



IBTEX No. 95 of 2019

May 14, 2019

USD 70.47 | EUR 79.20 | GBP 91.27 | JPY 0.64

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm (14th May 2019)		
Rs./Bale	Rs./Candy	USD Cent/lb
21770	45500	82.63
Domestic Futures Price (Ex. Warehouse Rajkot), May		
Rs./Bale	Rs./Candy	USD Cent/lb
21640	45228	82.11
International Futures Price		
NY ICE USD Cents/lb (July 2019)		68.45
ZCE Cotton: Yuan/MT (September 2019)		15,170
ZCE Cotton: USD Cents/lb		100.83
Cotlook A Index – Physical		80.70
<p>Cotton Guide: And Down it goes!</p> <p>This morning when we look at the Daily charts, we can only see red candlesticks. ICE July futures are trading at 67.42 cents/lb this morning. The Daily Relative Strength Index - RSI (14) is already at 20 showing that oversold conditions are prevailing. The negative slide for the previous week that ICE July emanated was seen at a whopping 9% on two factors First, News of Large US Supply and Second, the Famous Trade Tensions which every person in agriculture business is aware about. The ICE July futures almost declined around 7 cents along with the ICE December Futures showing a decline around 5 cents/lb.</p>		

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The ICE July settled at 68.45 cents/lb with a change of -178 points and down -723 points for the week. That means it was ICE July's 10th lower settlement in 11 sessions showing net loss of 987 points, whereas the next important contract ICE December settled at 69.40 cents/lb with a change of -117 points. The other futures settled from -71 to 112 points lower. For the week the settlement figures ranged from -213 to -466 points lower. With the massive fall Cotton moves into an invert. ICE July is currently trading 1 cent below the December price. Two weeks ago the market was the other way round. The volumes seen on Friday were at 44,951 contracts which is a healthy figure. Major trading volumes have outweighed July. The overall daily average volume last week was around 50,000 contracts. The aggregate OPEN INTERESTS were around 220,000 contracts out of which ICE July and ICE December have the highest concentration while July is marginally higher than December OI.

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

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

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

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

The major report that was released last week was the USDA WASDE Report. For the first time new season 2019/20 report was released. The report claims US cotton production to rise to 22 million bales, making the stocks higher. While the Global production is estimated steady but cut in the ending stocks. The 2018-19 world ending

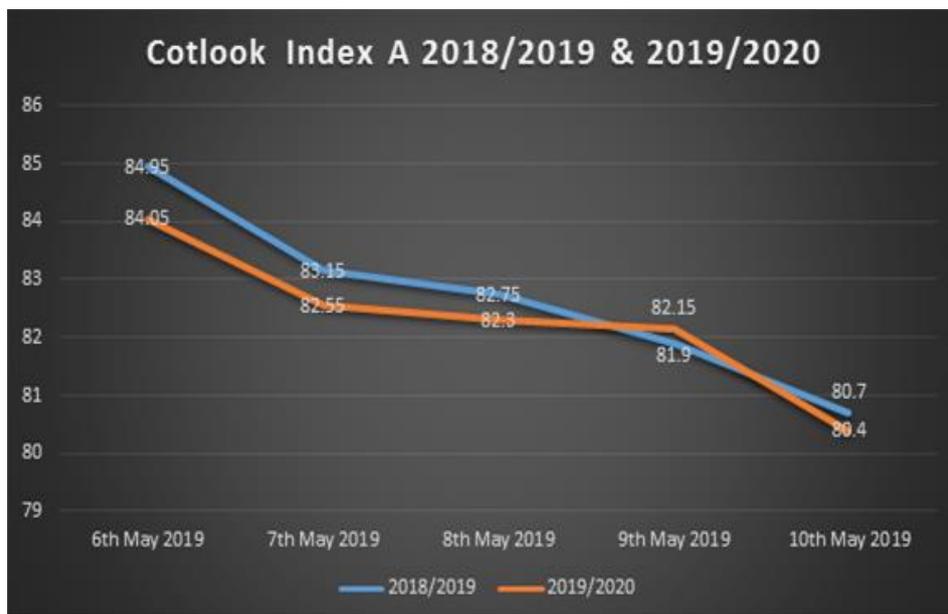
stocks declined by 25,000 bales. The report included a 250,000 bale drop in 2018-19 US exports from 15 million bales to 14.75 million bales.

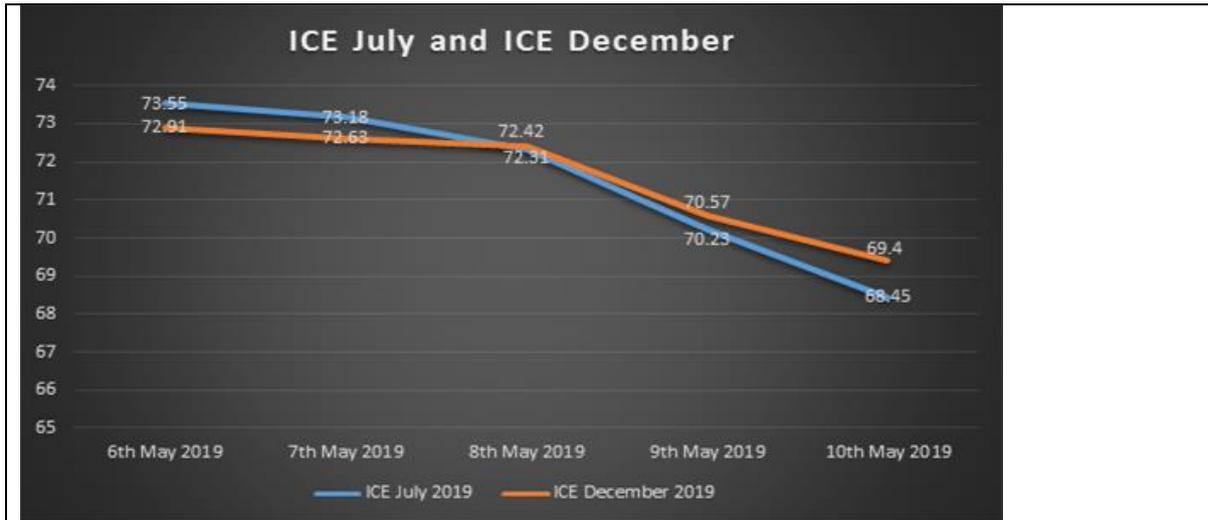
The report sent Cotton market further lower. Although it is the first report of the season many more updates/ Changes will come going forward in the estimates as the season progresses.

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

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

Technical analysis for the upcoming week - prices made a Marubozu bearish candlestick pattern suggesting continuation of selloff may continue. Prices are well below the WEMA (3,5) indicating the base trend is down. Immediate support level is at 66.40-66.70 (prior minor lows) and the resistance is placed at 69.50-70.00 levels (prior swing low). Monthly Relative strength index (RSI) is at 31.08 and below its moving average showing the weakness in the prices. For the week we are recommending sell on rise strategy around 70.00-70.30 TP: 67 SL 71.70. MCX COTTON (May) : Sell at 21600-21650 TP : 21150/21050 SL 21900.





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INTERNATIONAL NEWS

China hits back at US with tariffs on goods worth \$60 billion

5,140 US products will be subject to additional tariffs from June 1

China said on Monday it will impose higher tariffs on most US imports on a revised \$60-billion target list, hitting back at a tariff hike by Washington on \$200 billion of Chinese goods in a further escalation of a bitter trade war.

The retaliation comes as US President Donald Trump signals his intent to slap tariffs on all Chinese imports if Beijing does not give in, suggesting a prolonged standoff between the world's two largest economies that could roil global markets for weeks or months to come.

A total of 5,140 US products will be subject to additional tariffs of 5 per cent, 10 per cent, 20 per cent and 25 per cent starting June 1, the Finance Ministry in Beijing said in a statement.

The escalation, from rates of 5 per cent and 10 per cent, was announced hours after Trump warned China not to retaliate against the latest US tariffs hike.

Also read: Donald Trump says China will be 'hurt very badly' if they retaliate on tariffs

The additional tariff of 25 per cent will be levied against 2,493 goods, including liquefied natural gas, soya oil, peanut oil, petrochemicals, frozen vegetables and cosmetics, the Ministry said, and of 20 per cent on 1,078 products.

Beijing had set additional rates of 5 per cent and 10 per cent on 5,207 US products worth \$60 billion in September, in response to the US' initial 10 per cent duty on the \$200 billion worth of Chinese goods, and warned at the time that it would counter any higher tariffs imposed by Washington.

"China's adjustment on additional tariffs is a response to US unilateralism and protectionism," the Ministry said. "China hopes the US will get back to the right track of bilateral trade and economic consultations and meet with China halfway."

The US on Friday activated a new 25 per cent duty on more than 5,700 categories of products from China, even as top Chinese and US negotiators resumed trade talks in Washington. Trump had ordered the new tariffs, saying China “broke the deal” by renegeing on earlier commitments made during months of negotiations. China has denied the allegations.

Also read: [China broke the deal, says Trump](#)

Trump last week also ordered US Trade Representative Robert Lighthizer to begin imposing tariffs on all remaining Chinese imports, which would affect an additional \$300 billion worth of goods.

China’s revised target list on Monday still left out products such as crude oil and large aircraft.

Source: thehindubusinessline.com- May 13, 2019

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USA: Trade war to test their mettle

With US President Donald Trump hiking tariffs from 10 per cent to 25 per cent on all imports from China, trade tensions between two of the world’s largest economies have escalated. Not ready to buckle under Washington’s pressure, Beijing has retaliated by imposing tariffs on US origin goods.

Beyond China, Trump has also focussed attention on European vehicles for tariffs and the aviation industry for some restrictions. When enforced, more countries are sure to get sucked into a trade war. This is a disturbing development for the global economy, with many geographies already facing the spectre of a slowdown. The latest tariff war will further weaken business confidence and trade sentiment.

From a commodity market perspective, tariffs are certainly not good news as they often reduce the volume of trade and alter established trade flows. Global value chains are likely to get disturbed.

The metals market — industrial, base and precious — in particular is expected to face the brunt of whatever damage a trade war can cause. The sentiment in the global metals space already leaves much to be desired with

the slowdown in China, the mover and shaker of the world metals market. For instance, copper has dropped to less than \$6,100 a tonne, while aluminium is trading at \$1,800/tonne.

Most affected would be base metals (aluminium, copper, lead, nickel, zinc, and tin), precious metals (palladium and platinum) and industrial metal (steel). While these metals are likely to be affected in varying degrees, some metals are seen more vulnerable to the negative fallout of the US-China tariff war.

The market for metals used in the electronics industry is sure to be affected. Tin is used in significant quantities in the electronics sector and its prices are seen at risk. After all, electronics constitute close to a third of US imports from China. Higher US tariffs will act as headwinds for China. So, while Beijing will scout for new markets, Washington will seek new suppliers, if any.

Impact on soybean, cotton

There will be implications beyond metals, too. If China imposes a tit-for-tat hike in imports from the US, markets for agricultural commodities such as cotton and soybean are likely to be impacted. At about 80 million tonnes a year, the US has been the largest supplier of soybean to China.

But at the moment, an outbreak of African swine flu in China and the consequent culling of animals in large numbers (estimated conservatively at two million) have constricted the demand for animal feed. Together with large harvests around the world, the demand compression in China has sent soybean prices hurtling down and with it the morale of American Midwest growers. The US is also a significant exporter of cotton to China, the world's largest consumer and importer.

After the last round of negotiations failed to yield results, China has invited the US for another round of talks in Beijing. Any development in trade negotiations would determine the direction of commodity prices. While there is much anxiety about the talks, many are hoping against hope that a deal will be struck.

The US has said more than once that it is running out of patience with China. If attitudes on both sides turns inflexible, the talks risk a failure, which will

weigh heavily on global commodity prices. Crude oil market too will face demand related challenges.

Source: thehindubusinessline.com- May 13, 2019

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Apparel, Footwear, Textiles Included in List of Chinese Goods Facing Proposed \$300 Billion Tariffs

The Trump administration has moved forward on its intent to add tariffs to an additional \$300 billion in incoming goods from China that are not currently taxed in a list that includes apparel, footwear and other textiles.
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The filing with the Federal Register late Monday wasn't exactly a surprise given that reports over the weekend indicated that the administration was preparing to disclose which categories would be impacted by the proposed increase. That list was expected this week and possibly as early as Monday. The proposed tariffs are just that, for now. The proposal on goods previously untaxed has to go through a process that includes a public notice, and a comment period.

According to the information in the Federal Register, the plan is a duty of up to 25 percent on \$300 billion of additional goods from China.

The information also has three key dates: June 10, 2019 for filing requests to appear before the Office of the U.S. Trade Representative, and a summary of the expected testimony at the public hearing; June 17 for the deadline to submit written comments and also June 17 as the date for the public hearing.

The American Apparel & Footwear Association was quick with a response, calling the new proposed tariffs "catastrophic for the U.S. economy."

Rick Helfenbein, president and chief executive officer of the AAFA, said, “This is a self-inflicted wound that will be catastrophic for the nation’s economy.”

The AAFA CEO added, “By tightening the noose and pulling more consumer items into the trade war, the President has shown that he is not concerned with raising taxes on American families, or threatening millions of American jobs that are dependent on global value chains. As AAFA has continually stated, tariffs are taxes on American consumers that result in higher prices, lower sales and lost jobs. While the Administration is in ‘no rush’ to get a deal with China, it is apparently in a hurry to impose new taxes on the American consumer.”

According to the AAFA, a family of four will pay an additional \$500 per year to cover the tariffs on apparel, shoes, travel goods and related items.

Tariffs Hurt the Heartland, the national campaign comprised of more than 150 of America’s largest trade organizations across retail, tech, agriculture and manufacturing, said the latest escalation means the trade war “will only get worse and hit home for every American. Forcing American consumers to pay more for clothes, shoes, toys and electronics and even food, while making it more difficult for exporters to compete, will do nothing to hold China accountable.”

The group added, “As we’ve said all along, we support the administration’s goal of reaching an agreement with China that addresses unfair trading practices. Tariffs are the wrong way to do it, and the proof is growing every day. To put more pressure on China, we need to work with our trading partners across the globe who share our same concerns, deploy creative alternatives to tariffs and look to agreements that set higher standards for trade in Asia, like the Trans-Pacific Partnership.”

The group also noted that tariffs are cumulative, meaning that American will pay tariffs as high as 57 percent on apparel.

Matthew Shay, president and chief executive officer of The National Retail Federation, said that the “latest tariff escalation is far too great a gamble for the U.S. economy.”

Shay added that taxing Americans on everyday products such as apparel and footwear is not the answer. He also said working with the U.S.'s allies who share the same concerns as well as rejoining the Trans-Pacific Partnership are "more effective ways to put pressure on China without hurting hardworking Americans."

Source:sourcingjournal.com- May 13, 2019

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Pakistan: Textile ministry disburses Rs52bln

The ministry of textiles has paid Rs52.5 billion to the textile industry under the Prime Minister's exports enhancement package since July 2017 to help boost exports, a senior official told APP.

The ministry paid Rs10.5 billion to the textile industry during the last 10 months, while it intends to pay more than Rs10 billion during the couple of days, the official said.

The government would further pay Rs40 billion to the textile industry for value addition, which the official said would boost the country's external trade.

The exports enhancement package aims at bridging gap between exports and imports by encouraging the export-oriented industry and incentivising the industrial sector for introducing innovative, modern and cost-cutting technologies, particularly in the textile industry. The official said the State Bank of Pakistan has so far received Rs26 billion refund claims under the package in last seven months, which he said would be processed accordingly.

The government paid Rs52.5 billion in terms of outstanding claims, while the pending liabilities of Rs20 billion would be paid off in coming months.

Source: thenews.com.pk- May 14, 2019

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Bangladesh now depends less on India for cotton

African nations have surpassed India to become the largest source of cotton for Bangladesh as local spinners and millers look to cut down their dependence on a single source for their vital raw material.

Last year, Bangladesh, the largest importer of cotton in the world, met 37.06 percent of its requirement for the white fibre from East and West African countries.

India accounted for 26.12 percent of the total cotton imports, down from more than 60 percent two years ago, according to data from the Bangladesh Textile Mills Association (BTMA).

Last year, 11.35 percent of the cotton came from the CIS (Commonwealth of Independent States) countries, 11.14 percent from the US, 4.65 percent from Australia and 9.65 percent from the rest of the world.

The low quality of the Indian cotton is the main reason behind the falling imports from the neighbouring country, said Monsoor Ahmed, secretary of the BTMA.

A section of Indian cotton traders also cannot maintain timely shipment and deliver the right quantity of cotton as per agreement, said Mehdi Ali, president of the Bangladesh Cotton Association.

For example, it is written in the letter of credit that there may be 3 to 4 percent less cotton than the amount agreed upon when the imported fibre is weighed in Bangladesh. But in many cases it is 10 to 15 percent less.

“This is a big loss for us. We can’t afford these kind of losses. This is another reason for moving away from India,” Ali added.

The concentration of moisture in the Indian cotton is higher than in other countries’, which makes it difficult to store in the warehouses for a long time.

Last year, Bangladesh imported 8.28 million bales of cotton (one bale equals to 282 kilogrammes). In dollar terms, the imports are worth \$3 billion.

The country produced 1.65 lakh bales of cotton last fiscal year, which is less than 3 percent of the annual demand for 10 million bales.

In order to bump up local production, state-run Cotton Development Board is looking for new farming lands in hilly and swamp areas in various districts along with the existing farming areas in Jashore, Rangpur, Dinajpur, Rajshahi, Gazipur and Mymensingh.

The board hopes to produce 2.5 lakh bales of cotton by 2021, which will meet nearly 5-7 percent of the local consumption.

Bangladesh's cotton imports will continue to be commensurate with the expansion in spinning, according to the latest report of the United States Department of Agriculture.

Global consumption is forecast to grow to a record of about 126 million bales.

Growth is slightly above the long-term average and is expected to remain the same in all of the top 10 spinning countries except Indonesia, with continued strong growth forecast for Vietnam and Bangladesh, the report added.

Source: thedailystar.net - May 14, 2019

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NATIONAL NEWS

US-China tensions to contribute to renewed slowdown in global economy, cautions Moody's

Moody's comments come in the backdrop of the US administration increasing tariffs on Chinese imports that were worth \$200 billion

Moody's Investors Service cautioned that the rise in tensions between the United States (US) and China will contribute to a renewed slowdown in systemically important regions of the global economy. This would not only be through the trade channel but also through the impact on sentiment and risk aversion.

The global credit rating agency stated that the export-oriented economies of Asia may be particularly exposed to the risk of global and regional trade downturns. Since both the US and China are important sources of export demand and investment, export-oriented Asian economies may find it challenging to navigate between two increasingly hostile trading partners.

In the long term, the deterioration in the trade relationship between the US and China will lead to increased fragmentation of the global trading system and may weaken the rules-based system that has underpinned global growth for the past several decades.

In this regard, the agency underscored that greater inefficiency in production and supply chains will reduce global growth potential.

Moody's comments come in the backdrop of the US administration increasing tariffs on Chinese imports that were worth \$200 billion. The tariff were increased from 10 per cent to 25 per cent. In response, China said it will take retaliatory action.

"These developments will weigh on global economic growth. We believe that trade negotiations between the US and China will continue, and that a deal in some form will be eventually reached. However, the risk of a complete breakdown in trade talks has certainly increased," the agency said in its sector comment.

The hike in tariff is a significant setback in the trade negotiations between the US and China during the past one and half years. Moody's said it adds to the existing uncertainty around the global trading environment.

"Global financial markets have been buoyed in recent months by the prospects of an end to the monetary-policy tightening in the US and optimism about a resolution of trade talks between the US and China. An abrupt breakdown in trade talks, if that were to occur, will inject considerable policy uncertainty, increase risk aversion and lead to an abrupt repricing of risk assets globally," the agency said.

It cautioned that tighter financial conditions will return and, notwithstanding the dovish policy stance of the US Federal Reserve, will pose a negative confidence shock that drags down global growth.

Source: thehindubusinessline.com- May 13, 2019

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Developing countries, LDCs should work together to correct imbalance in WTO reform agenda: India

2-day informal meet of poorer members of the WTO begins in New Delhi
India has said the reform agenda being promoted at the World Trade Organisation (WTO) does not address the concerns of the developing countries, including Least Developed Countries (LDCs), and poorer members must work together to correct this.

"The reform initiatives must promote inclusiveness and non-discrimination, build trust and address the inequalities and glaring asymmetries in existing agreements. These asymmetries are against the interest of developing countries, including LDCs. There is a need to work together to put issues of importance for developing countries and their priorities in the reform agenda," Commerce Secretary, Anup Wadhawan, said at the inaugural session of the meeting of developing countries and LDCs in New Delhi on Monday.

Twenty-three countries, including India, are meeting in New Delhi over two days to discuss key issues and challenges facing the multilateral trading system. Following the meeting of senior officials on Monday, trade ministers, delegation heads and the WTO Director-General will meet on Tuesday and try to agree on the 'Delhi Declaration' suggesting a way ahead at the WTO, including expectations for the forthcoming WTO Ministerial Conference in Kazakhstan next June.

The Commerce Secretary pointed out that there was a strong push to completely relegate existing mandates and decisions and work done for the past many years, to the background, which was getting reflected in the on-going negotiations on fisheries subsidies (to be concluded at the Kazakhstan meet), where some members were trying to deny poorer countries special and differential treatment.

“The MC11 (ministerial conference 11) decision on fisheries subsidies clearly mandates that there should be an appropriate and effective special and differential treatment for developing countries. It is important for developing countries, including LDCs, to collectively work for a fair and equitable agreement on disciplines in fisheries subsidies, which takes into consideration the livelihood needs of subsistence fishermen and ground realities in our countries, and protects our policy space to develop capacities for harnessing our marine resources,” he said.

India further pointed out that the existential challenges to the multilateral rules based trading system are manifest in a spate of unilateral measures and counter-measures, deadlock in key areas of negotiations and the impasse in the Appellate Body.

“The harm that an institutional failure due to the collapse of the Appellate Body will cause will be felt more in developing countries, including LDCs, who need the protection of the rules based system more than developed countries. There is an urgent need to engage constructively to preserve the system and come up with constructive solutions to the problem,” he said.

India believes that developing countries need to work together to protect their interests in the WTO negotiations through preservation of the core fundamental principles of the WTO, he added. “The two-day meet gives an opportunity to the participating countries to develop a shared WTO reform proposal on issues of priority and interest for developing countries. This will

help in building a common narrative on issues of importance for developing countries, including LDCs,” he said.

Source: thehindubusinessline.com- May 13, 2019

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Automated GST refund for exporters likely from June

Exporters of goods and services as well as suppliers to SEZ units are likely to get GST refunds automatically from June as the Revenue Department plans to introduce faceless scrutiny of refunds and faster claim settlement, an official said.

Under GST, every person making a claim of refund on account of ‘zero-rated’ supplies has two options. Either he can export without payment of integrated tax under Bond/ LUT and claim a refund of accumulated Input Tax Credit (ITC) or he may export on payment of integrated tax and claim refund thereof.

Currently, the facility of automatic refund is available only for those exporters who have paid Integrated Goods and Services Tax (IGST) while exporting goods. Since the GST Network (GSTN) systems are integrated with Customs, refunds are generally transferred to the bank accounts of such exporters within a fortnight.

However, manufacturing exporters and suppliers to SEZ, who want to claim a refund of ITC, have to file an application in Form GST RFD-01A on the common portal and thereafter manually submit a print out of the form along with other documents to the jurisdictional officer.

Once implemented, the time period for such refunds will come down to about a fortnight from months at present.

“The Revenue Department and GSTN are working to make the process of seeking tax refund by all exporters faceless by next month. It would make the process faster and also help in eliminating fake refunds,” an official told PTI.

GST refunds of exporters run into thousands of crores and any delay in the processing of refund claims blocks working capital of exporters.

AMRG & Associates Partner Rajat Mohan said fully computerised tax refund in case of export of services would be based on a comprehensively integrated GSTN system which connects with RBI servers to track the receipt of payments and link them automatically with invoice level information.

“Tax refunds for inverted duty structure could also be copiously automated in future, however, it would require GSTN system to be loaded with HSN-enabled invoice level information by every vendor, so that only eligible tax credits could be processed without any human intercession,” he added.

Source: thehindubusinessline.com- May 13, 2019

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Growth slowdown needs policy attention

Urgent counter-cyclical steps are required to address the slide

With industrial growth, private consumption and investment sputtering in the last leg of 2018-19, the new government has its task cut out: pulling the economy out of a slowdown. The IIP slide began in late 2018, thanks to tepid domestic and world demand. It touched a 21-month low in March 2019, marked by a dip in growth of capital and consumer goods. As a result, IIP growth in FY 2019 was down to 3.6 per cent, against 4.4 per cent last year.

The Finance Ministry’s Monthly Economic Report for March 2019 observes that “India’s economy appears to have slowed down slightly in 2018-19. The proximate factors responsible for this slowdown include declining growth of private consumption, tepid increase in fixed investment, and muted exports.” It is important to get a fix on the problem. It could be a result of endemic demand deficiency, deepened by demonetisation, and later made worse by the crisis in the NBFC sector sparked by the implosion of IL&FS and others. In hindsight, it is not clear whether the remonetisation of the economy resolved the woes of small firms hit by disruption of working capital cycles and their inability to repay debt.

The fact that the IBC mechanism has not been able to release locked assets quickly could have added to the uncertain investment scenario. It is, however, true that there were feeble signs of an investment pick-up in 2018-19, reflected in higher credit offtake by corporates from SBI and ICICI Bank (BusinessLine, May 12). While signs of a pick up in credit growth are encouraging, these are early days. It is not clear whether the rise in both bank credit offtake and external commercial borrowings by corporates will translate into greenfield investments. Meanwhile, the knock-on effects of IL&FS and DHFL need to be grasped. For an economy that rides on construction and automobiles, this is a serious prospect. The economy needs to be put back on an assured growth trajectory. Even the CSO's second advance estimates of GDP growth for 2018-19, at 7 per cent, based on a manufacturing growth of about 8 per cent, seem optimistic. Whatever the quibble over data, the fact is that the period from 2003-04 to 2010-11 was one of faster growth compared to the subsequent one. The fact that gross domestic savings and gross fixed capital formation have fallen steeply from 36 per cent and 33 per cent, respectively, of the GDP just before the GFC, to below 30 per cent now tells a story.

Banks went on a credit binge during the first phase, and unviable infrastructure was created. We are dealing with legacy NPAs, with infirmities in the financial sector still haunting us. It is ironic that a government that introduced sweeping reforms such as the bankruptcy code and GST has failed to keep growth going in a period of benign commodity prices. Countercyclical policy steps need to be urgently taken.

Source: thehindubusinessline.com- May 13, 2019

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USDA cuts cotton estimates for India by 20 lakh bales

The United States Department of Agriculture (USDA), which had estimated the Indian cotton production estimate for the 2018-19 crop year at 345 lakh bales (of 170 kg each), have now reduced their latest estimate by 20 lakh bales to 325 lakh bales.

The USDA have made this reduction in their latest estimate, which has been released on May 10, 2019 after extensive deliberations with the Cotton Association of India (CAI) and also after considering all aspects and the prevailing situation in India, said Atul Ganatra, president, CAI, in a statement.

CAI's April estimate for the 2018-19 season has placed the Indian cotton crop at 321 lakh bales. The cotton body has reduced its production estimate for 2018-19 crop year, beginning October 1, 2018, to 315 lakh bales, lower by 6 lakh bales, compared to its previous estimate of 321 lakh bales released last month.

The cotton crop estimate released by the CAI for Maharashtra is lower by 2 lakh bales compared to its previous estimate made last month while the cotton crop estimates for the North Zone, Madhya Pradesh, Telangana and Andhra Pradesh, now made by the CAI, are lower by 1 lakh bales each compared to the previous month estimate.

Water scarcity in some states and uprooting of cotton plants by farmers in about 70-80% area without waiting for 3rd and 4th pickings are the main reasons for reduction in the cotton crop this year, Ganatra had said.

The total cotton supply, estimated by the CAI during the period from October 2018 to April 2019, is 314 lakh bales which consists of arrival of 278.73 lakh bales and imports of 7.27 lakh bales up to April 30, 2019 and the opening stock at the beginning of season on October 1, 2018 at 28 lakh bales.

Further, the CAI has estimated cotton consumption during the months of October 2018 to April 2019 at 183.75 lakh bales while the export of cotton estimated by the CAI up to April 30, 2019 is 42.5 lakh bales.

Stock at the end of April 2019 is estimated by the CAI at 87.75 lakh bales including 40 lakh bales with textile mills and remaining 47.75 lakh bales with CCI, MNCs and others (MNCs, traders, ginners, among others).

Source: financialexpress.com- May 14, 2019

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Taking a cue from global markets, cotton corrects 6%

Cotton prices have declined by almost 6 per cent over the last two weeks in step with a global price fall.

Prices in the spot market hit a two-month low of Rs 21,000-21500 per bale of 170 kg on Monday. On the MCX, May futures were being quoted at Rs 21,240 per bale, indicating a further fall in prices, according to traders.

“Market sentiments are weak with escalating trade war between America and China and there is a slump in the international cotton market. In the past 10 days, we have seen how the rate of New York cotton came down by 13 per cent at 68 cents per pound which is the lowest in the season. In the Indian market, too, prices are down by 2 per cent to 4 per cent,” said Atul Ganatra, president of the Cotton Association of India.

The prices have not seen a steep fall as the government agency, Cotton Corporation of India, was holding over 9 lakh tonne bales of cotton while ginning factories have more than 27 to 28 lakh tonne bales.

“People holding the stock are not ready to sell due to shortage in the domestic market, so we have not seen a major price fall in the physical market,” said Ganatra.

On future prices, Ganatra said a lot will depend on global markets and on the arrival of monsoon in the country.

Source: economictimes.indiatimes.com- May 14, 2019

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‘Set up yarn banks to reduce adverse effect of price rise’

Tirupur: Industrialists have urged the Centre and the state government to take steps to establish yarn banks in the Tirupur apparel cluster to regulate yarn prices during the period of price fluctuations.

Both domestic traders and exporters are worried about the continuous rise in the hosiery yarn price, which has increased at least Rs 11 per kilogram in the past 45 days.

“The Tirupur knitwear units which supply garments to domestic market follow the business model of manufacturing items in summer and winter seasons. These units would confirm orders at least before four months as they would take time to manufacture and send the finished goods to wholesalers and traders,” K S Babuji, general secretary of the South India Collar Shirts and Inner Wear Small Scale Manufacturers’ Association, said.

“Unlike earlier days, there are constant fluctuations in the yarn price now, which affect the units severely and sometimes leading to losses. For instance, if the price increases after we confirmed the orders, we could not make buyers revise rates of garments or cancel the orders,” Babuji said.

“Large spinning mills would buy more quantity of cotton and stack them for months but it would not be the same for all the spinning mills. As the cotton prices increase, they raise yarn prices. The micro and small knitwear units would not be able to sustain the losses caused due to increase in yarn prices,” he said.

“It is the duty of the Cotton Corporation of India to regulate cotton prices but it had often failed to do so. We have been insisting the Centre and state government to help the industrialists to establish yarn banks, which can save the micro and small units. If the governments can provide subsidy and loans up to Rs 2 crore per bank, our association is ready to administer it,” he said.

“With yarn banks, membership would be given to units and they would be able to get 10-50 bags, each containing 100kg, of yarn per day at a reasonable cost with minimum fluctuation in the price,” he added.

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

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Cotton shortage prompts spinning mills to switch to man-made fiber

In a major boost to synthetic textile players, spinning mills have started increasing the use of man-made fibre to keep their fabric cost immune to rising cotton prices.

Industry sources estimate that India's use of man-made fibre in fabric blends has increased to 45 per cent over the last few months from 40 per cent earlier. The use of cotton in fabric blends has declined to 55 per cent from 60 per cent earlier. Despite the shift, India is far below the global average of man-made fibre use of 70 per cent in blended fabrics.

Cotton prices have jumped to Rs 13,200 per quintal now from Rs 11,800 per quintal about a month ago. Comparatively, manmade fibres are 30-40 per cent cheaper.

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

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