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IBTEX No. 170 of 2018 August 14, 2018

USD 70.01| EUR 79.81 | GBP 89.30 | JPY 0.63

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22852	47800	**87.18**
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
23770	49721	**90.69**
International Futures Price		
NY ICE USD Cents/lb (Dec 2018)	82.76	
ZCE Cotton: Yuan/MT (Jan 2019)	16,175	
ZCE Cotton: USD Cents/lb	**90.50**	
Cotlook A Index – Physical	**97.85**	

Cotton Guide: Cotton futures suffered a second consecutive hefty loss which made December to fall 450 points lower. The contract settled at 82.76 down by 247 points from the previous close.

On the trading front the volumes were higher around 57K contracts while drop in aggregate open interests indicates heavy long liquidation in the market. Also from the technical front it attempted several times to break 90 cents and failed; price eventually broke onto lower side. We see immediate supports at 81and 80 cents per pound.

The interesting part to observe is so much price decline so quickly in mid-August looks challenging as major trigger is the better estimates on the crop number, long liquidation by speculative funds and millers are joyfully waiting for more decline in the price to book their unfixed on call positions.

Beside the macros have turned largely weak; stronger US dollar, emerging market currencies plummeting so much and broad based sell off in commodities all have put together pulled cotton price down.

More than a million bales increase in the crop estimates of US and better rains in Texas since 5 to 7 days have increased the potential for better crop has pressured the price to trade down.

On the domestic front the Indian cotton spot price for Shankar-6 has corrected marginally amid steady demand. However Indian cotton future has declined considerably last evening along with ICE future. The MCX October ended around Rs. 23850 per bale and we think it may trade mostly onto lower side on today's trading session. The trading range for the day would be Rs. 23700 to Rs. 24000 per bale. Note with so much decline in Indian Rupee close to 70 rupees a dollar didn't support much to cotton demand.

Indian rupee- Indian rupee has appreciated by 0.2% to trade near 69.76 levels against the US dollar. Rupee is seeing some recovery after a sharp 1.6% decline yesterday when it hit fresh record low level of 69.9337. Some stability in Turkish lira post measures from central bank has helped emerging market currencies stabilize to some extent however market confidence remains shaky. Apart from Turkish concerns, also weighing on market sentiment is disappointing Chinese economic data.

Rupee has also benefitted from better than expected inflation data and decline in crude oil price. India CPI rose 4.17% in July as against Bloomberg expectations of 4.49% growth. Brent crude trades near $72 per barrel pressurized by concerns about health of emerging economies and rising US crude production.

Rupee has opened firmer today but may remain under pressure unless we see stability in emerging market currencies. USDINR may trade in a range of 69.5-70.2 and bias may be on the upside.

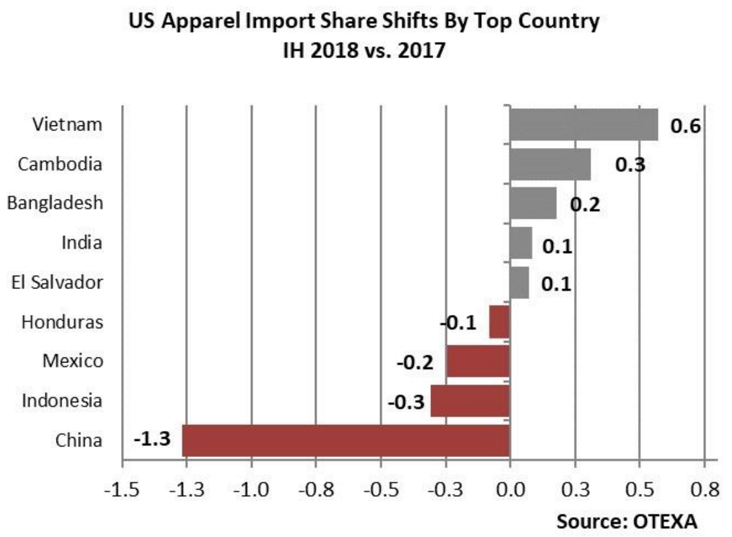
Compiled By Kotak Commodities Research Desk , contact us : mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source

NEWS CLIPPINGS

INTERNATIONAL NEWS

USA: Apparel Import Shifts This Year Speak to Uncertainty's Impact

After edging down slightly in 2017, dollar imports of U.S. apparel rose in the first half of 2018. Retail apparel sales rebounded from their sluggishness amid strong consumer sentiment, and brands accelerated buying activity ahead of tariffs stemming from the U.S. trade war with China.



Total U.S. apparel imports increased by 2.2% on an MFA basis for the first six months of the year, to $38 billion from $37.2 billion in the year earlier period, according to OTEXA, the International Trade Administration's Office of Textiles and Apparel.

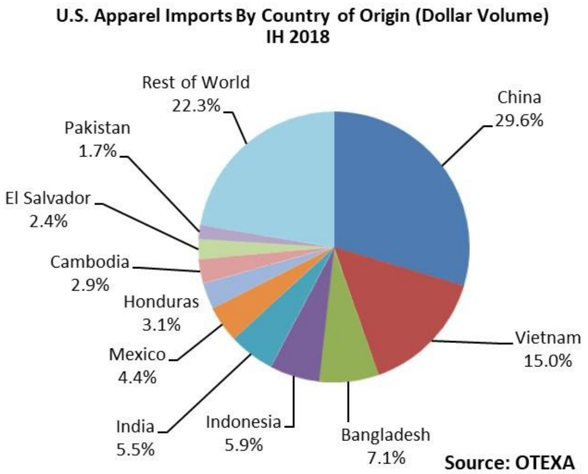
On a square meter equivalent (SME) basis, imports rose by 1.2%, driving the cost per unit of apparel imports up by 1 percent compared to the year-ago period.

Vietnam, Cambodia and Bangladesh all got bigger chunks of the U.S. import pie, taking share from China, Indonesia and others as more U.S. retailers and brands diversified their sourcing portfolio beyond China, even though apparel has not yet been listed on any of the new tariff lists.

Despite efforts by many brands to expand near-shoring opportunities to improve speed to market and reduce carbon footprint, Honduras and El Salvador both lost share of total U.S. imports.

Imports from Cambodia grew the most of any top 10 trading partner, by more than 14 percent in the half, to $1.1 billion. Total SMEs from Cambodia rose by 12.5%, resulting in an average cost increase of 1.6%.

Men's woven cotton shirts, women's cotton pants and women's manmade fiber knit tops were the big growth categories from the southeast Asian country.



Bangladesh also enjoyed an increase in shipments to the U.S., of 4.8%, to $2.7 billion. Total SMEs rose by 4.1%, resulting in a slight increase in cost of these U.S.-destined goods.

Vietnam has gained 60 basis points of share of U.S. apparel imports so far this year, to $2.7 billion, or 15 percent of the total. SMEs were up by 1.7%, resulting in a cost increase of 1.6% compared to last year.

Despite a rush to bring in goods from China before any new tariffs kick in, apparel imports from China fell by 2 percent in the first half of the year compared to the same period in 2017. Volume dropped by 0.8%, however, driving cost down by 1.2% compared to last year as the production of many labor-intensive and complex garments moved to other countries.

Apparel Imports: IH 2018					
MM Dollars and Units					
APPAREL	**Dollars Millions**	**SME Millions**	**% Chg Dollars**	**% Chg SME**	**% Chg $/SME**
World	**38,050**	**12,936**	**2.2**	**1.2**	**1.0**
China	11,276	4,844	-2.0	-0.8	-1.2
Vietnam	5,725	1,839	6.2	3.4	2.7
Bangladesh	2,702	1,005	4.8	4.1	0.6
Indonesia	2,245	619	-2.8	-5.5	2.8
India	2,075	595	3.8	2.4	1.3
Mexico	1,673	446	-3.2	4.9	-7.7
Cambodia	1,114	469	14.3	12.5	1.6
Honduras	1,190	478	-0.3	-6.8	7.0
El Salvador	907	369	1.0	-2.1	3.2
Pakistan	641	273	6.7	8.3	-1.5
CBI	424	171	1.8	6.8	-4.7
CAFTA - DR	3,914	1,454	1.4	-1.7	3.1
W-Hemi	6,760	2,143	1.2	0.5	0.7
ASEAN	10,148	3,263	4.3	2.5	1.7
OECD	1,695	132	16.3	3.4	12.5
rest of world	*8,502*	*1999*	*5.6*	*3.5*	*2.0*

China's dollar share of U.S. apparel imports, which peaked in 2010 at more than 39 percent and has been on a slow decline ever since, lost 1.3 percentage points of share since mid-2017, to comprise 29.6% total U.S. apparel imports. Higher manufacturing costs and near fears of higher tariffs are driving many brands to seek sourcing options elsewhere in Asia.

Source: sourcingjournal.com- Aug 13, 2018

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USA: The Rise of Comfort Clothing and the Implications for the Apparel Industry

Fashion trends come and go, but the zeitgeist of savvy consumers who see the clothes they wear as an expression of their lives and values is here to stay.

It's also bound to change the face of the industry, as gone are the days when a consumer's choice of clothes is shaped purely by fads or the desire to look good. In contrast, today's consumers feel an affinity with brands that embody the things they believe in and complement their lifestyles.

And those lifestyles increasingly include spending more time at home, which means consumers are opting more and more for comfort.
The rise of comfort

Four billion people around the world are now connected to the internet, and many of them use it for more than just browsing. The convenience of online shopping has heralded a sizeable increase in online retail, with web-based shopping platforms from Amazon to Zalora accounting for 12.1% of retail sales in the Asia-Pacific region in 2017. The global e-commerce market is estimated to be worth $2.3 trillion.

With online stores delivering everything from furniture to clothing to groceries, consumers have fewer reasons to step outside their houses. According to entrepreneur.com, 51 percent of all Americans and 67 percent of millennials prefer online to offline shopping.

It may not be a coincidence that, at the same time, sales of comfortable yet chic home clothes, or luxury loungewear, have grown.

"It's a lifestyle choice: a statement that consumers are practical and busy, but want to be beautiful and extravagant at the same time," says British knitwear designer Madeleine Thompson.

The rise of luxury loungewear is also seen as a response to the varied lifestyles of modern consumers who expect clothing to be comfortable and versatile enough to accommodate their hectic schedules without compromising on style.

In 2017, cashmere joggers continued to be best-sellers at the luxury department store, Harrods. At MatchesFashion.com, sales of sweatpants are up more than 300 percent year-on-year. British retailer Selfridges has seen sales of premium loungewear grow 30 percent year-on-year, while sales of cashmere loungewear pieces have doubled.

Marrying style with comfort, clothes that are made using Tencel Lyocell are known for looking and feeling luxurious. They up the style factor by exhibiting a sleek, sumptuous sheen and deeper, richer color compared to other fabrics. More absorbent than cotton, softer than silk and cooler than linen, Tencel Lyocell also feels good, providing long-lasting softness to help skin stay pleasantly cool and dry through the day and night.
Consumers crave functional, ethical fashion

Fashion is becoming next-level functional, with consumers seeking comfortable, fuss-free styles that adapt to the moment and can travel anywhere with them.

Consumers today live in busier cities, travel more and have increasingly varied and flexible work lives.

As the clothing industry innovates and consumers become more informed on health and wellness, it’s a natural progression to expect consumers will require even more from the apparel industry, just as the versatility of activewear has grown in response to demands from the athleisure fashion consumer.

And with more consumers becoming eco-conscious, shoppers no longer just buy a product—they buy its entire history and everything it represents. Still, they can feel limited by choice in a clothing industry that produces some 100 million tons of fibers each year, of which synthetics are expected to be more than 98 percent of future fiber production, according to petrochemical analytics firm, Tecnon Orbichem.

With the war on plastics today, consumers who seek style and comfort that don't come at the expense of the environment can feel good about buying clothing made from fibers with less environmental impact. As a fiber of botanic origin, Tencel is extracted from the cellulose found in wood pulp, and its production process is more eco-friendly than other fibers in terms of water, land and chemical output.

Using a special 'closed-loop system' that was recognized by the European Union with an European Award for the Environment, 99.7 percent of the chemicals and solvents used to make Tencel fibers are recovered and recycled with minimal waste and very low emissions.

Just like the busy and aspirational lives they lead, consumers want clothes that work as hard as they do and are durable, comfortable, timeless and eco-friendly. Increasingly, the apparel industry is offering up sustainable options to help satisfy that demand.

Source: sourcingjournal.com- Aug 13, 2018

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VF to Split Into Two Public Companies, Breaking out the Jeans Business

VF Corp.'s board of directors said Monday it intends to separate the company into two independent, publicly traded companies–VF Corp., a global apparel and footwear firm, and a not-yet-named company that will hold VF's Jeans and VF Outlet businesses.

As part of the move, VF expects the new company to position it as a global leader in denim.

VF has been working toward a transformation, and Steve Rendle, company chairman, president and CEO said those efforts are already bearing fruit, particularly with regard to progress on its strategic initiatives and portfolio management.

"With these strong foundations in place, we are now ideally positioned to create two independent, leading, global companies," Rendle said.

"In alignment with our strategic plan, the decision to separate these businesses will allow VF to sharpen its focus as a consumer-centric and retail-minded organization anchored in activity based lifestyle brands."

Rendle said the Jeans platform will be a "successful, sustainable business with iconic global brands and a clear path to value creation as a standalone entity" and that the new direction will mean VF and the new company denim-oriented company will have the "resources, management focus and financial flexibility to thrive in a dynamic consumer marketplace."

The company expects to create these firms through a tax-free spin-off to VF's shareholders.

During the past few ears, VF has undertaken a series of transformative actions in its brand portfolio that have led to strong value creation, including an annualized total shareholder return of more than 17 percent since 2000.

In 2017, VF unveiled its five-year growth priorities that included a strategic realignment of its brand portfolio to better position the company for long-term success in a rapidly changing business environment.

Since then, VF has acquired Williamson-Dickie, and the Icebreaker and Altra brands, and the sold the Nautica brand and the Licensed Sports Group, including the Majestic brand.

"Through these actions, the company has sharpened its focus on activity based outdoor, active and work lifestyles," VF said.

As the company continues to implement its 2021 strategic growth plan, the board believes separating the businesses into two, independent, publicly traded entities will position the company for the best success moving forward, as the synergies across these businesses had become less clear over the years.

The separation is expected to offer benefits beyond greater focus and positioning for the jeans business, including enhanced strategic and management focus, reduced managerial and operational complexity, a flexible capital structure with the ability to fund targeted profitable growth and an operational and financial profile that will more closely align with its natural investor type.

With estimated annual revenue of more than $11 billion, the new VF company will have a mid-teen total shareholder return target, including a strong dividend yield in line with the S&P 500, the company said.

The move will also allow VF to continue to pursue an acquisition strategy, explore new growth areas and investment more in its existing brands, which include The North Face, Vans, Timberland, JanSport, Smartwool, Altra and Eagle Creek.

Revenue at VF increased 23 percent to $2.77 billion in the first quarter ended June 30, including a $249 million revenue contribution from the Williamson-Dickie, Icebreaker and Altra acquisitions. Net income for the period jumped 46 percent to $160.36 million.

Consistent with its enhanced focus on the outdoor and active consumer, VF will move its global headquarters to the metro Denver area, which will also serve as the home for its Global Innovation Center for technical fabrics and its Digital Lab.

"Locating these brands, along with select VF leaders, at the base of the Rocky Mountains will enable us to accelerate innovation, unlock collaboration across brands and functions, attract and retain talent and connect with consumers," said Rendle, who will continue to lead VF.

The new company will focus on its heritage brands Wrangler and Lee brands, and include the VF Outlet business. With estimated annual revenue of more than $2.5 billion and a high single-digit total shareholder return target, the new company will have "an attractive financial profile, including a sustainable high dividend yield," the company noted.

In the first quarter, the jeans segment saw revenue rise 3 percent to $603.77 million. Profits grew 7 percent to $89.05 million.

The jeans company will maintain its "best-in-class supply chain, channel and category management expertise, reinforced by deep and long-standing relationships with leading global retailers," VF said. It will also carry with it a diversified geographic exposure and plans to extend its geographic footprint with a sharp focus on Asia, building on its established presence in China.

The company also announced the anticipated designation of Scott Baxter as CEO of the new company and Rustin Welton as chief financial officer, effective upon completion of the transaction.

Baxter ran the jeans business from 2011 through 2015, a period, Rendle said, “during which the business grew at a mid-single-digit rate.” The company plans to announce additional members of the denim-focused company’s executive team and composition of the board of directors ahead of the completion of the transaction.

The new company’s global headquarters will be in Greensboro, N.C., where VF, founded in 1899, had long been based. The Lee brand will move its headquarters to Greensboro from Kansas City, joining the Wrangler brand.

“We’re proud of our Greensboro, N.C., roots and remain committed to the community, including a strong ongoing employment presence,” Rendle said.

“Combined with the relocation of the Lee brand from Kansas City and the establishment of a major new public company with Greensboro headquarters, we expect that total VF and new company employment in the area will remain at current levels.”

The separation transaction is targeted for completion in the first half of calendar 2019, subject to final approval by the company’s board, customary regulatory approvals and tax and legal considerations.

Barclays is acting as financial adviser to VF Corp. Davis Polk and Wardwell LLP is acting as legal adviser.

Source: sourcingjournal.com- Aug 13, 2018

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The many woes of Nigeria's textile industry

In April 2016, Aisha Abubakar, Minister of State for Industry, Trade and Investment, took a tour of few surviving textile mills in Lagos State. Abubakar visited Spintex Mills Nigeria Limited, Lucky Fibres Plc, and Nichemtex Plc, all in Ikorodu, Lagos State.

Abubakar's mission was to ascertain the state of the industry, hear directly from key players on the challenges facing the industry and then proffer enduring solutions.

The key players narrated all their woes to the minister. They complained about smuggling, high energy costs, import policy flip-flops and poor patronage by the public and the private sectors.

Twenty-eight months after the visit, these problems facing the industry are still there. A research conducted by The Economist in 2015 notes that illegally imported Chinese-made fabrics imitating Nigeria's signature prints flood Nigeria with some Customs officials turning a blind eye to them.

The report says that dilapidated textile factories in the country's northern city of Kaduna are what remain of the industry, which in its heyday employed 350,000 people. According to the World Bank, textiles smuggled into Nigeria through Benin Republic each year are worth $2.2bn, as against local Nigerian production estimated at US$40m annually.

In the early and mid-1980s, Nigeria had over 180 textile mills employing more than one million people. There were United Nigerian Textile Limited (UNTL), Aswani Textile, Afprint, Asaba Textile Mills, and Edo Textile Mills, among others, but there are fewer than three full-fledged textile mills today.

Even the firms earlier visited by the minister are basically rug producers and cotton processors/ exporters, which today are classified as textile firms. Nigeria's lack of will to tackle smuggling head-on has been its biggest woe.

India, which began its industrial journey almost the same time as Nigeria, is today world's largest exporter of textile products after China, with 13 percent global market share, dwarfing Germany and Italy who now come third and fourth respectively.

The country's textiles industry is estimated at $108 billion, contributing five per cent to Gross Domestic Product (GDP) and 14 per cent to overall Index of Industrial Production (IIP).

The industry attracted Foreign Direct Investment (FDI) valued at $2.41 billion between April 2000 and December 2016, creating 100 million direct and indirect jobs with over 350 textile mills working.

Like Nigeria, India has an arid land that grows cotton used by textile firms. However, unlike Nigeria whose tanneries in Kano and Kaduna are comatose owing to poor cotton seedlings and demise of textile mills, India has explored the opportunity to produce enough cotton to service textile mills and export 1,307.11 million kgs in 2015/16.

Incidentally, Nigeria has a N100 billion Cotton, Textile and Garment Fund set up to spur the growth of the industry. Over sixty percent of this fund has been disbursed, according to the Bank of Industry (BoI), in whose custody the fund is domiciled.

However, despite the disbursement, there has been little improvement because textile makers, since the inception of the fund, made it clear that their major problem was not funding but smuggling and unbridled importation. An industry like textile needed to be protected in the past in Nigeria, but successive governments evolved unclear and uncertain import policies that killed the industry.

In the face of Nigeria's quest for economic diversification and recovery, industry watchers want the government to take proactive action. Some investors visited a textile firm in Kaduna four years ago, but they are yet to return since then. How many government agencies, departments and ministries are taking patronage of local firms seriously?

"What we need is the enabling environment. We cannot compete with the level of smuggling and counterfeiting going on now. We used to have about 127 textile firms in Nigeria but that has come down to two or three now," Grace Adereti, president of the Nigerian Textile Manufacturers Association (NTMA), said in Lagos, at a Made-in-Nigeria stakeholders' meeting last year.

Source: businessdayonline.com- Aug 13, 2018

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Philippines garment exports rising on US-China trade war

The country's garment and textile export is expected to post between 10-20 percent increase this year as some orders are now being shifted from China to the Philippines to avoid the high tariffs imposed by the US on Chinese goods, including garments and textile.

Maritess Agoncillo, executive director of the Confederation of Garment Exporters of the Philippines (Congep), told reporters covering the press launch for the Philippine Garment Leather Goods Industries & Fabric Expo on the 23rd this month at the SMX Convention Center they are hoping for a surge in exports to the US, which engages in a trade war against China.

"We are looking at 10 to 20 percent increase ideally this year from last year's $1.02 billion," Agoncillo said noting that some of the big local garment manufacturers exporting to the US have also factories in China.

In fact, luxury bags brand Coach is expanding its existing four sourcing groups from the Philippines. One of the suppliers of Coach is Luenthai, the country's biggest garment manufacturer with 8-10 factories mostly in Bataan for leather bags although the first factory was in Concepcion, Tarlac. Michael Kors was sourcing here in 2011-2012 while Kate Spade was here also four years ago.

This makes Coach the volume importer of luxury bags in the country with roughly $70 million to $80 million in 2009 and 2010. In 2017, their volume of importation has reached $498 million. Coach is also the largest employer in the industry. Luenthai and Suntex, which supply to Coach, employ 92,000 to 95,000 workers, roughly half of the 180,000 industry workers.

The US has remained the Philippines biggest export destination for garment, wearables and textile accounting for more than 60 percent of total.

Data from the Confederation of Wearable Exporters of the Philippines showed the US accounts for 67 percent of the total $1.022-billion apparel exports in 2017. This includes the $541 million worth of leather goods it imported in that same year. In addition, the US also accounted for 27 percent of the country's total $198-million textile, fiber and fabric exports in 2017.

While some factories in China are slowly transferring some orders here, there are still other consideration and competitiveness issues the domestic industry is facing.

One of the major hurdles is that the Philippine exporters is the Rules of Origin in Europe because even as the country enjoys the EU GSP Plus, its textile and fabric are sourced elsewhere and are therefore slapped with higher taxes.

The EU GSP Plus, however, is expected to lead to more garment and textile investments into the country.

In addition, the least developed countries enjoy zero duty when they export to the US as against the Philippines' 33 percent duty on garment, making the Philippine garment more expensive than the LDCs.

Now, the industry is seeking for the inclusion of shoes in the US GSP program.

"Blouse has a tax of 12 percent going to the US, while the suit and blazer at 33 percent if coming from the Philippines as against zero duty from LDC countries," she pointed out. Mexico is also duty-free because of the North America Free Trade Area.

That is why, she said, the local industry is supportive of the proposed bilateral free trade agreement with the US and the Philippines.

Source: business.mb.com- Aug 12, 2018

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Bangladesh sweater exports rise, stable policies needed to sustain growth

Data from the Bangladesh Export Promotion Bureau (EPB), for the fiscal 2017-18, reveals the country earned $3.67 billion in exports, which is 9.32 per cent higher than the $3.36 billion it earned in FY16-17. The country's export earnings from sweater products grew 9 per cent to $3.67 billion in the last fiscal year. Sweaters contributed nearly 12 per cent to the total RMG exports of $30.61 billion of FY17-18.

Growth drivers

The industry attributes growth to expanding winter season in the western hemisphere as well as technological upgrades in manufacturing sweaters. Additionally, favourable conditions such as political stability and low cost funds are aiding the growth of sweater exports. In fact, industry leaders opine export growth could be even greater if there is enough logistical support at ports and in the transportation sector. They also hoped exports earnings will contribute $8 billion annually by 2021, if the government provides proper infrastructure and policy support.

The second growth driver, according to the BGMEA is upgrading of manufacturing machines from manual toBangladesh sweater exports rise stable policies needed to sustain growth 002 automatic. This has not only increased production capacity but also boosted worker productivity. Global climate change has also impacted Bangladesh with the winter season in the western hemisphere expanding beyond its normal period. This has increased demand for winter clothing.
Shift in focus

Rising worker wages in China has led to manufacturers shifting their businesses to include higher-end products whereas buyers are searching for new sourcing destinations. Bangladesh offers a quality product at reasonable prices, this in turn, creates an opportunity for the country's manufacturers.

Manufacturers say, global buyers are offering lower prices for their products, whereas the cost of production has gone up. To meet global demand, therefore they have to invest in automation, pushing production cost further up. However, the price of sweaters has not increased; rather, buyers have further reduced the prices of finished goods.

In order to grab a larger market share, Bangladesh has to increase port capacity to reduce lead-time. Inefficiency of infrastructure is another impediment that the country needs to be addressed. Bangladesh is unparalleled in product quality, so there is room to grow in the global market. However, there are challenges, including the lack of raw materials to produce high-end goods, technical expertise, and latest technology. Only about 60 per cent workers here can make higher-end products.

A stable and long-term policy, which would provide all out facilities to create a business friendly atmosphere, can pave the way to remove obstacles that stand in the way of new investments. The policy should be comprehensive and unified in order to ensure a level playing field for all.

Source: fashionatingworld.com- Aug 14, 2018

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Pakistan: Govt gives 50pc subsidy on cotton seed

Punjab Secretary Agriculture Wasif Khurshid has said that the government is striving hard to achieve target of cotton production of 10 million bales as huge funds have been provided to the farmers.

In a statement, he said that the government has provided approved varieties of cotton seed on up to 50 percent subsidised rate, Radio Pakistan reported. He said that over Rs 14 million are being spent for provision of agricultural machinery to cotton growers.–APP

The Secretary Agriculture said that Punjab government has provided 110,000 smart phones to the farmers equipped with special applications through which extension services are being provided to cotton growers and other crops.

He said that 350.889 million rupees are being spent on Commissioned Research Programme for high yield cotton seed production.

Source: nation.com.pk- Aug 14, 2018

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NATIONAL NEWS

Commerce Ministry carries out fresh review of free trade pacts

Will analyse impact of such agreements on various sectors

The Commerce Ministry is carrying out a fresh review of all free trade agreements entered into by the country so far to analyse the impact of such agreements on various sectors, a government official said.

"While similar studies have been carried out before, we felt that there is a need to find out how things stand at present. The idea is to examine each FTA and see where the Indian industry has gained and what challenges have cropped up due to the pacts," the official said.

The review is being carried out at a time when the government is struggling to figure out whether India will benefit from the ambitious Regional Comprehensive Economic Partnership (RCEP) being negotiated between 16 nations, including India, China and the 10-member ASEAN countries.

While the Centre sees the strategic merit of being part of the biggest free trade zone, the Indian industry is apprehensive of increased competition from the other member-countries, especially China.

"The Indian industry and farmers have always been wary of free trade pacts. There have been complaints of cheap imports from countries with which India has signed FTAs rendering the domestic products uncompetitive. However, there are also instances where Indian exports have increased due to import duties lowered by FTA partner countries," the official said.

India has already implemented a plethora of free trade pacts with a number of countries including Sri Lanka, South Korea, Japan, Malaysia, Singapore and regions such as the ASEAN and SAARC.

"Different sectors have had issues with different FTAs. For instance, the textile industry is not happy with concessions given to South Asia, especially Bangladesh, the electronic goods industry is not happy with concessions to South-East Asia, Japan and South Korea, the spices sector is concerned about imports from Sri Lanka, while the vanaspati industry has problems with concessions to Malaysia and Indonesia," the official said, adding that these were a few instances.

While it is not unusual for domestic industry to take a hit in the local market due to cheap imports when FTAs are signed, the bigger issue with India is that utilisation of FTA by Indian exporters to send their goods to partner countries is very low.

Utilisation rate

In fact, estimates made by the Asian Development Bank, places the utilisation rate of India's FTAs between 5 per cent and 25 per cent which is one of the lowest in Asia. "While the assessment of FTAs being carried out by the Commerce Ministry is not being done with a pre-fixed idea, it is indeed a priority to find out if the pacts have at all been working for the country.

The assessment could also throw light on how things could be improved in future," the official said. India is currently engaged in FTA negotiations with the European Union, Australia, Canada and New Zealand, but talks have almost come to a stand-still over the recent past.

Source: thehindubusinessline.com- Aug 13, 2018

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India working on new industrial policy with textile focus

The Indian commerce and industry ministry is reportedly working on an industrial policy that may have special provisions for manufacturing in the textile and footwear sectors and expanding export hubs, which are concentrated in a few states now, across the country.

It will tie in existing initiatives and be a focal point for various industry-wise policies.

As Maharashtra, Gujarat, Karnataka, Tamil Nadu and Telangana account for 70 per cent of India's exports, the government plans to stop this ghettoisation of exports.

Centred around technological issues of Industry 4.0, the proposed policy will absorb the 2011 national manufacturing policy and will push further the Digital India initiative, a senior Department of Industrial Policy and Promotion (DIPP) official told a top Indian business daily.

While an initial discussion paper on the proposed industrial policy was floated in August 2017, a final draft of the policy is yet to be released in the public domain despite an announcement by the ministry that the final draft would be put out by January this year.

The initial document focused on the creation of jobs, the promotion of foreign technology transfer, the growth of micro, small, and medium enterprises, and the establishment of a goal to attract $100 billion foreign direct investment annually.

The proposed policy may also take note of the slowdown in low-skilled jobs in China, which was pointed out by the Economic Surveys in the last three years, and promote mandatory domestic procurement norms.

The current industrial policy was framed in 1991.

Source: fibre2fashion.com- Aug 13, 2018

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Global jitters drag rupee to record lows

The strong fall below 69 paves the way for the next targets of 70.3 and 72

Increasing risk aversion in the market dragged the Indian rupee to record lows on Monday.

The currency opened with a wide gap-down at 69.48 and tumbled to a new all-time low of 69.61.

The sharp fall on Monday has ended the Indian rupee's prolonged sideways consolidation between 68.25 and 69.10.

The currency has been stuck in this range for about six weeks.

Turkey the trigger

The trigger for the breakout came from Turkey. The Turkish lira has been on free fall since Friday. Its currency had tumbled about 20 per cent intraday on Friday after the US President Donald Trump announced that the tariffs on imports of aluminium and steel from Turkey will be doubled to 20 per cent and 50 per cent respectively.

This has added further pressure on the currency which has already been falling on the back of weak economic factors. The Turkish lira tumbled to a record low of 7.23 against the US dollar on Monday and has recovered slightly from there to the current levels of 6.87.

The sell-off has spread to all other emerging market currencies as well. The Brazilian Real, Mexican Peso, Russian Rouble and South African Rand are all down between 1 per cent and 5 per cent since Thursday.

Strong dollar

The US dollar index has surged 1.5 per cent from around 95 in the past week to 96.4 now. A sharp fall in the euro (major component of the dollar index) has taken the dollar index sharply higher. The euro has tumbled on concerns of the countries forming part of the European Union having exposures with Turkey. The euro has tumbled 1.8 per cent from around 1.6 to the current levels of 1.1385. It is likely to test 1.13 in the near term. A strong break below 1.13 can drag it to 1.12 or even 1.11 in the coming weeks.

A weak euro is likely to keep the dollar index strong. The dollar index can test 97.2 in the short term. A strong break above 97.2 will pave the way for the next target of 97.8 and 98. This in turn may keep the rupee under pressure.

What next for rupee?

The outlook for the Indian rupee remains negative. The level of 69.20 and 68.90 are the key near-term resistances which can cap the upside in the rupee. A fall to test the next supports at 70 and 70.3 is possible in the coming days. If the rupee manages to recover from any of these supports on the back of an intervention from the Reserve Bank of India, an intermediate upmove to 69.2 or 68.9 is possible. In such a scenario, a range-bound move between 68.9 and 70.3 is possible for some time.

However, an eventual break below 70.3 will bring renewed pressure on the currency. Such a break will increase the likelihood of the currency tumbling to 72 over the medium term.

Source: thehindubusinessline.com- Aug 14, 2018

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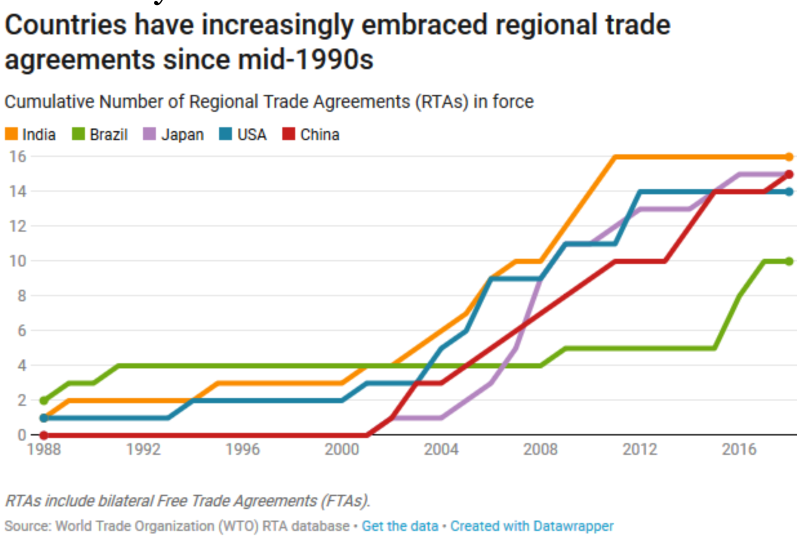
Can regional trade agreements boost India's exports?

India's lack of competitiveness in exports has hindered its ability to leverage opportunities provided by free trade agreements

As the World Trade Organization (WTO) comes under mounting attack from the Trump-led US administration, there is a clamour in India to negotiate regional trade agreements with peer countries to boost exports, and to insulate India's trade from the uncertainties of the global trading system.

However, a Mint analysis of trade agreements suggests that India has often failed to gain from such agreements. This could explain why Indian policymakers have become cautious about pursuing new trade agreements in recent years.

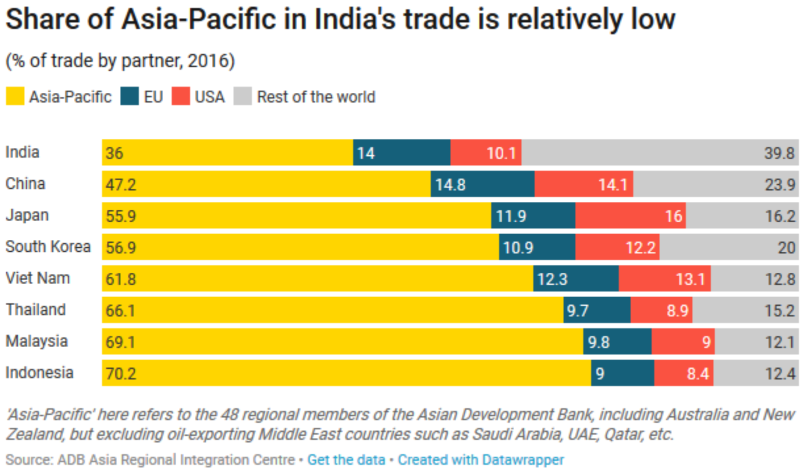


The rise of regional trade agreements (RTAs) globally coincided with the end of the Uruguay round of WTO talks in the mid-1990s and their growth has often been explained as a result of slow progress in multilateral negotiations.

RTAs here include both preferential trade agreements and free trade agreements (FTAs). The WTO defines RTAs as "reciprocal trade agreements between two or more partners".

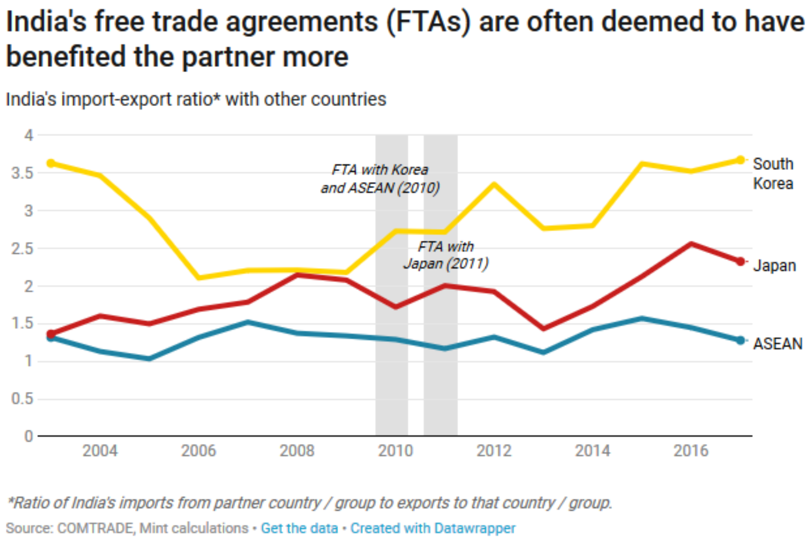
While some policymakers and economists see RTAs as building-blocks to a multilateral trading system, RTAs also face criticism for being detrimental to the spirit of multilateral free trade as countries that are not part of a regional agreement find themselves at a disadvantage.

This has often led countries to seek counter agreements to try and level the playing field.



In fact, such concerns have been a major driver of the proliferation of trade agreements over the past few decades, wrote Leonardo Baccini of the London School of Economics and Political Science and Andreas Dür of the University of Salzburg in a 2013 research paper.

To illustrate, India signing a free trade agreement with South Korea in 2009 spurred Japan to seek a similar agreement with India. This is because the FTA with South Korea would have endangered Japan's Nippon Steel Corp. The FTA would have allowed South Korean makers of steel plates to export to India without tariffs while Nippon would have still had to pay a 5% tariff. Eventually, India's FTA with South Korea came into effect in 2010, while that with Japan came into effect in 2011.



Thus, while trade agreements might not lead to any increase in trade, they might still be pursued by countries prompted by fears of being locked out of preferential agreements.

This is especially true in an era of rising protectionism and uncertainty.

It is of course possible to address such issues to some extent by creating mega-trading blocs.

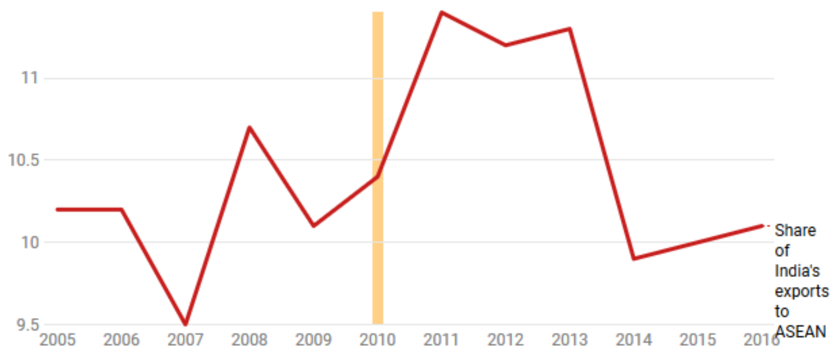
One such bloc being negotiated is the Regional Comprehensive Economic Partnership (RCEP), consisting of China, India, Japan, south-east Asian nations, Australia and New Zealand.

There might be scope for India to increase its trade with the Asia-Pacific region, given that its level of integration with the region is relatively low.

However, India has remained ambivalent about the RCEP, with officials expressing concern that it might actually harm India.

Share of India's merchandise exports to ASEAN fell sharply after initial gains post 2010

(as % of India's overall goods exports)



ASEAN-India Free Trade agreement came into effect in 2010

Source: COMTRADE • Get the data • Created with Datawrapper

India's lack of enthusiasm seems to be driven by its past experience with RTAs. India's existing agreements with South Korea, Japan and the Association of South East Asian Nations (Asean) are often deemed to have benefited the partner countries at India's expense. The import-export ratio with these countries deteriorated in the years following the implementation of the trade agreements.

Even as partner countries have benefited, Indian exports to these regions have remained lacklustre.

"India has not been able to sufficiently leverage these agreements to increase its presence in the markets of its partners," wrote trade economist Biswajit Dhar in a 2014 article.

"In most cases, the shares of India's merchandise exports to its partners have either stagnated or declined since the middle of last decade," Dhar wrote.

India’s inability to gain market share in these regions may be partly explained by its lack of competitiveness in exports. Unless India removes the structural bottlenecks hurting its exports, it is unlikely to make big gains in the world market.

“At a practical level, India’s policymakers have not been strategic and forward looking in evaluating its free trade deals,” said Vivek Dehejia, a Mint columnist and a senior fellow at the Mumbai-based IDFC institute.

“The focus needs to be on where India can promote its exports; it does not necessarily mean entering into regional trade agreements. India needs to be careful in weighing each trade deal on its own merit. When it comes to free trade agreements, no deal may be better than a bad deal.”

Source: livemint.com- Aug 14, 2018

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Textile tempo owners go on indefinite strike

At least 7,000 tempos delivering unfinished fabrics in textile markets located on Ring Road went off the road demanding free parking and direct supply of goods to textile mills here on Monday.

Sources said tempo owners had threatened to launch an indefinite strike from Monday to protest against managements of the textile markets for charging hefty parking fees despite Gujarat high court order for providing free parking at commercial complexes and shopping malls.

Surat Textile Goods Tempo Association and labour union have joined hands to protest against textile traders and also police for acting against the tempo owners supplying grey fabrics in the markets two days ago.

Sources said more than 80 per cent of the textile markets are not having parking facilities, while those who have charge parking fees ranging from Rs30 to Rs80 per hour.

The tempo owners are forced to park their vehicles on the road for unloading and loading of grey fabrics from the markets.

Tempo association and labour union spokesperson Shaan Khan said, “We are equally concerned over traffic jams on Ring Road. We have been demanding that the grey fabrics collected from power loom weaving units should be delivered directly to the textile mills for finishing. There is no need to get the goods to the markets.”

Khan said managements of textile markets have stated that they will allow free parking for one hour and that the tempo owners will have to pay charge after one hour. However, the high court has ruled that parking in commercial complexes should be free.

Ashish Gujarat, leader of the powerloom sector, said, “Most of the small units who do not have godowns have stopped manufacturing grey fabrics because of the indefinite strike by the tempo owners. We have urged the textile traders to accept the demand of the tempo owners.”

Source: timesofindia.com- Aug 14, 2018

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India extends reverse charge mechanism suspension by 1 yr

The Indian Government has extended the suspension of the reverse charge mechanism (RCM) on purchase of goods or services by registered dealers from unregistered dealers within the state till September 30 next year, according to the Central Board of Indirect Taxes and Customs (CBIC). The suspension was earlier valid till September 30 this year.

With this, any registered dealer can purchase goods or services from unregistered dealers without paying goods and services tax (GST) under reverse charge till September 30 next year, according to Indian media reports.

The suspension was earlier available till March 31, 2018, and then extended to June 2018 and then to September 30. Experts said the move will bring significant compliance relief to large businesses and encourage them to buy from unregistered dealers.

Source: fibre2fashion.com- Aug 14, 2018

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E-commerce: DIPP unlikely to rush to allow FDI in inventory model

Even though a task force on e-commerce has suggested that up to 49% foreign direct investment (FDI) be allowed in e-tailers holding inventory of locally produced goods, the Department of Industrial Policy and Promotion (DIPP) is unlikely to rush into effecting such a change.

Currently, up to 100% FDI is allowed in e-commerce marketplaces via the automatic route but no foreign investment is allowed in e-tailers holding inventory of goods, except in the retailing of domestically-produced food items.

The DIPP — the nodal department to formulate FDI policies for the retail sector — has no plan to ease the existing policies for e-tailers as of now, a senior official told FE. So even if the next draft policy on e-commerce suggests such a relaxation, it doesn't guarantee a policy change automatically, he added. This is because the DIPP is learnt to have had its reservations on such a policy relaxation, given stiff opposition by brick-and-mortar stores and sensitivity attached to retail trade.

As for retail policy governing brick-and-mortar stores, while 100% FDI is allowed in single-brand retail via the automatic route, in multi-brand retailing, up to 51% of FDI is permitted, subject to government approval. Only in trading — including through e-commerce — of locally produced food products is up to 100% FDI allowed with government permission.

The task force headed by then commerce secretary Rita Teaotia last month suggested that FDI in the so-called inventory model be allowed. However, in such a case, the founder/promoter of the e-commerce player has to be a resident Indian, with its management controlled by Indians and foreign equity would also not exceed 49%, it had said.

Offline traders have already warned that they will step up agitations against this kind of a policy relaxation. As such, they have been alleging that e-tailors also hold inventory and give massive discounts using the foreign investments, thus violating the FDI policy. The extant FDI policy bars an e-commerce marketplace from influencing pricing of products either directly or indirectly through discounts, etc.

Given the gravity of the matter, commerce and industry minister Suresh Prabhu, who is heading a think tank that is entrusted with the job of finalising the country's e-commerce policy and with which the report of the task-force was submitted, has called for further deliberations on the policy.

Although Amazon has also got approval to set up its offline retail outlets for food items as well, as per rules, it is mandated to keep its food retailing separate from other ventures. Sources had earlier said that if e-tailers like Amazon were allowed to hold inventory of all locally produced items under the FDI policy, they might not set up offline stores for only food products where margins are not so good. So the objective of improving farmers' income by easing FDI rules for only food retail won't yield much, they had said.

Source: financialexpress.com- Aug 14, 2018

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Cotton conference

The Indian Cotton Federation (ICF) will organise its fourth All India bi-yearly conference on cotton here on August 17 and 18. The event will be held jointly with the Indian Cotton Association - Bathinda.

J. Thulasidharan, president, P. Nataraj, vice-president, and Atul P. Asher, secretary of ICF, told presspersons here on Monday that the programme would have sessions for ginners, spinners, and brokers, apart from two business sessions.

The ICF would sign a Memorandum of Understanding with MCX and Mrugank Paranjpe, managing director and chief executive officer of MCX, would give a presentation.

"We will be a bridge, a co-ordinator between MCX and those who want to do cotton futures trading," Mr. Thulasidharan said.

In India, most of those in the cotton futures market were consumers of cotton and they wanted to hedge cotton against price volatilities. With better awareness about MCX, more people would get into futures trading, they said.

The conference would focus on commercial issues and participants and speakers were from other countries and different parts of India. Based on the deliberations, the federation would submit its suggestions to the State and Central Governments to improve cotton yield and double farmers' income.

Agronomy research was one area that India needed to focus on. The average yield in Australia was 2,000 kg per hectare and the world average 750 kg per hectare. However, in India, it was just 550 kg per hectare.

The trash level should also come down in India. Cotton logistics was another area attracting international players, they said.

Source: thehindu.com- Aug 14, 2018

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