6% annual rise in US men's clothing demand till 2023

US retail demand for men's clothing is projected to rise by 1.6 per cent annually in nominal terms till 2023, according to 'Men's Clothing: United States', a report released recently by Freedonia Focus Reports. Continued population growth will underlie gains, as will rising consumer income, driving spending on luxury, environment-friendly and name-brand items.

Gains will also be driven by growing interest from men in maintaining a fashionable appearance and an ongoing athleisure trend boosting demand for activewear featuring higher priced performance materials.

Growing costs from increasing use of such materials and the imposition of tariffs for clothing imported from China will force apparel manufacturers to lower margins and/or raise prices, according to a company press release.

However, the mature market for clothing and intensifying competition from a variety of retail channels will limit volume growth and price increases. In addition, more men are purchasing apparel (especially athletic apparel) wearable for a variety of activities in diverse social contexts, such as fitness centres, workplaces and restaurants, reducing the number of garments needed in a wardrobe.

Source: fibre2fashion.com- Sept 13, 2019

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Cambodia, EAEU to negotiate FTA

Cambodian officials will next month embark on a visit to Russia to discuss a free trade agreement with the Eurasian Economic Union, a bloc of countries in central and northern Asia and Eastern Europe with a combined GDP of $5 trillion.

According to the Ministry of Commerce, a Cambodian delegation is scheduled to visit Russia in October to discuss trade and investment cooperation. The FTA with EAEU will be an important point in the agenda, the ministry said.

The announcement was made on Wednesday, shortly after the conclusion of the Asean Economic Ministers and Related Meetings, held in Bangkok, Thailand.

At the summit, which ran from Sept 5-11, Asean ministers discussed a programme of cooperation between the Southeast Asia and the Central Asia-Eastern Europe blocs.

EAEU is an international organisation for regional economic cooperation composed of five member states: Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. Together, these countries are home to 183 million people and represent a combined GDP of about $5 trillion.

The Cambodian government believes the EAEU offers great opportunities in terms of trade expansion and is seeking greater cooperation with the bloc, including entering an FTA.

In March, the Ministry of Commerce hosted a workshop to spread information about Cambodia's preferential trade status in EAEU.

Due to the Kingdom's Least Development Country (LDC) classification, 46 Cambodian products can enter EAEU's market duty-free during the next three years.

In 2016, Cambodia and EAEU signed an MoU to enhance cooperation in trade. Among ASEAN countries, only Vietnam has reached an FTA with EAEU. Singapore will likely be next, with FTA negotiations having already concluded, according to RT, a Russian international television network.

The trade agreement between Singapore and EAEU is expected to be signed on Oct 1, RT said.

According to the Eurasian Economic Commission, trade between EAEU and Vietnam rose by 13 percent a year after the FTA entered into force, reaching $6.7 billion. EAEU exports to the Southeast Asian nation rose by 20 percent to $2.7 billion, while imports increased by 9 percent to $4 billion.

Source: khmertimeskh.com- Sept 12, 2019

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Trump says ECB action 'hurting US exports'

Following the ECB action the euro dropped below 1.10 and was trading near the lowest level against the dollar in more than two years.

The European Central Bank's move to cut interest rates and restart a larger stimulus program drew fast reaction from the White House on Thursday, with President Donald Trump saying the ECB was undercutting the value of its currency and "hurting US exports".

"European Central Bank, acting quickly, Cuts Rates 10 Basis Points. They are trying, and succeeding, in depreciating the Euro against the VERY strong Dollar, hurting US exports.... And the Fed sits, and sits, and sits. They get paid to borrow money, while we are paying interest!" Trump tweeted about half an hour after the ECB's policy announcement.

Though a rate cut of a quarter of a percentage point was widely expected before the ECB meeting, the extent of the move in Frankfurt makes the case more compelling, adding downward pressure on US inflation and feeding through to exchange rates that influence the price of US exports — the issue highlighted by Trump. Following the ECB action the euro dropped below 1.10 and was trading near the lowest level against the dollar in more than two years.

Source: economictimes.com- Sept 13, 2019

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U.S., China tariffs could lower global GDP by 0.8% in 2020: IMF

Rice said a global recession was not in the fund's baseline. The global lender will release new economic forecasts next month, he said, adding, "Let's not get ahead of ourselves. Let's wait and see."

Tariffs imposed by the United States and China could lower the level of global economic output by 0.8% in 2020 and trigger additional losses in future years, the International Monetary Fund said on Thursday.

IMF spokesman Gerry Rice said global trade tensions were beginning to weigh down dynamism in the global economy that is already facing difficult challenges, including a weakening of manufacturing activity not seen since the global financial crisis of 2007-2008.

Rice said a global recession was not in the fund's baseline. The global lender will release new economic forecasts next month, he said, adding, "Let's not get ahead of ourselves. Let's wait and see."

Source: economictimes.com- Sept 12, 2019

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Cambodia to host Southeast Asia textile and apparel expo

Cambodia will host the Textile and Apparel SEA Summit 2019 on October 28-29 in Phnom Penh. One of the biggest gatherings of stakeholders in the garment sector in Southeast Asia, the event will be organised by the SZ&W Group, a leading event organiser in Asia. The country hosted the 8th Cambodia International Textile & Garment Industry Exhibition last month.

Speakers at the October event will include representatives from the International Apparel Federation, US-ASEAN Business Council, Cambodia's Ministry of Commerce, Vietnam Textile and Apparel Associations, Garment Manufacturers Association of Cambodia, Myanmar Garment Manufacturers Association, China Textile Information Centre and the Textile Association of India, according to information on the official website of the event.

Major topics to be discussed are the influence of the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) on the region's textile and apparel industry, apparel procurement, trends in the region's labour markets, and the latest government policy on investment in the industry.

Source: fibre2fashion.com- Sept 12, 2019

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Indonesia: Influx of imported products hurts local textile industry

The influx of imported textile products has not only caused a widening of the trade deficit but also the closure of local textile factories.

According to the Indonesian Textile Association (API), as many as nine textile factories have been closed and at least 2,000 workers have been dismissed because garment producers prefer to buy imported fabrics.

API's chairman Ade Sudrajat Usman said that the influx of the imported textile products mostly affected the medium processing industry involved in spinning mills, weaving and knitted fabric production as they have to pay a 5 percent import duty on their raw materials such as thread and filament, while imported fabrics can enter Indonesia without any import duty. As the result, imported fabrics are far cheaper than domestically produced ones.

"This is a red alert for the textile industry," he said at a press conference in in Jakarta on Monday.

Indonesian Association of Synthetic Fiber Producers (APSyFI) secretary-general Redma Gita Wirawasta said that fabric imports increased threefold from 300,000 tons in 2008 to 900,000 tons in 2018, while garment exports stagnated at about 550 million tons over the same period.

The local textile producers said that they were unable to compete because the foreign textile producers carried out dumping practices in the Indonesian market.

In order to protect the local textile industry, API and APSyFI plan to apply to the Indonesian Trade Safeguard Committee (KPPI) for a safeguard policy because the imports have severely injured the local industries.

Ade said the safeguard in the form of an extra import duty would be temporarily established for 200 days while an investigation is underway. Once approved, the safeguard policy would be implemented for three years.

"We believe that the surge of imports has caused injury, so we are going to submit our findings about the dumping practices," Redma said. He said he hoped the government would impose safeguard import duties from the upstream to the downstream industries, such as 2.5 percent on fiber, 5 percent to 6 percent on yarn, 7 percent on fabric and between 15 and 18 percent on garments.

Redma said that the safeguard import duties were needed to protect the local upstream and downstream textile industries from cheap imported products.

In addition, the local textile industries also want the government to stop issuing permits to import textile-related products except those for export-oriented industries located in industrial bonded zones. Another demand is for the revision of the Trade Ministerial Regulation No. 64/2017, which allows general importers to import fabrics, yarns and fibers.

The Indonesian textile products are not as competitive as those from other countries because of the long lead time, the total amount of time required for completing a product beginning from the date of receiving the order to the shipment of the goods to customers.

The CEO of Busana Apparel Group, Marimutu Maniwanen, said that the lead time of the Indonesian textile industry can be 120 days, while in other countries such as Vietnam and Bangladesh it is only about 60 days.
The lead time is too long because the majority of raw materials for the textile industry in Indonesia are still imported. "If we import raw materials, it is difficult to reduce the lead time. At most, it can be reduced to 90 days. To reach 60 days, we must procure all raw materials from within the country," he said.

He said that labor regulations, the price of energy and high interest rates also contributed to the undesirable investing climate in the country.

Redma said in July that last year that the factory used of fabrics was at 61.5 percent of installed capacity, fiber at 67.7 percent, yarn at 76.5 percent and garments at 86.9 percent. The factory use is low because of the lack of orders.
Source: thejakartapost.com- Sept 13, 2019

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Pakistan: Brisk buying on cotton market

Renewed buying interest pushed cotton prices higher on Thursday as spinners rushed back to replenish their stocks.

The rise in phutti (seed-cotton) arrivals from Punjab helped improve availability of quality lint whereas cotton from Sindh was still having higher moisture content.

The world leading markets gave mixed trend with New York cotton making fresh gains for all the future contracts except maturing October contract. The Chinese market also recorded modest gain.

The following are Thursday's Karachi Cotton Association (KCA) official spot rates for the crop (2019-20) local dealings in Pak rupees for base grade 3 staple length 1-1/16" micronair value between 3.8 to 4.9 NCL.

Rate for	Ex-Gin Price	Upcountry Expenses	Spot rate Ex-Karachi
37.324kg	8,100	160	8,260
Equivalent 40kg	8,681	171	8,852

The Karachi Cotton Association (KCA) left its spot rates steady at overnight level of Rs8,100 per maund.

The following deals were reported to have changed hands on the ready counter: 1,000 bales, Shahdadpur, at Rs7,750 to Rs7,780; 1,200 bales, Tandoadam, at Rs7,750 to Rs7,800; 1,400 bales, Sanghar, at Rs7,700 to Rs7,750; 600 bales, Hyderabad, at Rs7,750; 400 bales, Kotri, at Rs7,750; 400 bales, Hala, at Rs7,750; 200 bales, Shahpur Chakar, at Rs7,800; 1,000 bales, Tonsa, at Rs8,350 to Rs8,450; 1,200 bales, Bahawalnagar, at Rs8,450; 600 bales, Dera Ghazi Khan, at Rs8,350 to Rs8,450; 400 bales, Rajanpur, at Rs8,450; 1,200 bales, Burewala, at Rs8,350 to Rs8,400; 1,400 bales, Vehari, at Rs8,300 to Rs8,350; and 200 bales, Alipur, at Rs8,350.

Source: dawn.com - Sept 13, 2019

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Pakistan: PBIF seeks incentives, support price for cotton growers

President Pakistan Businessmen and Intellectuals Forum (PBIF), Mian Zahid Hussain has suggested that government should consider incentives and support price for the cotton growers which may attract farmers resulting in enhanced production.

Expressing concern over low cotton production which will become a threat to the textile industry, he said that reduced cotton production will result in imports which will increase the cost of doing business; therefore, steps should be taken in the right direction.

Farmers are losing interest in cotton crop due to increasing problems which is resulting in a reduction in area under cultivation and production which can become a problem to largest urban employment and largest export sector of textile, he said.

He noted that area under cultivation dropped by 12.1 percent in 2018-19 while production fell by 17.5 percent. Last year's cotton production remained at 9.9 million bales which were 11.94 million bales in 2017.18 and 13.96 million bales in 2014-15, he said.

Source: fp.brecorder.com- Sept 13, 2019

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NATIONAL NEWS

Manufacturing: Weaving a new path for India's textile industry

India and its textiles industry have a long and storied history. However, in the recent past, the country has fallen behind some of its peers, especially when it comes to catering to the global export markets. Held back by lower competitiveness (owing to higher production costs) and higher import duties in the destination markets (compared to its peers), Indian garment exports have been steadily losing ground to countries such as Bangladesh and Vietnam. Consider the following: In the year 2000, both Bangladesh and Vietnam had a smaller share of the global garment export market, at about 1% and 2%, respectively. India's share stood at about 3%, whilst China had already garnered a share of 18% by that time.

Fast forward to 2017, and we find that India's share has increased marginally to 4% in about two decades. On the other hand, the share of Bangladesh and Vietnam has surged to 6.5% and 5.9%, respectively. China's share in 2017 stood at 34.9%, down from 36.7% in 2010.

In addition, with the ongoing trade tensions of China with the US, and the rising costs of labour, the manufacturing activity is poised to exit China, in the process vacating more space for countries such as India, Bangladesh and Vietnam. However, the evidence presented above seems to point towards Bangladesh and Vietnam capturing the lion's share, as suitable changes in India's policy framework in the textiles sector have not been made.

Increasing India's share in the global textiles market

First, we must examine what is holding India back from competing in the international markets. Globally, the demand is moving towards man-made fibres, rather than cotton. In India, cotton still dominates, indicating that the country is not moving in conformity with the global demand, and this is hampering the country's export potential. Whilst India is the largest producer and exporter of cotton yarn and the second largest producer of man-made fibres, the current inverted duty structure on man-made fibres is hampering its adoption.

In addition, technology adoption is another constraint. For example, according to the data made available to the NITI Aayog, India currently has 23.7 lakh shuttle looms, as compared to 6.5 lakh in China. However, in China, there are 6.3 lakh shuttle-less looms, compared to 1.4 lakh in India (shuttle-less looms are up to six times more productive than shuttle looms). This indicates the huge productivity gap India must bridge to become competitive in the global markets.

The final constraint is that of scale. According to some estimates, approximately 95% of the fabric produced in India is produced in small-scale industries. And combined with power cross-subsidisation and high real rates of interest, an inherent cost disadvantage has developed in the Indian garment products, making them more expensive.

So, what does India need to do?

Interventions in the weaving/knitting and processing stage of the value chain have the potential to offset India's cost disadvantage in the international markets. Concomitantly, the man-made fibre industry can be made more competitive through removing the inverted duty structure (where inputs are taxed at a higher rate than the final product). This will free up substantial working capital and reduce the cost of raw materials.

Similarly, with the World Trade Organisation (WTO) norms on the horison, the Merchandise Export from India Scheme (MEIS) may need to be revamped so as to be WTO-compliant. In addition, a time-bound plan for a transition from shuttle looms to shuttle-less looms must be urgently drawn up to boost productivity in the country.

Enabling size and scale is perhaps the most important intervention that can be made. Both Vietnam and Bangladesh offer common facilities such as effluent treatment plants, water treatment plants, steady water supply, and low-cost power in their textile industrial parks. This is certainly not a novel idea in India, as the Brandix India Apparel City (BIAC) in Visakhapatnam, Andhra Pradesh, is doing exactly this. In the BIAC, an integrated ecosystem with plug-and-play facilities is provided to the manufacturers, who are also able to avail fiscal incentives under the Special Economic Zone (SEZ) Policy and incentives offered by the state government. This model should be studied for replication in states that have well-developed transport infrastructure, availability of water, and low-cost labour.

Recently, a committee chaired by Baba Kalyani on revitalising SEZs submitted its report to the government. Central to the findings of this report is that SEZs need to be reoriented into Employment and Economic Enclaves (3Es).

Investments should be directed towards activities that boost economic activity and job creation, and not just exports. This would tie-in well with the impending WTO norms as well. The integrated textile parks should be regulated in line with the recommendations of this committee to help ensure that size and scale is achieved.

According to the ministry of textiles, nearly 45 million workers are employed directly in this sector. Considering the labour-intensive nature of this industry, accelerated growth is likely to lead to accelerated employment generation as well. An econometric exercise revealed that the employment elasticity of this sector is 0.37. This means that a 1% increase in value-added growth leads to a 0.37% increase in jobs.

Therefore, if we assume that as a result of all these interventions, the textiles sector is able to grow at 10% per annum, we should see job growth of 3.7% per annum. This is not unachievable by any means. For example, between 2000-01 and 2004-05, employment grew at an average rate of 5.7% as per the RBI KLEMS database. A 3.7% employment growth rate (10% value-added growth) would imply the creation of 8.9 million jobs over the next five years, at an average of 1.8 million jobs per year.

Concerted policy efforts are needed to realise the job-creation potential of the textiles sector. Healthy job creation in this sector also provides an avenue for pulling labour out of the agricultural sector, thereby raising the incomes of both who remain in agriculture and those who exit.

The central government should work with state governments with identified comparative advantage to develop plug-and-play facilities. These facilities should provide common resources, ease of doing business in its true sense, along with a well-developed link infrastructure. Only then will India be able to reap the benefits of this industry.

Source: financialexpress.com - Sept 13, 2019

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Apparel exporters need better policy support

Burdened with higher tariffs than their competitors, the exporters need more incentives and protection to stay afloat

India's foreign trade policy pundits need to renegotiate tariffs on apparel exports with the EU and the US to tackle the emergent economic slowdown in the country. The apparel industry is the country's largest low technology employer after agriculture, with 45 million workers, contributing two per cent of GDP and 15 per cent of export earnings.

Today, Indian apparel exports are burdened with 9-32 per cent duty in the EU and US markets which blunts its competitive edge. Now that Vietnam has signed (on June 30) a Free Trade Agreement with the EU, which enables apparel exports at zero duty, Indian exports to these markets will be impacted adversely.

Considering the economic importance of the apparel sector, the government needs to support them through economic diplomacy and not abandon them to unfavourable policies of foreign governments.

India's two major competitors, Vietnam and Bangladesh, export apparels to the tune of $27 billion and $33 billion, respectively. India's exports are at $17 billion. Vietnam has taken advantage of its bilateral trade agreements, while Bangladesh has benefited from its Least Developed Country status. They have not only tapped opportunities with the declining market share of China, but have also eaten into India's market share.

Over the years, Indian apparel exports have been in distress and survived largely due to export incentives. While these incentives have proved partially useful, they have not helped Indian apparel manufacturers compete on price with their competitors. To that extent, the flawed foreign trade policy does not augur well for apparel exports.

Policy flip-flop

The situation is further complicated by the flip-flop on incentive schemes. For example, the government decided to introduce the Rebate of Central Taxes and Levies (RoSCTL) in March 2019.

While the apparel industry welcomed the announcement, its optimism has been dampened following news from North Block that an earlier scheme called Merchandise Export Incentive Scheme (MEIS) meant to offset infrastructural inefficiencies will be retrospectively withdrawn.

This incentive is calculated as a percentage of export (freight on board) value and given in the form of tradable scrips which can be used as currency to pay Customs duty or sold to other importers.

The reality is that several of these are actually not incentives. The RoSCTL reimburses the sector for the embedded State and Central taxes that cannot be claimed as input tax credits under GST. These should perhaps be called “equalisation schemes”, where the sector is left no better, or worse, than before GST.

Therefore, to introduce an equalisation scheme, and then withdraw the MEIS incentive which was meant to help level the play field with competitors, is retrograde. The rationale of the government is that the MEIS scheme is not WTO compliant.

Be that as it may, the withdrawal means more hardship for the industry.

Some industry experts point out that it is far better for Indian apparel makers to expand or perhaps shift their existing manufacturing to Vietnam and Bangladesh to benefit from tariff arbitrage, labour laws, low wages, conducive business environment and, hence, better return on capital employed.

While China was able to cope with loss of apparel industry jobs, due to its manufacturing prowess in other areas, it is not the same for India. The employment ratios in apparels are far more attractive than in agriculture or automobiles, which are often considered flagship economic indicators.

For instance, the man-machine ratio in apparels is far better than the farmers to cultivable land ratio, which has fallen significantly over the years. In the automobile sector too, for every crore revenue earned Maruti Suzuki generates 0.45 jobs, while for an apparel manufacturer like Orient Craft, a crore earned in revenue creates 18.5 jobs. This stark comparison sums up the employment generation capability of the sector. With low tech job-seekers rising, and manufacturing in general not providing enough opportunities, the apparel sector is somewhat of a White Knight. Recent trends in manufacturing capex clearly indicate a bias towards mechanisation rather than mass employment generation. Apparel manufacturing capex on the other hand is mainly towards adding sewing machines which generate proportionate employment. Clearly, the policy environment for the apparel industry is not conducive in a competitive international political economy. The government, therefore, not only needs to protect but also provide the necessary support to the apparel sector which would positively impact the economy.

Urgent steps are needed to re-focus on low tech mass-employment generation like what the apparel sector has to offer. The sector needs more support not less, to keep getting more and more orders despite the competition from other countries which have a tariff advantage. Such policy support will fuel the bottom of the pyramid economic activity. There is no better stimulus package than regular monthly wages in the hands of the poor.

Source: thehindubusinessline.com - Sept 13, 2019

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India requests South Korea, Japan to review their FTAs with New Delhi

New Delhi has requested South Korea and Japan to review their respective Free Trade Agreements (FTAs) with India. Talking to media persons in New Delhi, Commerce Minister Piyush Goyal said, the FTAs should be reviewed as the present import-export position has changed since the time India entered into these agreements. The development comes just after India and the Association of Southeast Asian Nations decided to review their FTA.

On the proposed Regional Comprehensive Economic Partnership (RCEP), Mr Goyal said that negotiations for the deal are going on and that the government will make sure that India's national interests are protected.

He stressed upon the fact that the government has taken a balanced approach in negotiating the RCEP. The Minister said, representatives of all the 15 RCEP negotiating countries have been invited to India from September 14-15 to discuss various ideas and measures regarding the mega trade pact.

Earlier in the day, Mr Goyal held a meeting with representatives of domestic industries, manufacturers and sector specific associations in New Delhi to discuss regulatory instruments for the formulation and implementation of effective trade policy and development strategy.

Source: newsonair.com - Sept 12, 2019

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Scheme for easier export credit to be announced soon: Piyush Goyal

Scheme to ease the availability of export credit, especially for small businesses'

A scheme to augment the availability of export credit — at affordable terms and in sufficient volume — will soon be unveiled, said Commerce and Industry Minister Piyush Goyal. This scheme will include forex credit.

The scheme, which aims to ease availability of export credit especially for small businesses, will likely lead to rates dropping to the sub-4 per cent category, said Goyal.

He also warned against getting bogged down in numbers that may demotivate exporters. He said there is needless speculation on the government's target of growing the economy to the $5-trillion level.

"Do not get into calculations that you see on television... Oh if you are looking at the $5-trillion economy, the country will have to grow at 12 per cent. Today, it is growing at 6-7 per cent, do not get into that maths," he said.

Goyal was speaking at the meeting of the Board of Trade, which advises the Centre on policy measures connected to the Foreign Trade Policy and finds ways to boost exports.

It includes officials of various states, industry representatives, and export promotion councils. Easy accessibility of export credit for small exporters has been a key concern for small businesses. The government has, hence, zeroed in on specific measures for the same, to boost outbound trade.

Credit woes

Export credit disbursal by public sector banks fell 45 per cent in FY19 to Rs 156 billion, down from Rs 283 billion a year before, shows the Reserve Bank of India (RBI) data.

In June, Goyal had stated that exporters should be able to take more export credit in foreign currency. Subsequently, the ministry now aims to raise the share of foreign currency in total export credit much beyond the present level of 50 per cent, said a senior official.

Therefore, it has asked the RBI to consider whether its foreign exchange reserves could be used for providing a line of credit for swap to good banks for this purpose, he added. This will result in cheaper foreign currency loans.

The ministry has also discussed in detail the possibility of easing norms for banks, when it comes to lending export credit. The cap on export credit for banks — at 2 per cent of the total loans disbursed — may also be relaxed to boost export credit flows, the official added.

Merchandise exports recovered slightly to post growth of 2.2 per cent in July, compared to a huge contraction of 9.7 per cent in June. This was despite outbound shipment of high foreign exchange earners, such as refinery products, engineering goods, and gems and jewellery falling.

Issues galore

The minister called for speedy redressal of key issues related to imports. These include unfair competition through dumping and subsidies, as well as import of sub-standard products due to lack of set standards, while enabling smooth import of key inputs and raw material.

The Export Promotion Council has raised issues such as GST refunds, declining export credit, requirement of collateral, and inverted duty structure.

Further, participating states on Thursday raised the matter of special packages for automobile, textiles, diamonds, and fisheries, given that these sectors are facing problems resulting in lay-offs, the commerce department said.

Extension of the sunset clause with respect of SEZs, technology park for ancillary industries in the defence sector, and promotion of border trade from Northeastern states were also discussed.

Source: business-standard.com – Sept 13, 2019

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Export of 19-20% needed to achieve $5 trillion economy: Piyush Goyal

In order to reach the 5-trillion-dollar economy mark as envisaged by Prime Minister Narendra Modi, India must try to bring back the 19-20 per cent export growth.

Union Commerce Minister Piyush Goyal on Thursday said in order to reach the 5-trillion-dollar economy mark as envisaged by Prime Minister Narendra Modi, India must try to bring back the 19-20 per cent export growth.

"On the export front, we are willing to take bold decisions and steps. The 5 trillion dollar economy cannot be completed unless we once again get back to the 19-20 per cent growth levels. So we are clearly looking at a trillion-dollar export in the next five years and its eminently doable. Unless you accept the larger goals, we are not going to reach anywhere close to that," said Piyush Goyal while addressing the Board of Trade meeting.

This translates into a trillion-dollar of exports over the next five years, a goal that would test the ability of the government to push exports in difficult global economic conditions.

"I would urge all of you to look at what is needed to achieve a trillion-dollar of exports to boost the entire economy and ensure that we have our fair share in global trade", he said.

India's goods exports in July posted a marginal growth of 2.25 per cent to $26.33 billion as out-bound shipments from major sectors such as petroleum, gems, and jewellery, engineering goods, and leather registered a decline.

Trade deficit during the month shrank significantly to $13.43 billion from $18.63 billion in July 2018 as imports contracted 10.43 per cent to $39.76 billion. The fall in imports was largely due to a sharp decline in the petroleum sector (22 per cent), gold (42 per cent) and pearls, precious and semi-precious stones (31 per cent).

The small growth in exports in July 2019 was followed by a 9.71 per cent decline in June 2019 to $25.01 billion. Overall, exports in April-July 2019-20 contracted 0.37 per cent to $107.41 billion, prompting exporters to ask for the government support.

Source: thestatesman.com – Sept 12, 2019

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India '19-20 cotton crop seen 36.8 mln bale, up 12-15%

India's cotton output for 2019-20 (Oct-Sep) marketing year is seen at 36.8 mln bales (1 bale = 170 kg), according to an average of estimates by 10 prominent players in the cotton value chain polled by Cogencis.

At 36.8 mln bales, next year's output would be around 12-15% higher than the market estimate of 32.0 mln bales for the current year. According to the government's fourth advance estimate, cotton production in 2018-19 was pegged at 28.7 mln bales.

The Cotton Advisory Board has pegged cotton output for 2018-19 at around 33.7 mln bales, while the Cotton Association of India has projected the crop at 31.2 mln bales.

Most of the participants polled said the output is projected to rise mainly due to three factors–higher area, higher rainfall, and consequently higher yields. Increase in the proportion of Bt cotton acreage would further help increase the yield, they said.

Cotton acreage in the country is at 12.6 mln ha so far, up nearly 7% on year, according to farm ministry data. Of the total area, around 11.8 mln ha or nearly 94% is under Bt cotton. The area under Bt cotton has increased by 1.5 mln ha from the previous year, thanks to the increased use of herbicide tolerant Bt cotton seeds, though declared illegal by the government.

"Timely and well distributed rains in most producing states have lead to good moisture level in the soil," said Biren Vakil, chief executive officer of Ahmedabad-based Paradigm Commodity Advisors.

There is a sizeable increase in acreage under cotton in north India and the yield potential is also expected to be higher due to conducive weather which will contribute to the country's total output, said Vakil.

Most poll participants are very optimistic this year as, so far, the condition of the crop is good, with no reports of infestation by pests. However, monsoon will play an important role.

Since Jun 1, the country received 805.3 mm rainfall against the normal of 783.4 mm for the period.

In central India, rainfall was above normal in most subdivisions. It was 32% above normal in Gujarat, 29% above normal in Maharashtra, and 26% above normal in Madhya Pradesh. While, in northern India rainfall was 39% below normal in Haryana, 6% below normal in Punjab and 32% above normal in Rajasthan.

Telangana, a major cotton grower in south India, has so far received 4% below normal rains.

RISK TO FORECAST

Though the condition of the crop looks good thus far, excess and continuous rains in the coming weeks may have a negative impact on crop nearing harvesting. This, in turn, may require downgrading the qualitative and quantitative estimates at a later stage, most market experts said.

"We have to watch the rain activity. The high humidity and low temperatures due to continuous rain could lead to a pest infestation. Also, farmers have not removed weeds due to constant rain in some regions," said Vijay Waghmare, director of Nagpur-based Central Institute for Cotton Research.

Currently, crop is being harvested in north India, and at vegetative stages elsewhere. However, now the crop needs dry conditions for five to seven days, said Jayesh Mahajan, a senior official at Maharashtra State Co-op Cotton Growers Marketing Federation Ltd.

If it continues to rain for another seven to eight days, production may fall to 34.0 mln bales and new crop arrivals might be delayed by 20-25 days, said Mahajan.

Summary of the Cogencis poll on India 2019-20 (Oct-Sep) cotton output:

- Range of expectations: 34.0-40.0 mln bales for 2019-20, against 31.5-34.0 mln bales for 2018-19
- Mode: 35.0 mln bales vs 32.0 mln bales
- Mean: 36.6 mln bales vs 32.2 mln bales
- Median: 36.8 mln bales vs 32.0 mln bales

Following are the output estimates for 2019-20, in mln bales by polled entities:

Poll participants	Cotton crop 2019-20	Cotton crop 2018-19
Kotak Securities	33.5-34.5	31.5
South Asia Biotechnology Centre	35.0	32.0
Cotton Guru	35.0	31.2
National Collateral Management	35.8	28.7
Central Institute for Cotton Research	36.0-37.0	33.7
Global agri business firm	37.0	34.0
USDA Foreign Agricultural Service	37.1	33.9
Paradigm Commodity	37.0-38.0	32.0
Maharashtra State Coop Cotton Growers Marketing Federation	37.5-38.0	31.0-31.5
Confederation Of Indian Textile Industry	40.0	34.0

Source: cogencis.com– Sept 12, 2019

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India must secure its interests in dealing with ASEAN and RCEP

India has a large market to offer, and it must drive a better bargain that it has done so far

Mired in a serious industrial downturn, India has done well to secure a review of its bilateral trade pact with the 10-member ASEAN, which came into force from January 2010. As the Economic Survey 2015-16 observes, the average effect of a free trade pact is to increase overall trade by 50 per cent in four years.

However, some of the beneficial effects of this rise in economic activity are negated if the trade imbalance too increases sharply. As a NITI Aayog report points out, India's trade deficit with ASEAN doubled from $5 billion in 2011 to $10 billion in 2017, whereas its overall trade rose over the same period from $50 billion to $70 billion.

In the case of ASEAN, India eliminated tariffs on about 75 per cent of 12,000 tariff lines, excluding 1,300 tariff lines and keeping 1,800 in sensitive track.

The NITI Aayog paper comes to the conclusion that as a result of this move, trade balance worsened in 13 out of 21 sectors, which include chemicals, plastics, minerals, leather, textiles, gems and jewellery, whereas it improved in sectors such as animal products, wood, paper, cement, vegetable fat and arms and ammunitions.

The report attributes this trade imbalance to procedural issues in ASEAN countries, lax implementation of rules of origin (as a result of which Chinese goods were freely routed through third countries) and India's exports being more responsive to income than price (or tariff) changes.

When India goes back to the table with ASEAN, it must be clear about what it needs to give and take. India has a large market to offer, and it must drive a better bargain that it has done so far in forums such as RCEP (ASEAN plus six, including China). It should push for services access, plug loopholes in rules of origin, and not give in to unreasonable demands to pare sensitive sectors.

As for RCEP talks, there has been growing unease over ever-rising imports from China. Out of a bilateral trade volume of about $95 billion, India's trade deficit with China is $58 billion and growing. Faced with downturn issues and overcapacity as a result of US tariffs, China is more keen than ever to step up its exports into India, even as sections of Indian industry have expressed dismay over the prospect.

The Centre needs to take stakeholders into confidence rather than shy away from RCEP talks one day, and later issue statements to the effect that the Chinese impact is being exaggerated. It is still possible to enter the RCEP grouping without compromising its domestic interests. It could try to convert a relationship of trade into one of investment by integrating into global value chains. Steps to draw FDI in employment-generating areas must be given priority. An exclusive focus on trade in these protectionist times might not yield much.

Source: thehindubusinessline.com– Sept 12, 2019

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Cotton starts arriving in mandis, Punjab farmers getting up to ₹6,100 per quintal

Cotton growers in Punjab are elated as they are getting up to ₹6,100 per quintal for their produce as the harvest started arriving in mandis across the state which is hopeful of a bumper crop this time.

More than 5,300 quintal crop arrived since Saturday at in markets of various cotton-growing districts in the Malwa region. Officials in the state agriculture department said initial buying trend is quite encouraging. The minimum support price (MSP) for cotton is fixed at as ₹5,450 per quintal this year.

Swaran Singh, district mandi officer, Fazilka, said till Wednesday evening, cotton prices fluctuated between ₹5,651 and ₹6,100 per quintal. The district has recorded the highest arrival of cotton at 4,091 quintals so far, he added.

Harpal Singh, a cotton grower from Bathinda, said they are expecting remunerative prices when the crop starts arriving in the market in bulk.

Om Setia, president of the cotton arhtiya association, Fazilka, one of the largest in Punjab, said the private buyers are paying a handsome price to the best quality cotton produce. “Various industries buy cotton. While the yarn industry needs lint, seeds are required by oil and animal feed manufacturers,” he added.

This year, a total of 3.93 lakh hectare land is under cotton cultivation in eight Malwa districts —Bathinda, Mansa, Muktsar, Fazilka, Barnala, Moga, Faridkot and Sangrur.

Officials said the Cotton Corporation of India, a central agency, may buy the produce if the private players offer less than the MSP in the coming weeks.

State director agriculture Sutantar Kumar Airi said full-scale harvesting will start after September 15.

“Punjab is expected to have a record cotton production after several years. It is a result of the coordinated efforts of the scientists and the government,” he added.

Chief agriculture officer (Bathinda) Gurditta Singh Brar cautioned that climatic conditions at the fag end of cotton harvesting will be crucial.

“So far, the environment in the state remained favourable in Bathinda, where more than 1.45 lakh hectares land in under cotton cultivation and the fact that no pest attack was reported on the crop. Much depends upon the climatic conditions when the cotton harvest is at its peak,” he added.

Source: hindustantimes.com– Sept 13, 2019

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Finance secy Rajiv Kumar to hold review meeting with public sector banks

RBI had earlier this month made it mandatory for banks to link all their fresh retail loans to an external benchmark, effective October 1

Finance Secretary Rajiv Kumar will hold a review meeting with public sector banks (PSBs) on September 19 to discuss issues including following up on transmission of monetary policy rates.

The government is set to ask PSBs to expeditiously introduce repo-rate linked products "to step up affordable credit", according to an agenda item of the meeting.

The Reserve Bank of India (RBI) had earlier this month made it mandatory for banks to link all their fresh retail loans to an external benchmark, effective October 1 — the central bank's repo rate being one such benchmark. Following the move, banks such as Punjab National Bank and Allahabad Bank announced linking their retail loans with the RBI's repo rate.

The finance ministry will discuss ways in which PSBs can offer doorstep banking facility. Some PSBs offer doorstep banking for citizens over 70 years of age and differently-abled customers. Additionally, the ministry will discuss ways in which banks can help customers in tracking online loan applications for retail, MSME (micro, small and medium enterprise), housing, and vehicle loans, among others. The finance ministry will ask the top management of banks to closely monitor "loans to MSMEs, small traders, SHG (self-help groups) and micro finance Institutions borrowers and collaboration of banks with non-banking financial companiesfor co-origination of loans."

The Centre will also review the announcement made by Finance Minister Nirmala Sitharaman last month to mandate release of security documents within 15 days of loan closure. It is intended to help customers, especially in the corporate sector, who face difficulties in applying for various clearances due to pending loan repayment.

The ministry will take a stock of pooled assets of NBFCs or housing finance companies purchased by PSBs, following a one-time credit guarantee of up to Rs 1 trillion announced in the Budget 2019-20.

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

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Analysts see room for rate cut as IIP, inflation numbers disappoint

Room for RBI to slash rates further: analysts

Amidst fears that the slowdown is deepening, factory production picked up in July. At the same time, the rate of retail inflation moved a tad up in August.

According to data released by the government's statistics wing, the rate of industrial production, as reflected by the Index of Industrial Production (IIP), came in at 4.3 per cent in July as against 1.1 per cent in June and 6.5 per cent in July last year. Similarly, the rate of retail inflation, represented by the Consumer Price Index (CPI), moved up a bit to 3.21 per cent in August as against 3.15 per cent in July and 3.65 per cent in August 2018.

Monetary policy

The reading of these two key economic indicators has prepared the ground for one more rate cut by the Monetary Policy Committee (MPC) when it convenes for its next bi-monthly meeting next month, experts say.

"With the CPI inflation recording only a mild increase in August 2019 despite the sharp uptick in food inflation, we continue to expect the MPC to reduce the repo rate by 15-25 bps in the October 2019 policy review, given the continuing concerns related to economic growth," Aditi Nayar, Principal Economist with ICRA, said.

Echoing similar sentiments, Devendra Kumar Pant, Chief Economist with India Ratings & Research, said that with first quarter GDP growth falling to 5 per cent and private final consumption expenditure growth declining to 3.1 per cent, the pressure will be on the RBI to take monetary measures to support growth.

Retail inflation

While the late surge in monsoon rains has narrowed the year-on-year gap in kharif sowing to a mild 0.6 per cent as on September 6, the flooding in certain areas has led to a continued rise in the prices of vegetables such as onions. This, in conjunction with an unfavourable base effect, is likely to contribute to a hardening of food inflation in the ongoing month. “At present, we expect the CPI inflation to inch up in the next print, while remaining well below the MPC’s target of 4 per cent,” Nayar said.

Though CPI inflation is below the RBI’s target of less than 4 per cent, the 13th consecutive month that it has remained so, it has gradually inched up from December 2018. The latest inflation mainly originated from meat and fish, vegetables, pulses and products, health, education, and personal care and effects. Core-core inflation (excluding food, energy, transport and communication), a proxy for demand conditions in the economy, has remained less than 5 per cent since April 2019.

Industrial production

July IIP growth, on the other hand, increased to a two-month high. Unlike June 2019, all three sectors — mining (4 .9 per cent), manufacturing (4.2 per cent) and electricity (4.8 per cent) — contributed to the IIP growth. However, use-based group growth performance was volatile, while capital goods contracted for the seventh consecutive month, and consumer durables, for the second consecutive month.

Source: thehindubusinessline.com– Sept 12, 2019

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Three-day textile fair begins in Tiruppur

The 16th edition of the Yarnex – India International Yarn Exhibition and the 9th edition of the TexIndia – Textile Sourcing Fair began here on Thursday.

The three-day textile fair, which is open only to traders, saw the participation of over 130 Indian and overseas companies displaying their products, according to a press release.

Both the exhibitions saw participants from Mumbai, Surat, Ludhiana, Amritsar and the western districts in Tamil Nadu.

Source: thehindu.com – Sept 13, 2019

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Youth should keep alive India's rich textile heritage: Ashmore

Ashmore, who specialises in the traditional craft of weaving, called upon students of textile science and fashion studies of a city institute, to keep alive the fabled craft of fine muslin, "which is gradually getting lost".

The youth should understand the legacy of India's rich heritage in textiles and make efforts to preserve it, renowned design-historian Sonia Ashmore has said.

Ashmore, who specialises in the traditional craft of weaving, called upon students of textile science and fashion studies of a city institute, to keep alive the fabled craft of fine muslin, "which is gradually getting lost". Reflecting on the craft of muslin making, the author of the seminal book 'Muslin' said on Wednesday, "one must appreciate the amount of human effort and skill required to manufacture a Jamdani saree.

It takes two men, 30 weeks, to complete weaving a saree." Ashmore wondered if an average Muslin worker has to work 10 hours a day for producing fabric materials, how can one expect the next generation to take up this profession at an early age.

Lamenting that Indians have stopped wearing traditional dress, the design-historian said, "Also, lack of high-quality yarn and the danger of losing traditional skills and the role of intermediaries are killing this traditional craft of muslin making."

The interactive session 'In Search of Woven Air: Following the Threads of Muslin' was jointly organised by the institute and a prominent art studio.

Source: hindustantimes.com – Sept 12, 2019

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