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IBTEX No. 180 of 2019 **September 14, 2019**

US 71.03| EUR 79.25 | GBP 88.83| 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

US-China trade war: Stakes high for Washington, higher for Beijing

In the 1970s, America normalised relations with China, sending ping-pong teams. Today, China and America are playing a brasher version of ping-pong, with a tit-for-tat trade war, reneging on the agreement made in June 2019 where they agreed not to levy tariffs. In early August, US President Donald Trump announced a planned tariff hike. This was met with China slamming tariffs on 5,000 American items.

In retaliation, America announced tariff hikes on Chinese goods. The trade war has sent global investors, China's manufacturers, American automobile industry and American farmers into a tailspin. The trade war, while economic in intent, has strong political undertones, and while the stakes are high for America, they are much higher for China.

The trade war cannot be seen in isolation. In recent years, the South China Sea territorial dispute and militarisation of the seas has aggravated, as have boroughs of China's economic influence in Asia, Africa, Latin America and even Europe. And more recently, Hong Kong has descended into political chaos, where the Beijing-backed government is asking for a dialogue with the protesters, but clearly lacks the mechanism to facilitate it.

China moving paramilitary forces to Shenzhen and sending fresh troops to Hong Kong as 'normal routine' does not help. A few protesters in Hong Kong have marched singing 'The Star-Spangled Banner', asking President Trump to 'liberate Hong Kong'. The ball is clearly in the American court.

The American negotiating demands are transparency of an 'enforcement mechanism' backed by legislation in China and guarantees of farm purchases. China agreed to a 'regulatory mechanism' (not 'enforcement mechanism') and fell short of the American demand of reviewing the Chinese legislation prior to adoption. Months of trade talks failed to steer a deal. In response, President Trump indicated that tariffs on Chinese imports would be hiked.

In anticipation of the tariff hike, China announced counter-tariffs on $75 billion worth of goods, raising tariffs by 5-10%, in two tranches on September 1 and December 15. China also said that it would resume duties of 25% and 5% on vehicles and auto parts beginning December 15, and 5% tariff on crude oil from September 1.

The Chinese step led to America escalating the tempo of the trade war. American tariffs apply on $550 billion worth of Chinese imports, including a 15% tariff to $300 billion worth of Chinese imports beginning October 1 and raising the rate on $250 billion of Chinese imports from (existing) 25% to 30% beginning September 1.

So, how will Chinese tariffs impact America? The People's Daily (China) reported that Beijing's tariffs were aimed at "inflicting pain on the US manufacturing sector." An analysis by Brookings Institution (2018) indicated that the 'hit list' of American industries was calculated to scare both 'red and blue' America. The items that China proposes to raise taxes include agricultural products (nuts, pork, soybean), textiles, toys, clothing and automobiles.

The Wall Street Journal has reported that major car companies, including Tesla and Ford Motor, which build their vehicles in America for export to China, will be hit hard. As for America's Midwest, G William Hoagland, senior vice-president at the Bipartisan Policy Center, a think tank, has thrown the spotlight on 240 Midwestern farms filing for bankruptcy due to the trade dispute and bad harvests. In fact, the agricultural sector has been recently granted $28 billion in subsidies.

Now, how will American tariffs impact China? These will impact Chinese companies and manufacturers who are facing slowdown. Job losses from the trade war are estimated at 2 million, or even 3 million. For China, this is bad news, with its incessant factories cutting production and jobs leading to unemployment and the circle of social problems.

Goods such as clothing, footwear, toys and cellphones imported from China will cost more—a cost that the American consumer would bear. This would affect China's manufacturers, American consumers, importers, retail sales, disrupting the supply chain.

President Trump has been upbeat and optimistic that American companies would leave China and come home. But as it unfolds, American companies cannot ignore the massive Chinese market, nor the advantages of shifting base to Vietnam, Indonesia and Cambodia.

It is true that China's paternalistic state has ways to support Chinese businesses with cheaper credit and tax cuts. In fact, the American administration has labelled China a 'currency manipulator' with the yuan going past 7 against a dollar, making China's exports cheaper for the developing world. But this, too, is a double-edged sword as foreign/domestic investors could pull their investments out. China's Belt and Road Initiative indirectly facilitates exporting/dumping of products in the developing world.

But China has a lot to worry about. In the trade war, President Trump has channelled the old gripe of China profiting on the back of intellectual property theft, forced technology transfer, and the pulse of America's domestic audience.

Presidential elections are round the corner. America, despite not in decline, is perceived by a large section of the American public as a power in decline. Only a narrow majority (56%) are optimistic about America's future (Pew Research Center, 2019). According to the Pew Research Center, seven in 10 Americans (January 2019) are dissatisfied with the current state of affairs. A quarter of them (24%) view China and Russia as a threat to America, with 60% Americans having an unfavourable opinion of China (up from 47% in 2018), including a quarter who have a very unfavourable opinion (italics and data, Pew Research Center, 2019).

President Trump taking on China resonates with the domestic audience and cuts across party lines. This has reverberated in bipartisan support for Hong Kong, be it Kevin McCarthy's (Republican leader, US House of Representatives) opinion that America must help Hong Kong, to Nancy Pelosi's (Speaker, US House of Representatives) backing of the Hong Kong Human Rights and Democracy Act.

The truth is, as economist Eswar Prasad has noted, "...the U.S. economy is about 50 percent larger than China's, and is less dependent on trade, so its prospects look better." Clearly, with the Chinese economy slowing down, China has a lot at stake. While it is upbeat about the trade war, it is only so, with respect to its own domestic audience. China is cognisant of the downside of the trade war and hence makes conciliatory noises now and then. This explains Vice-Premier Liu He's call for "calm negotiations." This also explains why China has softened its stand with a tariff waiver on 16 US goods as a goodwill gesture ahead of the trade meet. China cannot ignore that America may not lose out too much economically and that the 'China card' is a trump card in the coming elections.

Source: financialexpress.com- Sept 14, 2019

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Lost In the Shuffle, Chinese Fabric Mills Suffer Trade War Fallout

While much has been made about the erosion of U.S. imports of apparel from China in the last year as a result of the U.S.-China trade war and lead up to this month's imposition of tariffs, what has been somewhat lost is the decline of U.S. textile imports from China.

The numbers pale in comparison to China's girth as a supplier of U.S. apparel, since U.S. clothing production has gone through a major decline in the last 20 years, even with some bounce back in recent years, but they still show a substantial impact.

In the first seven months of 2019, U.S. fabric imports from China fell 22.36 percent in value to $885.62 million compared to the same period last year.

For the 12 months through July, China's market share of fabric imports was down to 27.34 percent, as shipments were 7.52 percent below the previous year. This also indicates that the rate of fabric import decline picked up precipitously as the threat of tariffs became more real.

Edwin Keh, CEO of the Hong Kong Research Institute of Textiles and Apparel and a speaker at the upcoming Sourcing Summit New York, said China mills certainly seem to have fallen on tough times.

"Domestic demand is weak, overseas demand is declining and [there are] general concerns about business volumes," Keh said.

Chinese yarn imports, a lesser market since U.S. yarn manufacturing is more viable than fabric production, dropped 33 percent year to date through July to $103.2 million. Similarly, yarn imports for the 12 month-period from China were down 6.13 percent, leaving China with a 16.79 percent market share.

Most factories, Keh said, are absorbing some of the additional U.S. import duties to keep production lines moving.

“This is a short term fix, probably not sustainable for the next quarter,” he said. “There’s so very little room for price reductions left. I expect China will also be rapidly moving their production capacity investments offshore.”

Munir Mashooqullah, founder of Synergies Worldwide and now an adviser and board member for textile companies in Pakistan, Bangladesh, China and Europe, said most Chinese fabric mills are holding prices and, in some cases, making the sale to keep capacities running.

“The tariff, while anticipated, did come in last minute and the extra 5 percent announced by Trump on the eve of the deadline was a blow,” Mashooqullah said.

If the current tariffs stay in place, or if threatened future increases take hold, Chinese mills might not be able to absorb the added costs.

In fabrics, China’s loss was India’s, South Korea’s, Vietnam’s and Germany’s gain, with each of the Top 10 supplier countries posting double-digit increases in the period. In yarns, Mexico, South Korea, Taiwan and Italy have registered major gains this year.

Industry observers and market sources said many Chinese mills have shifted their focus to supplying their Asian neighbors with textile to make apparel. As part of the Belt and Road Initiative, Chinese companies have also been investing in African apparel and textile factories.

“There are lots of shifts to Southeast Asia due not only to the trade war, but general price increases in China,” Keh said. “Some domestic Chinese brands are also moving production offshore.”

Adding to that, Mashooqullah said, "Chinese fabric is heading to Africa, Bangladesh, Vietnam and Cambodia," as well as other smaller clothing makers.

Source: sourcingjournal.com- Sept 12, 2019

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UK economy shows unexpected strength in July

The UK economy grew at its fastest pace in six months in July, a strong performance beyond expectations that is likely to allay fears of a possible pre-Brexit recession.

The economy recorded growth across the board, with the services sector enjoying its best. It will expand 0.4 per cent in the third quarter even if output is unchanged in August and September.

That will avoid a second straight quarter of contraction.

However, some evidence does exist of the UK economy losing some momentum in recent months because of the political crisis over Brexit and the escalating US-China trade conflict, according to global newswires.

In a recent report, KPMG warned that leaving the European Union without a deal could trigger a recession lasting four quarters, with output contracting by 1.5 per cent next year. The Resolution Foundation said the next recession could be 'unnecessarily painful' because monetary and fiscal policy are ill-equipped to combat it.

The UK gross domestic product expanded by 0.3 per cent in July, beating forecasts for a 0.1 per cent rise, and was unchanged over the latest three months. The economy will reportedly avoid a recession unless output drops by more than 0.8 per cent over August and September.

Source: fibre2fashion.com- Sept 14, 2019

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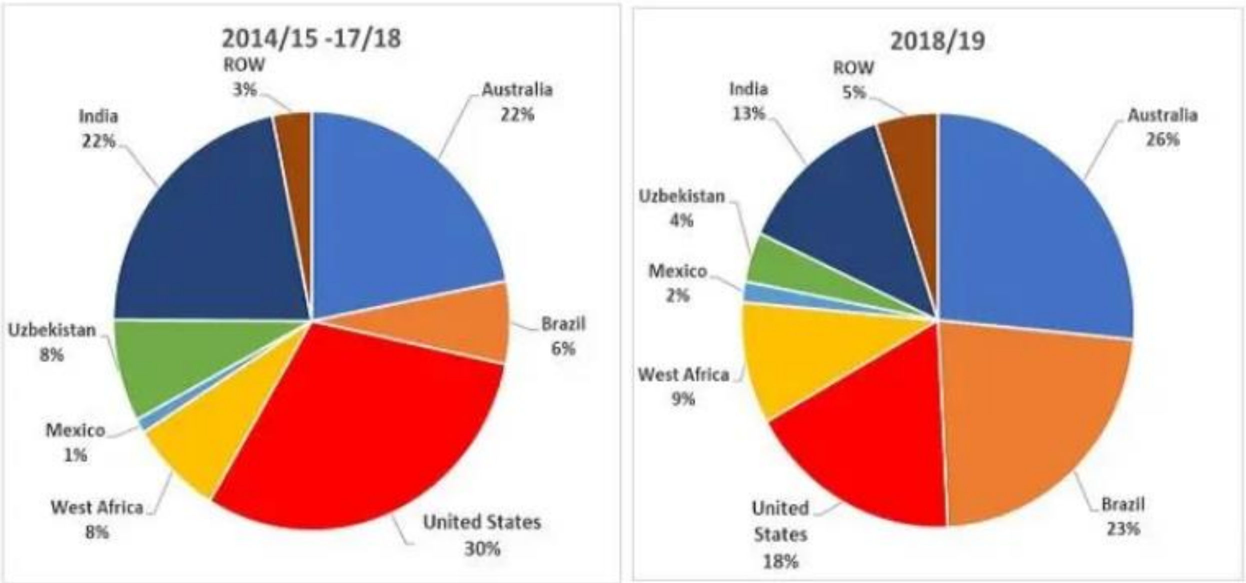
US share in China cotton import dips sharply in 2018-19

The US share of China cotton imports fell to 18 per cent in 2018-19, down sharply from 45 per cent in 2017-18, and was well below the 30 per cent share seen over the previous five years, according to the US department of agriculture (USDA). This was also the lowest market share since China reformed its cotton sector in 1999, the USDA said in a report.

"In 2018-19 cotton season, the US cotton faced two challenges in China; first, the additional tariffs being placed on certain imports of US cotton; and second, the arrival on the world market of two consecutive record Brazilian crops," the Foreign Agriculture Service of the USDA said in its September 2019 report 'Cotton: World Markets and Trade'.



India's share in China's cotton import was also below the 5-year share. "India's share has been trending down since China began limiting imports outside of the WTO tariff-rate quota (TRQ). With limited access, importers prefer to bring in machine-picked cotton. Also, India's continual increase in its domestic Minimum Support Price (MSP) coupled with lower world prices limits its cotton competitiveness, the report said.

Uzbekistan's market share was also at the lowest level since China's cotton sector reform, but this was largely due to Uzbekistan's domestic policies which are expanding domestic use and limiting exports.

Brazilian cotton benefited most from the lower market shares by the US, India, and Uzbekistan, while Australia, West African countries, and most other exporters saw small increases in their share in China market.

Brazil's then-record 2018 crop provided exporters with ample supplies, and the prospects of an even larger 2019 crop gave exporters an incentive to ship the cotton rather than carry it over. Brazil also benefited from purchases for China's State Reserve. Traditionally, State Reserve purchases have been primarily of US cotton, but due to the ongoing trade dispute between the US and China, the State Reserve purchased almost exclusively Brazil cotton in 2018.

With US-China trade tensions ongoing and Brazil having a second record crop, it is unlikely that US share in Chinese cotton import will recover to historic levels in 2019-20, the report said.

Source: fibre2fashion.com- Sept 13, 2019

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U.S. import, export prices down in August

U.S. import and export prices decreased in August, the U.S. Department of Labor reported on Friday.

The price index for U.S. imports decreased 0.5 percent in August, after rising 0.1 percent in the previous month.

With the exception of the August and June decreases, U.S. import prices advanced in each month of 2019. Despite the increases, the price index for U.S. imports declined 2.0 percent from August 2018 to August 2019.

Prices for import fuel decreased 4.3 percent in August after rising 0.7 percent the previous month. Prices for import fuel fell 11.1 percent over the past 3 months.

In August, lower petroleum prices more than offset higher prices for natural gas. The price index for import petroleum declined 4.8 percent, after increasing 0.9 percent the previous month. Fuel prices decreased 8.7 percent over the past 12 months. Prices for import petroleum fell 9.6 percent over the same period.

Prices for nonfuel imports were unchanged for the second consecutive month in August following 0.3-percent decreases in both June and May.

In August, lower prices for foods, feeds, and beverages and nonfuel industrial supplies and materials were offset by price increases for automotive vehicles and consumer goods.

Prices for nonfuel imports declined 1.0 percent over the past 12 months, led by price decreases for industrial supplies and materials and capital goods. Meanwhile, prices for U.S. exports decreased 0.6 percent in August, after a 0.2-percent rise the previous month.

The decline was driven by price decreases for both agricultural and nonagricultural exports. The price index for U.S. exports also fell on a 12-month basis in August, declining 1.4 percent from August 2018 to August 2019.

Agricultural export prices drop 2.5 percent in August following a rise of 0.2 percent in July and 2.4 percent in June. The decrease in August was the largest monthly decline since the index fell 5.2 percent in July 2018. Lower prices for vegetables, corn, soybeans, cotton, meat, and wheat all contributed to the decline.

Despite the monthly drop, prices for agricultural exports rose 0.5 percent over the past year.

The price index for nonagricultural exports fell 0.4 percent in August following a 0.2-percent increase in July. The August decrease was driven by price declines for nonagricultural industrial supplies and materials and automotive vehicles.

Prices for nonagricultural exports fell 1.6 percent for the year ended in August. Lower prices for nonagricultural industrial supplies and materials more than offset price increases for finished goods over the 12-month period.

Source: xinhuanet.com- Sept 14, 2019

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Myanmar: Garment export volume reaches US$ 4.3 billion in 11 months in current FY

The garment export volume reached US$ 4.3 billion in 11 months in the current financial year, up US$ 1.1 billion compared with the same period of the previous year, said an official of the Ministry of Commerce.

“From October 1 to August 30 of 2018-2019 FY, garment export volume reached US$ 4,376.416 (US$ 4.376 billion). In the same period of last year, garment export volume reached US$ 3,203.892 million (US$ 3.203 billion),” said the official of the ministry.

In comparison with the current and the previous FYs, the current garment export volume exceeded US$ 1,172.524 (US$ 1.172 billion).

“The garment export volume reached nearly US$ 4.6 billion in 2018. It is expected garment export volume would reach US$ 10 billion in 2024, Khaing Khaing Nwe,” quoted Secretary of Myanmar Garment Entrepreneurs Association as saying at the Fifth Annual Meeting of MGEA held at the office of UMFCCI on May 11 in 2019.

Foreign investment is flowing mostly in garment sector. There are more than 500 members in the MGEA and more than 500,000 employees. Myanmar got 10 percent of income as sewing charge.

“Myanmar enjoys sewing charge as income. Some get 8 percent, some 12 percent. The quality product gets 12 percent. If the sewing charge is not many, it is about 8 percent. Therefore, the average is about 10 percent,” said Daw Khaing Khaing Nwe.

Source: elevenmyanmar.com- Sept 13, 2019

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Taiwan's textile sector evolves with smart manufacturing, eco-friendly materials

Over the last 60 years, Taiwan has evolved from a mass supplier to an innovator equipped with a comprehensive yet integrated value chain and developer of high value added products and functional textiles. One of the most significant sectors of the manufacturing industry, the textile industry now ranks among the top seven in the world based on export value. Fabric is the biggest item exported in 2018 with a total export value of $6.66 billion; followed by yarn with a total export value of $1.7 billion.

High value exports in focus

Although the value of exports has dropped in the past few years, the country now focuses more on exporting high value-added textiles for sportswear and outdoor clothing, which makes the country the seventh largest textiles exporting country. Some of value-added textiles exported by the country include:

Functional textiles: Taiwan is a major provider of functional textiles for well-known international outdoor Taiwans textile sector evolves with smart manufacturing eco friendly and sportswear brands. The country exports around 70 per cent of the world's output of functional fabrics. For 2018 FIFA World Cup in Russia, the country provided around three-quarters of the players uniforms for the top 16 teams.

Innovative and eco-friendly solutions: With eco friendliness now being in the DNA of Taiwan's textile industry, the country has become a leading supplier of recycled man-made fibers and blends. The country offers innovative solutions and environmentally sustainable products which are compliant with bluesign®, ZDHC, suitable for OEKO-TEX® Standard 100, of brands. It also constantly introduces new sustainable textile developments that combine high-tech, ecology, function with life aesthetics.

Smart textiles with electronics: Taiwan's two globally competitive industries textiles and electronics are now working together to develop smart textiles. These textiles are combined with nanotechnology, biosensors, new materials and miniaturised electronic components to be applied to day-to-day living as well as many other areas. The country has also developed an integrated supply chain, with different companies across the country specialising in smart metallic yarns, electrotherapeutic functions for pain relief smart textiles with temperature control and warning feature, positioning functions such innovations have helped develop new ideas for healthcare, sports, safety, fashion, entertainment, military, and aviation uses.

Leading brands like Nike, The North Face, Adidas, VF Corp, Columbia, Lululemon, Under Armour, Jack Wolfskin, Vaude now depend on Taiwan for its unmatched value proposition. The country has gained reputation for its reliability, innovation and sustainability. In future, Taiwan would continue focusing on technology, eco-friendliness, smart manufacturing and supply chain integration.

Source: fashionatingworld.com- Sept 13, 2019

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Bangladesh reaps benefit from Sino-US trade war

Bangladesh's apparel exports to the US market continued to soar, reaping the benefit from the Sino-America trade war.

The country's garment shipments to the US grew by 11.53 per cent to US$3.56 billion during January-July period of the current fiscal year while its garment export stood at $3.19 billion during the same period last year, according to the US Office of Textiles and Apparels (OTEXA).

Exporters attributed the rise to trade diversion caused by high tariff imposed on Chinese apparel items by the US authorities.

"Garment export from Bangladesh to the US is increasing as many US buyers appear to have shifted their orders to Bangladesh to avoid high tariff," M Siddiqur Rahman, former president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), told The New Nation yesterday.

He said the rise has coincided with deterioration in the competitiveness of Chinese manufacturers following rise in labour costs in China, the global leader of apparel and textile export trade.

"The punitive tariff on Chinese apparel products has opened up opportunities for the Bangladesh readymade garment sector. It could play a major role in increasing our exports to the US market further by taking up share from China,' said Siddiqur Rahman.

He also stressed the need for boosting industry productivity and product diversification to take advantage of emerging opportunities created by the trade war. The Trump administration earlier imposed a 25 per cent tariff on nearly all Chinese exports to the United States.

So far, Washington has imposed tariffs on hundreds of billions of dollars worth of Chinese goods to pressure Beijing into changing its policies on intellectual property, industrial subsidies, market access, and the forced transfers of technology to Chinese firms. Beijing has consistently denied that it engages in unfair trade practices, and has retaliated with tariffs on a wide range of US products.

"With tariff increasingly cutting into profits, US fashion brands and retailers are moving from China to Bangladesh causing a significant trade diversion, and thus helps increase our garments export to the US," Abdus Salam Murshedy, MP, president of the Exporters Association of Bangladesh (EAB) told The New Nation.

In fact, he said, the US buyers are placing additional orders to avoid higher tariff on import from China. A deepening trade dispute between the US and China may force more US companies to shift their sourcing from China to Bangladesh. "We have to go for high-value products to cater the demands of the US buyers," he added.

Bangladesh's garment exports to the US grew by 14.49 per cent to $6.13 billion in the last fiscal year (2018-19), according to the data of the Export Promotion Bureau (EPB).

The country is the second largest apparel exporter in the world, after China, accounting for 6.5 per cent share of the market.

Source: thedailynewnation.com - Sept 14, 2019

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NATIONAL NEWS

India's merchandise exports declines 6.0% in August 2019

Trade deficit narrows to US$ 13.45 billion in August 219

India's merchandise exports declined 6.0% to US$ 26.13 billion in August 2019 over a year ago. Meanwhile, merchandise imports dipped 13.4% to US$ 39.58 billion. The trade deficit narrowed 24.9% to US$ 13.45 billion in August 2019 from US$ 17.39 billion in August 2018.

Oil imports declined 8.9% to US$ 10.88 billion, while the non-oil imports also dipped 15.1% to US$ 28.71 billion in August 2019 over August 2018. The share of oil imports in total imports was 27.5% in August 2019, compared with 26.2% in August 2018. The price of India's basket of crude oil plunged 18.2% to US$ 59.35 per barrel in August 2019 over August 2018.

Among the non-oil imports, the major contributors to the overall dip in imports were gold imports declining 62.5% to US$ 1.36 billion, transport equipment 44.5% to US$ 1.08 billion, coal, coke & briquettes etc 23.8% to US$ 1.74 billion, pearls, precious & semi-precious stones 20.5% to US$ 1.52 billion and electrical & non-electrical machinery 8.8% to US$ 3.47 billion, while imports of organic & inorganic chemicals also declined 15.0% to US$ 1.81 billion, electronic goods 4.1% to US$ 5.35 billion, metaliferrous ores & other minerals 35.7% to US$ 0.37 billion and non-ferrous metals 10.6% to US$ 1.21 billion.

Further, the imports of artificial resins, plastic materials etc declined 7.8% to US$ 1.28 billion, vegetable oil 7.5% to US$ 0.94 billion, professional instrument, optical goods, etc. 9.9% to US$ 0.41 billion and wood & wood products 1.1% to US$ 0.52 billion.

However, the imports have increased for medicinal & pharmaceutical products by 1.1% to US$ 0.55 billion, chemical material & products 6.3% to US$ 0.69 billion, crude & manufactured fertilizers 11.7% to US$ 0.55 billion and iron & steel 9.8% to US$ 1.69 billion in august 2019.

On exports front, the engineering goods recorded a decline in exports by 9.4% to US$ 6.55 billion, followed by petroleum products 10.7% to US$ 3.32 billion, cotton yarn/fabrics/made-ups, handloom products etc 22.4% to US$

0.83 billion, organic & inorganic chemicals 9.2% to US$ 1.81 billion, plastic & linoleum 16.9% to US$ 0.65 billion, rice 23.9% to US$ 0.42 billion and gems & jewellery 3.5% to US$ 3.21 billion.

The exports also declined for meat, dairy & poultry products by 28.0% to US$ 0.29 billion, man-made yarn/fabrics/made-ups etc 13.6% to US$ 0.40 billion, leather & leather products 10.9% to US$ 0.43 billion, rmg of all textiles 2.4% to US$ 1.26 billion, fruits & vegetables 12.6% to US$ 0.17 billion, and drugs & pharmaceuticals 0.2% to US$ 1.68 billion.

However, the exports moved up for electronic goods by 45.9% to US$ 1.02 billion, iron ore 356.7% to US$ 0.28 billion and spices 35.4% to US$ 0.33 billion in august 2019. Further, the exports of marine products also increased 5.3% to US$ 0.59 billion, ceramic products & glassware 12.6% to US$ 0.26 billion, and mica, coal & other ores, minerals including processed minerals 2.2% to US$ 0.36 billion in august 2019.

Merchandise exports in rupees declined 3.9% to Rs 185881 crore, while imports dipped 11.5% to Rs 281606 crore in August 2019 over August 2018. The trade deficit eased to Rs 95725 crore in August 2019 compared with Rs 120973 crore in August 2018.

India's merchandise exports fell 1.8% to US$ 133.54 billion, while merchandise imports declined 5.1% to US$ 206.39 billion in April-August 2019. The decline in imports was driven by a 6.1% fall in oil imports to US$ 55.33 billion. India's merchandise trade deficit eased to US$ 72.85 billion in April-August 2019 from US$ 80.35 billion in April-August 2018.

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

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Nirmala Sitharaman may announce sector-specific solutions on Sept 14; realty, export in focus

In a bid to arrest the current economic slowdown, Finance Nirmala Sitharaman is expected to announce further relief measures on September 14.

According to Press Information Bureau's (PIB) twitter, Sitharaman will address a press conference at 2.30 pm from the National Media Centre in New Delhi.

In the event, the Union Minister is expected to make announcement focusing upon boosting the realty and export sectors, the CNBC has reported, quoting sources. She is likely to announce sector-specific solutions as well as broad-based relief measures, it said.

According to the report, Finance ministry officials made a detailed presentation of the measures to be announced to the Prime Minister's office on September 13. The current round of measures have convinced the PMO, which feels that the measures will boost sentiment and current economic situation, the report added.

The economic growth hit a six-year low of 5 percent for the first quarter of the current fiscal and the government has announced a slew of measures to reinvigorate the sagging growth.

In recent weeks, the government has announced a slew of economic measures including the mega bank mergers, withdrawal of higher surcharge on Foreign portfolio investments (FPIs) and domestic investors, sops for infrastructure, revival package for the auto industry and relief for startups.

Another major event to watch out for is the GST Council meeting next week in Goa. The Centre is expected to announce the Goods and Services Tax (GST) rate for the auto beleaguered industry from the highest tax slab of 28 percent to 18 percent.

Source: moneycontrol.com - Sept 14, 2019

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Wary of China in RCEP, India looks for bilateral deals amid mounting trade deficit

In 2018-19, India had trade deficit with 11 out of 20 RCEP countries. In 2017-18, it had a trade deficit of $104 billion with all RCEP countries; more than half of this ($57.86 trillion) was with China

India's indecisive stance on the Regional Comprehensive Economic Partnership (RCEP) and agreement to review the free trade agreement, or FTA with the Association of South East Asian Nations (ASEAN) - a group of 10 South East Asian nations' group - indicates it has been evaluating options outside the larger regional group as well.

Officials in Ministry of Commerce and Industry told Business Today that a similar request has also been made to Japan and South Korea to review the Comprehensive Economic Partnership Agreements signed with both the countries, respectively.

Separately, India is negotiating FTAs with Australia and New Zealand as well. The regional group RCEP is an attempt to integrate ASEAN countries and their FTA partners - India, China, Japan, South Korea, Australia and New Zealand - in a free trade zone. It means, India is trying to work out a liberal trade deal with practically every country in the block except China.

India is still officially open to the deal and has invited all trade negotiators of member countries over the weekend (September 14-15) to look for ways to crack a 'better deal'.

If these negotiations bear fruits, it would practically be an end of the RCEP road. Initially, RCEP was seen as an alternative to the Trans-Pacific Partnership (TPP). It gained a new dimension after the US pulled out of the TPP and subsequently initiated a trade war, largely against China.

Minister of Commerce and Industry Piyush Goyal, who just returned from a ministerial meet in Bangkok, has two tasks to take care of - improving country's export statistics and expanding the manufacturing capacity base. "India will keep the national interest in mind, before committing anything on RCEP," said Goyal.

RCEP might open avenues for cotton exporters and pharmaceutical traders. However, those who advocate India's commitment to RCEP argue that it will allow country's integration with global value chains (GVCs), and provide greater opportunities for investment. "The national interests cannot be hijacked by one of two sectors; this has to be seen in a comprehensive context," Goyal clarified.

Back home, PM Narendra Modi's regime was under immense pressure from their ideological parent Rashtriya Swayamsewak Sangh's economic think-tank Swadeshi Jagran Manch, or SJM to resist commitment to RCEP and instead review these trade agreements. "It is unheard of in trade diplomacy not to have exit or sunset clause.

The benefits cannot be unlimited. This is the undoing of the wrong that happened in the agreement," says Ashwani Mahajan, national co-convener of SJM, "The agreements with Japan and South Korea are an extension of these wrongs." RSS and their affiliates believe that these agreements were tilted against domestic players and created an imbalance across manufacturing and services sectors.

This is seen as a bold step amid economic slowdown and practically flat export-to-GDP growth. It now requires regrouping of the GVC business models, especially from India's perspective. Trade experts rate the new development as a 'real opportunity' to integrate with manufacturing capacities with ASEAN countries, especially when India is building up the trade infrastructure connecting these countries with road and forming another block BIMSTEC. This would create more opportunities for manufacturing sector, along with services.

Chinese Factor

At RCEP, foreign minister S Jaishankar articulated that the RCEP deal might trigger dumping by Chinese companies in India. "The agreement would call for reducing tariffs that would lead to a flood of goods from China. India will not have equal access to Chinese markets. It will widen trade deficit even more."

Even without a trade agreement with China, India's trade deficit with the country has risen 13 times over the last decade. China, according to a NITI Aayog paper, accounts for around 50 per cent of India's trade deficit. The deficit has been widening every year. Joining RCEP would tantamount to de-facto signing an FTA with China and giving the country market access to India. China is looking to compensate for the export loss in the US. RCEP provides the country a viable platform for this purpose. That said, joining the pact could be detrimental to India's interests.

In 2018/19, India had trade deficit with 11 out of 20 RCEP countries. In 2017/18, it had a trade deficit of $104 billion with all RCEP countries; more than half of this ($57.86 trillion) was with China. In this block, India's trade with ASEAN countries stands at roughly $80 billion and deficit at more than $25 billion.

India is hopeful of similar review with Japan and South Korea to open up doors for GVC-led manufacturing without China. Separately, it is negotiating with China to open up their market for Indian products along with removal of non-tariff barriers.

Those advocating RCEP argues the deal is the 'biggest opportunity' for India. They say partnership should not be seen from the prism of bilateral trade deficit with China, as there are opportunities, especially when the labour cost in China is increasing and manufacturing is facing a slowdown.

The review of ASEAN Trade pact will strengthen many of these opportunities that will benefit manufacturers of glass, capital goods, automobile, pharmaceuticals, along with textiles, engineering goods and telecom equipment.

Last year in Singapore, participants agreed to conclude the discussion on RCEP by November 2019. The intent, seemingly, was to put pressure on India to commit itself to the block. Focus shifts to November meet, where trade negotiators of the largest block will review the FTA instead of signing the mega trade multilateral.

Source: businesstoday.in- Sept 14, 2019

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Cotton futures fall on weak domestic and export demand

In the global market, Indian prices are 10-15 per cent higher than the US, Brazil and Pakistan.

Cotton futures have fallen 6-7 per cent because of weak domestic and export demand, particularly from main buyers China, Bangladesh and Vietnam, traders said.

"This year, compared to the previous years, fewer contracts are being signed by multinational companies, domestic millers and traders from ginners. The prices being quoted for October delivery for Madhya Pradesh and Maharashtra cotton is Rs 39,500 per candy (356 kg), down from the current spot price level of Rs 41,500," said Dhiren Sheth, a director at cotton trading company CA Galiakotwala.

Sheth said domestic mills were buying less, as they expect markets to remain weak. In the global market, Indian prices are 10-15 per cent higher than the US, Brazil and Pakistan, he added.

MNCs like Louis Dreyfus, Reinhart and Glencore were bidding for new season cotton at Rs 39,500-39,800 per candy, or 6-7 per cent lower than the current prices, said ginners.

"Indian exporters are apprehensive of buying even at this rate on the fear of weak demand due to US-China trade war and the global economic slowdown," said Cotton association of India director Manish Daga.

He said prices were weighed also by huge stocks as state-run Cotton Corporation of India was holding 8-9 lakh bales (170 kg each) and mills and ginners were having 35 lakh bales.

Traders said there was some buying by mills like Vardhman, Trident and Nahar.

"No mill is taking a call on long-term purchase. Buying is less by 50 per cent this year compared to last year. Mills are just signing contracts to meet their monthly requirement as they expect volatility in the market to continue," said Vinay Laddha of Vikas Traders at Madhya Pradesh's Badwani district.

Rains and the overall weather in the next one month will be crucial for the crop, which will be harvested by October, he added.

Source: economictimes.com – Sept 13, 2019

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US expresses concern over trade deficit, 'investment challenges' in India

Asserting that there is scope to further boost trade with the US, Indo-American Chamber of Commerce National President S K Sarkar said the target is to achieve a bilateral trade of $500-bn by 2022.

The US on Friday expressed concern over the trade deficit with India and the challenges being faced by American companies to invest here.

Addressing the Indo-US Economic Summit here, US Minister Counselor for Commercial Affairs Aileen Nandi however hoped to explore possibilities at the US-India Business CEO Forum to strike a trade balance between the two countries.

As per the Indian government data, India's exports to the US during 2018-19 were worth about $52.4 billion while imports bill stood at $35.55 billion.

The US trade deficit with India during 2018-19 stood at $16.85 billion, lower than $21.26 billion in the preceding year, the data showed.

"Bilateral trade relationship with India is broad and complex. The trade between the two countries has increased every year in the recent past. ...However, we are concerned about the trade deficit that we have with India," Nandi said.

The two-way trade between the US and India stood at $142 billion during 2018. During January-July 2019, the bilateral trade has increased 10.5 per cent over the last year period, she added.

Nandi also noted that the US was aware of the challenges that American companies continue to face in India.

She however observed that with Indo-US Business CEO Forum, having its interface regularly, the issues of mutual concerns relating to Indo-US trade would get resolved and investments from India to the US and vice-versa would apportion.

Nandi, in a statement later said, since the political relationship between India and the US has begun to grow and diversify with conciliatory mode and big ticket Indian businessmen aggressively making their investments in the US, the two-way trade would flourish in a manner that would address the concern of increasing trade deficit of the US towards India.

Asserting that there is scope to further boost trade with the US, Indo-American Chamber of Commerce National President S K Sarkar said the target is to achieve a bilateral trade of $500 billion by 2022.

Agriculture, defence, food processing and host of similar sectors assume large possibilities through which India and the US could come closer and cement their ties for enhanced trade and economic cooperation between the two countries, he said.

"We lag a little in export market as we are not part of the global supply chain. We need to understand the technological advances that are taking place all over the world and we could easily become economic leaders in the world," Sarkar said.

In services sector, he said India has a positive balance with the US. The granting of Strategic Trade Authorisation-1 (STA-1) status to India puts India at an elevated level, he added.

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

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RCEP: India prepares final list of products to counter Chinese imports

Delhi may keep duties on some products, stick to an import ceiling

Aware of its massive trade deficit, India is preparing a final list of products on which it may retain import tariffs for China in the proposed Regional Comprehensive Economic Partnership (RCEP) agreement, said official sources.

The government has been preparing such a list for a while now, based on its plan of a “differential tariff reduction”. China, which has benefited the least, has opposed this move, along with richer economies such as Australia and New Zealand.

“Considering our sensitivity to imports from China, this has been the case throughout,” said a senior government official, who did not want to be named, adding: “An extensive list is being prepared.”

He also said the list was unfinished and was being drawn up after extensive consultation with domestic industry.

The RCEP, India most-ambitious trade pact, is currently under negotiation. It includes the 10-nation bloc of the Association of Southeast Asian Nations (Asean) and their six free-trade partners — China, India, Japan, South Korea, Australia and New Zealand. Twenty-eight rounds of talks have concluded, apart from eight minister-level meetings.

Senior diplomatic sources of other nations confirmed that commitments to reduce tariffs were now dependent on individual nations. This may result in each nation setting a specific tariff reduction for each of the rest.

Import ceiling

Sources also said India had suggested a mechanism to fix an import ceiling, again particularly for China. This is the first time New Delhi will fix such a ceiling in any trade deal.

Government officials did not confirm this, but they said similar proposals had been opposed by other nations before. Earlier, India had agreed to reduce tariffs on 76 per cent of all items for all nations, apart from special measures for China. Others had demanded New Delhi open up at least 90 per cent of all items.

Currently, it is broadly accepted the RCEP will lead to tariffs being eliminated on 28 per cent of the traded goods to begin with. This will be followed by 35 per cent of all products being eliminated in phases.

Officials also said the final deal would necessarily include all negotiating countries. India had been on the receiving end of repeated questions by other nations on whether it is serious about signing the deal. Senior leaders of Asean, including Malaysian Prime Minister Mahathir Bin Mohamad, had said the mega Asia-Pacific deal could be negotiated without India "for the time being".

No early harvest

The government has also dismissed the idea of an "early harvest" approach to the RCEP talks. If this approach was adopted, it would mean the agreement would be signed after some issues had been agreed upon, while others would be resolved eventually.

The current stance is a shift from India's earlier position of adopting a "package of early deliverables" created by the trade-negotiating committee of the RCEP. Australia's lead trade negotiator James Baxter has said the last ministerial meet in Bangkok saw all negotiating trade ministers unanimously decided to complete the negotiations in full by November, seven years after the talks started.

"As long as India's domestic industry and our national interests is protected, the faster it (RCEP) is done, the better it is for India," Commerce and Industry Minister Piyush Goyal, has said.

The government had a day-long talk with RCEP members such as Australia, Singapore and others as part of a "Track 1.5" round table on "Global and Regional Trade and Economic Integration Issues" on Friday.

Representatives of all member states are set to discuss pending issues over the weekend to chart out a possible course for the trade deal, government officials said. However, since the talks do not constitute an official negotiation round, no joint statement may be issued afterwards.

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

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India to become self-sufficient in silk in 2 years: Smriti Irani

Union Textiles Minister Smriti Irani on Friday asserted that India would become "completely self-sufficient" in silk in the next two years.

"We are now, in the next two years, going to become completely self-sufficient in silk. In terms of production of silk, we are the second after China," she said at a programme organized by business chamber FICCI.

Noting that technical textiles is the future of textiles, the Minister said it is an area which she is extremely keen on supporting and taking forward.

Giving an example, the Minister said people presume that jute is only used for gunny bags, but it is scientifically proven that if it is used in the construction of roads, the life of the road goes up by five years.

"For instance, if you are in the hilly areas for containing landslides, for the same you can use textiles. I think the technical textiles are the future of textiles. But in country which has brilliant handcraft legacy, we also are in a position to find new packaging avenues for our old crafts, new marketing modules and new markets."

With a nation which is totally concentrated on the building of 100 smart cities and better roads, Irani emphasized on the marketing of textiles which, she said, is the legacy of the country.

Referring to gaps in marketing avenues, the Minister said everybody who possibly goes to New York is told that the best bedsheets you could buy are of Egyptian cotton.

"But, the Indian farmer produces a cotton called Shankar which is a better quality of cotton then Egyptian cotton.

"...So its also about finding your marketing avenues for the raw material that we have in our country, the other larger producer of cotton and jute. Till you don't realize your strengths, you cannot have more people interested in that avenue of industry."

The Minister said when the agenda is pushed in terms of international marketing, then they will see a lot of Indian interests as well.

Irani said that textiles are even used by the Indian Space Research Organisation as its shuttle programme uses a carbon-based textile from one of their establishments in Ahmedabad.

Source: timesnownews.com– Sept 13, 2019

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CITU urges Centre to reform GST

The Centre of Indian Trade Unions (CITU) urged the Central Government to bring about reforms in the Goods and Services Tax to protect micro, small and medium enterprises (MSMEs).

The CITU passed a series of resolutions demanding several changes in the GST at the 'Coimbatore District Industry Protection Conference' it held here on Friday.

MSMEs were the worst affected because of GST, a resolution said and sought tax exemption for those units that produced goods up to ₹ 2 crore a year. It sought complete exemption from tax for units engaged in job work.

Coimbatore MP P.R. Natarajan, who read out the resolutions, called for online payment of refund, alleging that MSME owners were forced to bribe officials for refund.

Pointing out that industrialists were forced to submit tax papers and pay tax within 10 days of receiving money for the goods sold, he wanted the time-frame to be increased to 90 days.

Mr. Natarajan said that if the Centre and the State Government did not bring about changes in GST and help industries, there would be a strike on December 13 in Coimbatore.

CITU State president A. Soundararajan said Prime Minister Narendra Modi and Finance Minister Nirmala Sitharaman were claiming to be nationalists, but they were not. “What kind of nationalists are they who cannot protect domestic industries. They are fake nationalists.”

CPI(M) Polit Bureau Member and former State secretary G. Ramakrishnan said that for the trade union, protection of industries was as important as protection of labour rights.

Industrialist Mahendra Ramdass said though the industry had wanted GST, it had never imagined that it would be introduced in this form.

He also said that one of the reasons for the slump in economy was excess production.

He suggested that MSMEs embraced technology to brave through the difficulty times.

Source: thehindu.com – Sept 14, 2019

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