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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 10 of 2018 January 15, 2018

USD 63.38 | EUR 77.39 | GBP 87.07 | JPY 0.57

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19672	41150	**82.80**

Domestic Futures Price (Ex. Gin), January

Rs./Bale	Rs./Candy	USD Cent/lb
20740	43383	**87.29**

International Futures Price

NY ICE USD Cents/lb (March 2018)	81.68
ZCE Cotton: Yuan/MT (Jan 2018)	14,850
ZCE Cotton: USD Cents/lb	**89.07**
Cotlook A Index – Physical	**88.8**

Cotton & currency guide: Last week's Friday Movement is to be remembered that ICE cotton price touched the 2017-18 season high. The March future made a high of 84.65 cents per pound which in the same day corrected down sharply to make a close at 81.68. At the end the weekly closing for Cotton was positive by 367 points from previous week's close. With the heavy volatility the trading volumes were high.

Interestingly March contract witnessed the highest volume since the inception of contract. On last Friday only March contract had the highest volume of almost 42K contract.

The subsequent future months were also in the similar lines and traded strongly on the positive direction both in the perspective of price and trading volume.

Today (15th of January) the US markets are closed due to Martin Luther Holiday. No trading in ICE. However, in Asia ZCE Chinese cotton market is opened and is seen trading down. This is the effect of last week's movement.

On the global front the USD Index has traded sharply lower at 90.83 against major currencies and the Global equity markets have hit record high.

Coming onto the domestic front, spot price continued to trade positive. The Shankar-6 variety ended positive at Rs. 41,250 per Candy ex-gin and Punjab J-34 stood at Rs. 4438 per Maund. These prices are at almost season record high of this year.

However, domestic cotton futures prices have been mostly in line with the ICE future market. The most active January future moved volatile and ended the Friday's trading session lower at Rs. 20720 per bale while it made an intraday high of Rs. 21170 per bale. Overall on a weekly basis the contract posted a positive close by Rs. 480 from previous week's close.

For the day we expect January future to trade in the range of Rs. 20550 to Rs. 20900 per bale. For detailed report please see our today's weekly Report.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	China's run as world's largest exporter may end, expert says
2	China to import more cotton?
3	Taiwan: India recommends removal of nylon filament yarn duties
4	Bangladesh: High-value apparels to help attain $50b exports target
5	Industry 4.0 adversely affecting Vietnamese garment firms
6	Pakistan: Exports to EU grow almost 6pc
7	Bangladesh: Look into capital flight via import
8	Pakistan to step up trade inroads into Sri Lanka: Malik
9	Pakistan: High prices drive away interested European buyers, say exporters
10	Moroccan to end exemption on Turkish textiles products
	NATIONAL NEWS
1	Commerce Ministry working on new support measures for next foreign trade policy
2	Budget 2018: From jobs creation to infrastructure, here is what PM Modi's government is set to focus on
3	Textile Ministry expects early nod for Rs 170-crore knitwear package
4	India cotton traders cancel export deals in pivot to local market: association chief
5	India is a bird of gold, but too stodgy to really soar; here is why the economy really needs freeing
6	Textile and Apparel Exports show increase in Nov 2017
7	Exempt export units from 'sunset clause' to boost trade: SEZs to govt
8	Textile Fair to be held on Jan 27

INTERNATIONAL NEWS

China's run as world's largest exporter may end, expert says

China, the world's largest exporter, might face a trade deficit in the next five to 10 years as the second-biggest economy is ramping up imports, a former top Chinese official has said.

China could no longer rely on exports to expand its economy as it had done over the past 30 years, said Zhang Yansheng, former secretary general of an academic committee at the National Development and Reform Commission.

This is because exports became unsustainable and would put too much strain on ties with the rest of the world, specially as protectionism grew, he said. "The next stage is an open economy that focuses on a balance of trade," Zhang told Hong Kong-based South China Morning Post.

"Expanding imports is a very significant part of China becoming a big global power," he said. China's export and import volumes rose 14.2 per cent year on year to 27.79 trillion yuan (USD 4.28 trillion) last year, ending the continuous drop in the previous two years, according to the official data quoted by state-run Xinhua news agency.

China's exports increased 10.8 per cent to reach 15.33 trillion yuan while imports surged 18.7 per cent to 12.46 trillion yuan in 2017, the General Administration of Customs (GAC) said.

The trade surplus continued to narrow last year, shrinking 14.2 per cent to 2.87 trillion yuan, compared to a reduction of 9.1 per cent registered in 2016 that saw 3.35 trillion yuan in trade surplus.

Source: financialexpress.com- Jan 13, 2018

HOME

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China to import more cotton?

United States' cotton sector is cautiously watching China in hopes that its imports may be on the rise.

Addressing a gathering of about 80 people in Lubbock's Bayer Museum of Agriculture, Dr John Robinson, professor and extension economist at Texas A&M AgriLife Extension Service, optimistically stated, "." Surely this caught the attention of area wide gin representatives and cotton farmers, who were attending the Board of Directors' meeting of the Plains Cotton Growers (PCG), Inc.

The meeting opened-up with reports from various gins in the High Plains area. It was clear that the recent season witnessed variability between fields in terms of yield. "Variability best describes the yields across our area," said Steve Verett, producer and executive vice president of PCG. According to Shawn Wade, PCG's director for policy analysis, "more producers have reported that their yield was less than expected."

Low micronaire has been an issue this season predominantly attributed to lack of maturity due to cold and cloudy weather in August. Commenting on this aspect, Verett stated, "definitely below average micronaire for our area and not what we strive to produce."

With regard to current market situation, demand is there for cotton. With economy recovering slowly, consumer will start spending and so nonessential commodity buying will start to rise. Observing the recent export sales figures, Robinson stated if the exports follow the current trend, cotton exports from the United States may be above the USDA's estimate of 14.8 million bales (489 lbs each). He expects USDA may rise their estimate by about half a million bales or so. However, he cautioned about the heavy ending stock which may affect the price.

Couple of reasons are there for being optimistic about enhanced imports by China in the next years. According to Robinson, demand will be a positive influence and the need for newer stock as China's reserves are 5-6 years old. Market will reflect first on the increased demand from China and the farmers will follow in a year or two, like employment numbers, which is always a lagging indicator.

When the China import situation improves, it will be a game changer, said John Robinson.

(Input by: Seshadri Ramkumar, Texas Tech University, USA)

Source: indiantextilejournal.com- Jan 13, 2018

HOME

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Taiwan: India recommends removal of nylon filament yarn duties

Taiwan used to be a large supplier to India with a 12 percent market share in 2012, but last year its share fell to 7.18 percent

India has recommended withdrawing anti-dumping duties on imports of nylon filament yarns from Taiwan and five other nations, the Ministry of Economic Affairs said on its Web site on Thursday.

The Indian government has since 2006 imposed an anti-dumping tax ranging from US$0.31 per kilogram to US$0.54 per kilogram on Taiwanese companies' nylon filament yarn exports.

India has also imposed similar tariffs on the yarn — which is used in a wide range of clothing and textiles — from China, Malaysia, Indonesia, Thailand and South Korea, the ministry said.

WINDING DOWN

Taiwan last year was the fifth-largest nylon filament yarn supplier to India, after China, Vietnam, South Korea and Malaysia, ministry data showed.

China remained the largest exporter of the product to India with a 28.29 percent market share, while Vietnam and South Korea held 21.34 percent and 9.24 percent respectively.

Taiwan last year sold only US$28,097 worth of nylon filament yarn to India for a 7.18 percent market share, compared with exports of US$43,956 with a 12 percent share in 2012, ministry data showed.

In light of India's withdrawal of the anti-dumping duties, Taiwanese nylon filament suppliers could expand their presence in the Indian market, the ministry said.

In the first 11 months of last year, Taiwanese companies sold synthetic fiber valued at US$1.06 billion to overseas customers, with a total shipment of 404,417 tonnes, according to data compiled by the Taiwan Textile Federation.

Source: taipeitimes.com- Jan 15, 2018

HOME

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Bangladesh: High-value apparels to help attain $50b exports target

Bangladesh apparels may need to focus more on high-value apparel items and explore new export destinations to achieve the goal of $50 billion export income by 2021. The suggestions came at the inaugural ceremony of a day-long 'Textile Youth Leadership Summit 2018' in Dhaka.

President of Institution of Textile Engineers and Technologists (ITET) Shafiqur Rahman attended 10th founding anniversary the opening ceremony as the chief guest, while Pro-Vice Chancellor of BGMEA University of Fashion and Technology (BUFT) Ayub Nabi Khan chaired the function.

Shafiqur Rahman stated while the country's economy is now mostly dependant on the apparel sector, the country still lacks required number of skilled professionals including textiles engineers.

For this reason, the sector has to spend millions of dollars on employing foreign experts. It is high time to produce more textile engineers and other experts to bridge the gap, says Shafiqur

He urged the participants to develop their skill in line with the industrial demand. Hundreds of textile engineering students and young professionals attended the summit.

In his speech, Rahman said growth of the country's apparel sector had been slowing down in recent years due to several reasons. He further added that transformation in various issues including productivity, competitiveness and innovation is required to sustain the growth momentum.

Source: fashionatingworld.com- Jan 13, 2018

HOME

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Industry 4.0 adversely affecting Vietnamese garment firms

Several garment and textile companies in Vietnam have either closed units or have been facing such possibilities since mid 2017 due to firms investing in automated production lines, robots and new technologies. Such modernisation requires much lesser number of workers and workers who can handle the modern equipment, leaving many traditional workers jobless.

Fenix Knitting Vietnam has announced closure of its plant to declare bankruptcy, rendering 220 workers jobless. It has to pay arrears and social insurances to workers.

While Shing Viet Company is planning to end contracts with 400 workers at Factory No.2 in Truong Tho ward, Thu Duc district, because of lack of orders, K Garment Company in Linh Trung 1 Export Processing Zone in the same district has already dismissed 800 workers, most of them old, whose chances of seeking new jobs are poor, according to a report in a Vietnamese news website.

Many firms are installing robots to work together with humans in factories or replace workers in some phases and divisions.

An automated thread cutting machine can reportedly replace 4-10 workers in each production shift and a robot can replace nearly 30 assembly workers for three working shifts.

Citing data from International Labour Organization, Nguyen The Hung, deputy director of the Vietnam Chamber of Commerce and Industry told a recent seminar in Ho Chi Minh City that two-thirds of the 9.2 million workers in the garment and textile and footwear industries in Southeast Asia are under threat from Industry 4.0, the current trend of automation and data exchange in manufacturing technologies.

In Vietnam, 86 per cent of workers in these fields, a significant number of which are female, will be badly affected by automation and industrialization, according to the report. Companies that want to recruit a lot of workers require applicants to have working skills to operate modern machines.

Source: fibre2fashion.com - Jan 13, 2018

HOME

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Pakistan: Exports to EU grow almost 6pc

Pakistan's exports to the 28-member European Union (EU) posted a growth of nearly six per cent in January-September 2017 on a year-on-year basis.

This shows that the Generalised System of Preferences-Plus (GSP+) scheme largely failed to boost exports to the EU.

Total export proceeds to these countries amounted to €5.07 billion during the period under review against €4.79bn a year ago, according to EU official data available with Dawn.

Latest figures show an upward movement compared to the similar period in the preceding calendar year. Annual growth recorded in January-September 2016 was just 3.5pc.

The GSP+ scheme became effective on Jan 1, 2014 and will remain available for the next 10 years.

A product-wise analysis shows large variations. For example, exports of garments and hosiery witnessed a growth of 90.9pc to €2.05bn during the period under review.

The second biggest export category was home textiles, which grew 72.4pc to €1.3bn.

The share of these two products stood at 65pc in January-September against 37.6pc a year ago. The third biggest export category was cotton and intermediary goods of textiles, which increased 16.4pc to €640.9m.

Exports of the articles of leather increased 6pc to €254.7m while the rise in rice exports was 11.6pc to €109.6m. Exports of sports goods (footballs) rose 41.8pc to €102.7m while foreign sales of surgical goods grew 22.4pc to €58.1m. There was a 21.1pc increase in footwear exports to $58.1m during the period under review.

Products that generated less than €40m of export proceeds in January-September include plastics, minerals, machinery, carpets and cutlery. Exports of chemicals, articles of rubber and pharmaceuticals remained less than €10m.

Country-wise data shows that the highest growth of 37.8pc came from the United Kingdom as its imports from Pakistan surged to €1.02bn during the period under review. Exports to Germany were up 39pc to €995.4m.

Both the UK and Germany have emerged as major export destinations for Pakistani goods under the GSP+ scheme. The increase in exports to the UK is an encouraging factor. However, exporters fear they will lose the UK market following Brexit. London, however, has assured Islamabad of no change in the post-Brexit scenario.

The third biggest market for Pakistan's exports is Spain. Exports to Spain went up 99.9pc to €663.9m. Spain was not the third biggest export destination until recently. It became Pakistan's leading trading partner within the EU in the past couple of years owing to its extensive marketing strategy.

Pakistan's exports to Italy increased 34.15pc to €490.9m. Exports to the Netherlands went up 56.1pc to €480.6m and those to France rose 24.9pc to €353.9m.

Exports to Belgium increased by 22.7pc to €296.9m, Poland by 121.9pc to €112.9m, Sweden by 46.4pc to €111.48m,

Denmark by 81.7pc to €103.95m, Portu-gal by 22.7pc to €86.4m and the Czech Republic by 98pc to €63.6m.

Export proceeds to the remaining 17 EU countries were far less than €60m in terms of value. However, the increase in exports to all countries was in double digits in percentage terms.

Pakistan's exports to Austria increased by 64.8 pc to €54.05m, Ireland by 34.6pc to €44.7m, Greece by 47pc to €44.13m, Finland by 30.5pc to 22.16pc, Slovenia by 116.7pc to €17.73m, Romania by 19.86pc to €14.81m, Bulgaria by 82.04pc to €14.2m, Hungary by 98pc to €11.7m, Croatia by 5.2pc to €10.4m, Estonia by 1.02pc to €7.46m, Cyprus by 145pc to €4.3m, Latvia by 41.3pc to €3.9m, Malta by 35pc to €2.16m and Luxemburg by 95.9pc to €0.17m.

Exports to Slovakia declined 6.2pc to €14.03m and those to Lithuania dropped 3.7pc to €13.4m.

Source: dawn.com - Jan 14, 2018

HOME

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Bangladesh: Look into capital flight via import

The Centre for Policy Dialogue yesterday advised the government to investigate whether capital flight has taken place by way of sugar, edible oil and cotton imports.

"There is no resemblance between export and import growth of garment and cotton," said Mustafizur Rahman, distinguished fellow of the CPD, while unveiling the private think-tank's latest study at an event held at the capital's Cirdap auditorium.

In the first four months of the fiscal year, the apparel export growth was recorded at 7 percent while the import growth of cotton was recorded at 75 percent, he said.

"Despite global price stability of raw cotton and an upturn in the growth of garment exports, the high growth of over 75 percent in import payments for this item appears to be suspicious," the CPD said in its State of the Bangladesh Economy in FY2017-18.

There has not been any fall in yarn and fabrics import, neither has there been a sudden spurt in investment in spinning.

Given the fall in prices of raw cotton, the high imports would allude to very high volumes, which reinforces the need for investigation into the matter, the CPD said.

In a similar vein, the import bill for edible oil and sugar soared 29.3 percent and 50.8 percent respectively during the period.

Given the declining global price of sugar, this high growth suggests large increases in volume, the CPD said in the report. It is the same case for edible oil. These trends call for appropriate checking of the market by the commerce ministry for overstocking of edible oil and sugar. Some $8 billion to $9 billion of capital flight takes place from Bangladesh every year and 80 percent of it happens through misinvoicing.

But Mehdi Ali, president of the Bangladesh Cotton Association, dismissed CPD's observations. “I am surprised with the CPD's findings as there is no chance for capital flight through cotton imports.”

The reason for the higher cotton imports is that the capacity of the spinning mills has increased over the years.

In fiscal 2016-17, Bangladesh imported 6.5 million bales of cotton, up from 5.5 million bales a year earlier. At the end of the current fiscal year, Bangladesh may import 7.1 million bales of cotton, he said.

The demand for the natural fibre is on the rise in Bangladesh as it is the only country that is still mainly dependent on raw cotton for making yarns and fabrics.

Growth in import payments of other intermediate goods such as textile and yarn and dyeing and tanning materials was high, which suggests there would be potential positive impact on exports over the subsequent two quarters of fiscal 2017-18.

The import of chemicals (18 percent), plastic and rubber (21.3 percent), iron and steel (16.2 percent) and clinker (12.6 percent) showed particularly high growth.

In general, the import figures for certain items do not tally well with the global price movement, letter of credit settlement figures, domestic production and credit uptake and investment trends.

Subsequently, the CPD called for closer scrutiny by the National Board of Revenue and the Bangladesh Bank to identify cases of over-invoicing and capital flight.

The policymakers should also keep in mind that the country may face additional burden of import payments in the second half of the fiscal year as the price of some key imported commodities such as crude oil evinced signs of rise.

In general, import payments recorded significant growth to the tune of 28.7 percent during the first four months of fiscal 2017-18, according to the CPD report.
Source: thedailystar.net- Jan 14, 2018

HOME

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Pakistan to step up trade inroads into Sri Lanka: Malik

The third edition of Pakistan Single Country Exhibition in Sri Lanka would go a long way in setting the foundations for greater people-to-people connectivity and mutual economic growth, a minister said on Friday.

“Pakistan has excellent diplomatic and economic relations with Sri Lanka, which is amongst the top focus countries for greater trade relations,” said Pervaiz Malik, the minister for commerce and textile, after co-inaugurating the expo with Lankan president Maithripala Sirisena at Bandaranaike Memorial International Conference Hall in Colombo.

Expressing happiness over the overwhelming response at the opening day of the event, Malik said Pakistan was one of the rapidly emerging economies of the world with a business- friendly environment aimed at achieving micro-economic stability in the country.

Shahid Ahmad Hashmat, High Commissioner of Pakistan in Colombo, said the exhibition was aimed at promoting and strengthening the business interests between the two countries.

"The exhibition will provide a great opportunity to Sri Lankan business houses to meet visiting companies from Pakistan through B2B interactions," Hashmat said.

He expressed the hope that the people of Lanka would not only have the opportunity to witness the varieties of Pakistan's countless and extremely diverse products but will also enjoy their shopping at the exhibition.

According to the statement, event has been organised by Trade Development Authority of Pakistan (TDAP), in association with the High Commission of Pakistan in Sri Lanka, featuring leading Pakistani companies and manufacturers of engineering products, auto parts, agro products, textile & clothing, designer wear, handicraft & traditional textiles, pharmaceuticals, cutlery, furniture, carpets, marble, and services.

The event was attended by Sri Lankan ministers, parliamentarians, several important personalities from Lankan business and trade sectors along with diplomatic corps and a large number of people from different walks of life. The exhibition will remain open until 14th January 2018 for general public.

Source: thenews.com.pk- Jan 14, 2018

HOME

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Pakistan: High prices drive away interested European buyers, say exporters

Pakistan's textile producers, whether big or small, have received encouraging response from European consumers in the world's biggest exhibition of home textiles, but still regional rivals edge out Pakistani companies in many cases due to cost advantage.

Alongside big export companies of Pakistan, massive orders have also been discussed with the smaller ones, according to representatives of different companies that had put up stalls in the pavilion set up by the state-owned Trade Development Authority of Pakistan at the Heimtextil exhibition.

Apart from home textiles such as bed linen and towels, the European buyers have also expressed great interest in the textile products used in health facilities.

However, an increase in prices of yarn and cotton, which are vital inputs in textile production, has pushed up production cost by 15 to 20%, making it tough for the exporters to finalise orders at competitive prices.

Shahab Textile Mills Chief Executive Officer Sheikh Ali Ahmed Sadiq told The Express Tribune that they had found great demand for health-care textile products from across the world.

Europe, the US, Middle East and Africa were big markets for such textile goods, he revealed, adding Canada too was a major consumer of health-care textile products, but it had levied 18% duty on exports from Pakistan. On the other hand, Bangladeshi exporters are enjoying duty-free status there.

Pakistan produces scores of health-care textile products of excellent quality which include clothes for patients, bed sheets, specialised bed sheets and towels for operation theatres, gowns for doctors and paramedical staff.

“Though Pakistani products have drawn a great response, their high production cost has left the country uncompetitive in relation to regional rivals. We are losing orders to companies from China, Bangladesh, Turkey, Vietnam, India and Egypt,” said Sadiq.

The Indian government has given concessions to its industries in a bid to help them compete well in the global market.

Sadiq has been participating in Heimtextil since 2013 and considers it a great platform for interacting and forging linkages with big textile buyers. He chastised the government for its “lack of attention” and high production cost of businesses, saying exporters had got bogged down because of these factors.

With the business cost staying high, the exporters also could not reap the rewards of the rupee’s sharp depreciation against the dollar in December 2017. A weaker currency gives price advantage to exporters in the international market, but at the same time it makes imports expensive for businesses.

Speaking on the occasion, Multimet International Executive Director Zafar Saeed revealed that an old customer of the company had come up with a huge order for the Spanish market.

Spanish buyers were willing to offer a 3 to 4% higher price compared to the previous order, but over the past year production cost in Pakistan had gone up in the range of 15 to 20%, he said.

"Even if we minimise our margins, the goods will still be expensive by around 10%, making it difficult for us to win orders," he said while pointing out that new buyers from Spain, Poland and Albania had also expressed interest in Pakistan's home textiles.

Gul Ahmed Textile Mills Chairman Mohomed Bashir pointed to the latest technological advances including digital printing and online export orders being embraced by the home textile industry worldwide.

He suggested that Pakistani companies should adapt themselves to the changing trends in order to secure their place in the international market. More than 200 Pakistani companies took part in the four-day Heimtextil fair that ended on Friday.

Source: tribune.com.pk - Jan 14, 2018

HOME

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Moroccan to end exemption on Turkish textiles products

Morocco's Ministry of Industry, Investment, Trade and Digital Economy has decided to end the exemption on some Turkish textile products despite the 2006 Free Trade Agreement (FTA), between the Turkey and Morocco. Effective January 9, Morocco's decision aims to protect the domestic textile industry, facing the rise of Turkish products on the national market in recent years.

Several Turkish brands, including LC Waikiki, Defacto and Koton have decided to expand the national market by opening stores in major cities of the kingdom of Morocco including Casablanca, Rabat, Marrakech, Tangier, Fez and Agadir.

This decision is post a study conducted by the Moroccan Association of Textile and Clothing Industries (AMITH) whose aim was to show up some Turkish operators who strategically sold at a loss to flood the national market with their products. In fact, imports of Turkish textile products registered a significant increase of 175 per cent between 2013 and 2017.

The Ministry's decision mainly concerns Article 17 of the FTA on transitional adjustment measures, over a period of one year, to ensure a balance in favour of domestic products. Rakiya Eddarhem, Secretary of State for the Minister of Industry, Investment, Trade and Digital Economy, in charge of foreign trade, said imports of certain Turkish textile products will be increased to 90 per cent under common law.

These include man-made filaments, man-made staple fibres, carpets and other textile floor coverings, special fabrics, tufted textile surfaces, lace, tapestries, trimmings, embroidery, knitted fabrics clothing and clothing accessories, knitted or crocheted, articles of apparel and clothing accessories, not knitted or crocheted or made up, made-up articles, second-hand clothes and rags.

Eddarhem also disclosed that the national textile sector is the third largest contributor to the Kingdom's gross domestic product (GDP) with a 7 per cent share.

In addition, the FTA makes it clear that tariffs under these measures cannot exceed 25 per cent ad valorem and must retain an element of preference for products originating in the other Party.

The total value of imports of products subject to these measures may not exceed 15 per cent of the total value of industrial products imported from the other Party during the last year for which statistics are available.

The flooding of the national textile market by Turkish products has contributed to a loss of 20,000 jobs per year over the last five years.

Source: fashionatingworld.com - Jan 13, 2018

HOME

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NATIONAL NEWS

Commerce Ministry working on new support measures for next foreign trade policy

The commerce ministry is working on new schemes for the next foreign trade policy (FTP), to be released in 2019-20, with a view to boost exports, a senior government official said.

The ministry has asked all the commodity boards and the concerned ministries to identify those "support" structures, which are compliant to global trade rules. "These support measures could be some schemes or some incentives or it could be infrastructure related. These measures should benefit maximum number of industries," the official said.

The ministry has recently released the mid-term review of the current foreign trade policy. "We have started the work now, so that by the time we have to come with the new FTP, we would be ready with the final blueprint as we have to consult finally with the finance ministry," the official added.

The five-year foreign trade policy provides guidelines for enhancing exports with the overall objective of pushing economic growth and generating employment.

Under the policy, the government announces steps for exporters. Currently, the government has two schemes – merchandise and services export from India scheme.

The Finance Ministry has to allocate funds for these schemes. Last month, the government announced incentives worth Rs 8,450 crore to boost exports of goods and services, mainly from labour-intensive sectors.

During April-November this fiscal, the country's total merchandise exports grew by 12 per cent to $196.5 billion.

Source: financialexpress.com- Jan 14, 2018

HOME

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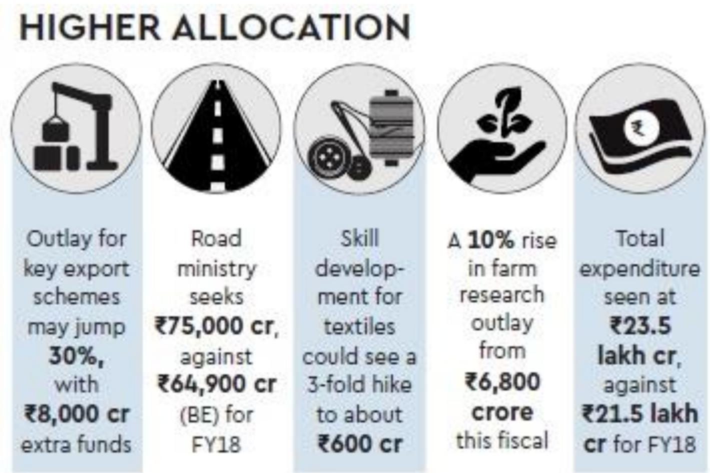
Budget 2018: From jobs creation to infrastructure, here is what PM Modi's government is set to focus on

With greater emphasis on job creation through infrastructure building, the Modi government's last full-year Budget before the 2019 general election could offer a package of incentives for rural, infrastructure and labour-intensive sectors, while retaining its focus on productive capital spending.



Sectors like textiles and garments, agriculture, transport, housing and skill development will get a higher allocation in the Budget for 2018-19, and funds to promote exports will be enhanced, official sources told FE. Thanks to still-elusive private investments, the government will continue to pump in funds to prop up the economy.

So allocation for capital spending could be raised around 10% to Rs 3.4-3.5 lakh crore for the next fiscal, against the 2017-18 Budget estimate (BE) of Rs 3.1 lakh crore. Total expenditure is expected to rise to around Rs 23.5 lakh crore in 2018-19, compared with almost Rs 21.5 lakh crore (BE) for this fiscal, said the sources.

Based on discussions with the finance ministry, a senior official expected the fund allocation to promote exports through two key schemes — the Merchandise Export from India Scheme (MEIS) and Services Exports From India —could see around a 30% jump, or an additional Rs 8,000 crore, for 2018-19 from a year earlier.

The MEIS is the most important export promotion scheme under which the government provides exporters duty credit scrip at 2%, 3% or 5% of their export turnover, depending upon products and shipment destinations.

However, the commerce department's long-pending demand to scrap minimum alternate tax on special economic zones units is unlikely to be endorsed by the revenue department yet again, said one of the officials.

The ministry of road transport and highways is learnt to have sought around Rs 75,000 crore of budgetary support for the next fiscal, against Rs 64,900 crore budgeted for 2017-18. Given the government's focus on infrastructure, the ministry expects its demand to be met.

The outlay for the textile ministry could rise 10-15% in 2018-19 from the Budget estimate of Rs 6,227 crore for 2017-18. Allocation for skill development in this labour-intensive sector is expected to rise to Rs 500-600 crore from just Rs 174 crore for 2017-18.

However, outlay for the remission of state levies scheme (RoSL), under which garment exporters get refunds from the centre against all the levies they pay at the states' level, would be trimmed, as the GST has subsumed many taxes at the state level.

The government had budgeted Rs 1,555 crore for RoSL for 2017-18. The allocation under the amended Technology Upgradation Fund Scheme (A-TUFS) could stay around the 2017-18 level of Rs 2,013 crore. The RoSL and A-TUFS made up for over a half of the allocation for the ministry for the current fiscal.

While farm research could see a 10% increase in outlay from Rs 6,800 crore for 2017-18, the allocation for the overall agriculture sector could be raised 5-10%, with some schemes like irrigation, will get better allocation than others.

To give a leg-up to housing, greater thrust will be laid on making the credit-linked interest subsidy scheme under the Pradhan Mantri Awas Yojana (Urban) for the middle-income group a success. So the scheme may offer more flexibility to people.

MIG beneficiaries numbered just 9,944 and got a subsidy of Rs 204.6 crore, minister of state for housing and urban affairs Hardeep Singh Puri told the Lok Sabha last month. This was much lower than the Rs 1,000 crore of interest subsidy for MIG beneficiaries allocated in the last Budget.

Source: financialexpress.com- Jan 15, 2018

HOME

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Textile Ministry expects early nod for Rs 170-crore knitwear package

With an aim to boost job creation and lift sagging exports, the textile ministry is expecting the finance ministry to clear Rs 170-crore special package for the knitwear sector at the earliest.

"The idea is to make the domestic manufacturers more competitive. This is an employment-intensive sector so any effort to boost investment will result in job creation," a top textile ministry official said.

The official said that the consultation between the textile and finance ministry is currently stuck on the issue of the monetary resources needed for the package, amounting to around Rs 170 crore.

He said the package will be announced as soon as the finance ministry gives its go-ahead, as no Cabinet approval was needed for the proposal entailing less than Rs 200 crore.

The move comes in the backdrop of the reforms announced by the government for generation of one crore jobs in the textile and apparel industry over next three years.

The textiles ministry had earlier rolled out similar plans for the apparel as well as the made-ups, which includes towels and decorative cotton products etc.

"We have given it to apparel and made-ups, knitwear is also a finished product, so its natural that a package for it is being finalised," said the official.

The knitwear industry, which mainly comprises small and medium enterprises, was left out in the earlier scheme of things. Exporters believe that the package can ease the pain especially after the goods and services tax rollout.

Source: economictimes.com- Jan 14, 2018

HOME

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India cotton traders cancel export deals in pivot to local market: association chief

Indian cotton traders have cancelled contracts to export some 400,000 bales of the fibre after a rally in domestic prices and the rising rupee made overseas sales unattractive, the president of the Cotton Association of India (CAI) told *Reuters*.

The switch, triggering penalty payments by traders, has left cotton buyers in leading markets like Bangladesh, Vietnam and China seeking to make up shortfalls by tapping suppliers in the United States, Australia and Brazil, said association head Atul Ganatra.

The cancellations and higher local prices could cut India's exports to 5 million bales, each of 170kg, in the 2017/18 marketing year started on 1 October—nearly a quarter below an initial estimate, Ganatra said. Prices surged more than 15% in the past six weeks after pest infestations squeezed supplies in the world's biggest producer of the fibre.

“Some exports contracts for Bangladesh, Vietnam and China could not be fulfilled due to the sudden rise local prices,” Ganatra said. He didn’t identify the traders who cancelled export deals in moves confirmed by six dealers contacted by *Reuters*.

After hurricanes raised doubts about the supplies from top exporter US late last year, Indian traders signed a flurry of contracts.

Indian traders have so far shipped 1.5 million bales of the 2.5 million bales contracted since 1 October, when the current year began, dealers said. Last year India exported 5.8 million bales of cotton.

The country's traders are offering cotton to Asian buyers at around 87 cents per pound, including cost insurance and freight, nearly 4% more than rival supplies from the US, the dealers said.

But India has struggled to keep supplies steady after infestations of pests like pink boll worms cut output, lifting domestic prices to 87 cents per lb.

Also, the Indian rupee recently rallied to its highest level in 30 months, further slashing exporters' margins and making it difficult for most merchants to stick to their export commitments, said Vinay Kotak, a director at Kotak Commodities, a Mumbai-based brokerage.

Depleting supplies from India have also led to a shortage in the global market, lifting international prices to their highest level in 3-1/2 years—and helping the United States, Brazil and some other key suppliers increase their market share, especially in Asia.

"The mills have to go somewhere else to import cotton," said Peter Egli, director of risk management at British merchant Plexus Cotton. "They will come to the US, West Africa, and later to Australia and Brazil. Those are the main origin points."

The US has committed to sell 678,720 bales of cotton to Bangladesh so far this season, more than double the quantity sold a year earlier, according to the US Department of Agriculture.

Bangladesh had emerged as a big buyer of Indian cotton thanks to competitive prices and lower freight costs, sourcing nearly half of its annual import requirement of 7 million bales from India.

"But now we are in trouble, as many of our contracts with India got stuck over a sudden jump in prices," said Muhammad Ayub, finance director at the Bangladesh Cotton Association.

Source: livemint.com - Jan 12, 2018

HOME

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India is a bird of gold, but too stodgy to really soar; here is why the economy really needs freeing

It is comforting to bracket India and China and talk of this century being Chindia's—never mind the intense hostility over the border between the two—and of the country's 300-million-strong middle-class which, as The Economist has pointed out in its cover story on India last week, HSBC has projected will grow to 550 million by 2025.

Obviously there is a sizeable middle-class but it is a middle-class that mainly buys only cut-rate products—a Nirma middle-class, for those who still remember how this low-cost detergent's challenge to the then market-leader, Surf, expanded the market dramatically. The surge in mobile phone connections and, more recently, the explosion in data usage is evidence to this rapidly growing middle class, but this only happened as tariffs declined rapidly.

As Economist points out, the e-tail market that grew at 100% in 2014 and 2015 and was projected to cross $100 billion by 2020—five times today's size—hardly grew at all in 2016; in dollar terms, it reminds us, 2017's growth was comparable to that of a week in China. Apple, the article points out, makes just 0.7% of its revenues here—the latest iPhone, even for someone in the top 10% of the population, represents five month's salary. Facebook may have the largest number of users in India but made just $51 million in 2017, all of India's domestic airlines taken together are no larger than Ryanair, the world's fifth-biggest carrier …

Getting a large enough middle-class—in terms of developed country standards—will take a lot more than what is being done right now; indeed, with India unlikely to be able to achieve anything more than 7% for a few more years, even sustaining the current middle-class will be a challenge.

For a genuine middle-class, India needs to growth at 9-10% for several decades and that requires its exports to soar, its MSMEs to grow in size and become world-beaters. In contrast, along with overall investments, growth in infrastructure has collapsed, adding to India's uncompetitiveness—road transport in India costs $7 per km versus $2.5 in China, and it takes 21 days to deliver from JNPT to the US East Coast versus 14 days from China.

Thanks to bad labour laws, primarily, India's manufacturing, which offers the best hope for growth, peaked as early as 2008 when the share of registered manufacturing in the country's value added was a mere 10.7%.

As for exports, while Bangladesh's total exports grew by 82% in 2010-16 and Vietnam's 145%, those for India grew a mere 17%—that's hardly surprising when you consider that, for instance, in the case of the apparel sector, there are 2 million establishments that hire, on average, 1.5 persons as compared to 2,800 firms in the formal sector that hire 118 workers each; how can they possibly deliver quality?

The government, for all its efforts, has not even been able to remove compulsory deductions such as EPFO/ESI that reduce take-home pay of those earning a basic salary of Rs 5,000 per month by around 45% and which, in turn, makes workers prefer informal jobs.

For over three-and-a-half years, it has ducked labour reforms and, with the country readying for elections in a year, it is difficult to see that happening now. In even the agriculture sector which is globally competitive for the most part, government policy has been restrictive. Thinking of India as the next consumer hotspot is exciting, but untrue.

Source: financialexpress.com- Jan 15, 2018

HOME

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Textile and Apparel Exports show increase in Nov 2017

There has been an increase in Textile & Apparel (T&A) exports in November 2017 after witnessing decline since May last year.

Based on data published by Directorate General of Commercial Intelligence and Statistics (DGCIS), after a brief period of decline in Textile & Apparel (T&A) exports including handicraft exports every month beginning May, June, July & October 2017, it can be observed that there is a turnaround in T&A exports, with a 20% increase in November, 2017 over October, 2017," said an official release.

The 20% overall increase in T&A exports is marked by an increase of 24% in Readymade Garments, 24% in Cotton, 9% in Man Made Textiles, 17% in Silk

Products, 28% in Handloom products, 11% in Carpets and 10% in Jute Products.

Meanwhile, the exporters to USA have been asked to continue filing SPI 'A' for possible future reimbursement of duty paid on items under GSP.

India exports a large number of item, duty free, under the 'Generalised System of Preference' (GSP) of USA.

As the present GSP system has expired on 31st December, 2017, exporters have to pay normal duty for items which were under GSP.

The largest export from India Ready Made Garments (RMG) gets about 10% duty concession under USA GSP and till the system is reintroduced, cost of the landed goods, in USA, will surely be increased to that extent.

Talking to KNN, Animesh Saxena, said, "In the past also GSP was temporarily suspended but was re-introduced, so Indian exporters may temporarily carry the extra cost due to GSP withdrawal without increasing the landed cost of Garments."

However, in the opinion of another expert on foreign trade, the situation appears to be bleak.

The Trump administration is quite unpredictable and if the GSP is not introduced, Indian exports to USA will be priced out by other countries, mentioned the experts.

He also mentioned about the shortage of working capital the MSME exporters will face even if they want to carry the cost due to GSP withdrawal.

Government should come out with specific guidance / package to MSME exporters of items like RMG, to bear the shock of GSP withdrawal.

Source: knnindia.co.in- Jan 13, 2018

HOME

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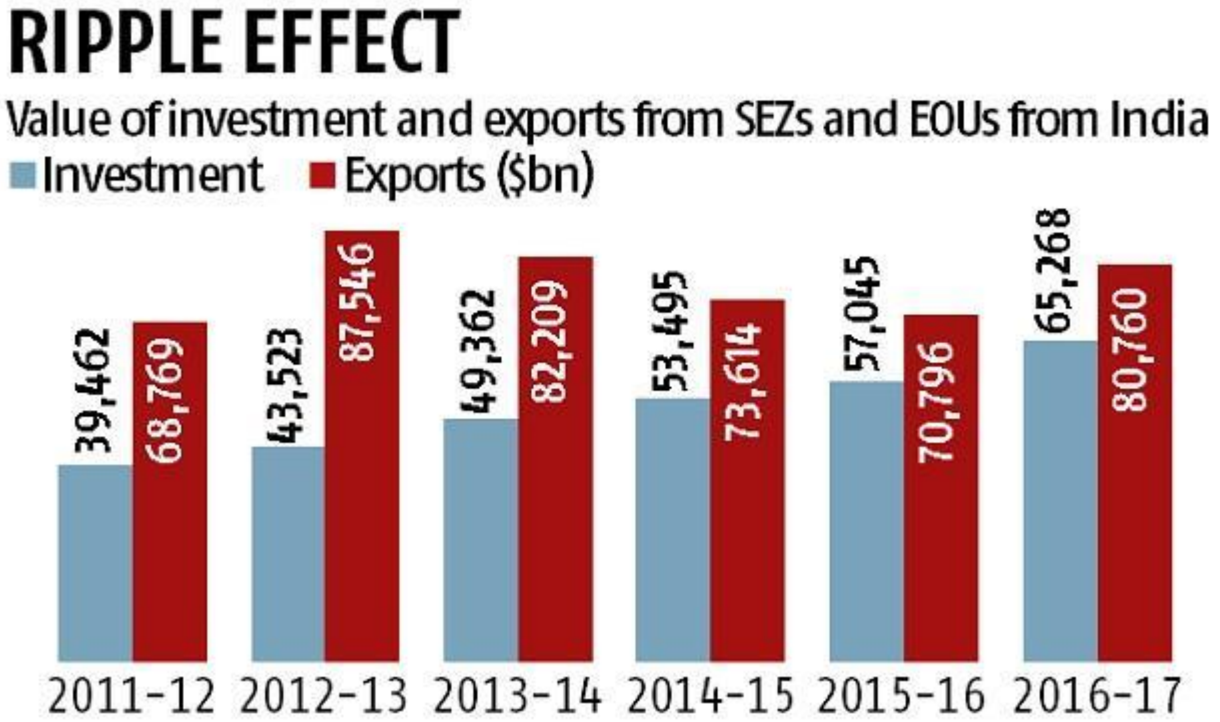
Exempt export units from 'sunset clause' to boost trade: SEZs to govt

Exporters of goods and services from designated export-oriented units (EOUs) and special economic zones (SEZs) have urged the government to exempt export-centric and employment-generating units from the sunset clause, to boost exports of goods and services from India. In a letter addressed to the Union Finance Minister Arun Jaitley, the Export Promotion Council of EOUs and SEZs said that frequent change in government policies has led to a 'trust deficit' in such export promotion zones, affecting fresh investments from domestic and overseas investors.



Source: Export Promotion Council of SEZs and EOUs

Introduced in 2005, the SEZ Act had attracted huge investments in its initial years. But then, the Congress government levied Minimum Alternate Tax (MAT) and Dividend Distribution Tax (DDT) in 2012.

These levies worked as a speed breaker for capital inflows into these zones, which were initially planned to be tax free.

“Sudden change in the government policy restricted capital inflow into EOUs and SEZs. After achieving an annual investment inflow of $43.52 billion in 2012-13, there was a slowdown in subsequent years.

But, again, during 2016-17, the capital inflow hit a level of $65.27 billion. The investment inflow will jump by leaps and bounds if the government gives us a long-term policy,” said Vinay Sharma, Acting chairman, Export Promotion Council of EOU & SEZ. Exports of goods and services slumped to $70.79 billion in 2015-16 after achieving a high of $87.55 billion in 2012-13, but recovered to reach $80.76 billion in 2016-17.

Meanwhile, exporters fear that the sunset clause, proposed by the Union Finance Minister, would withdraw all incentives offered currently to export oriented units in SEZs and EOUs by 2020. This means, they would have to pay the same tax a manufacturer or a service provided pays in the domestic tariff area (DTA). “EOUs and SEZs have made available all the facilities required for setting up of a business unit including infrastructure, customs house and banks within the notified area.

Also, SEZ Act has also mentioned an exit clause for units. Even foreign investors can approach us to have all facilities in place without any hurdles. But, we require a stable policy from the government to retain investors’ trust,” said Sharma.

Meanwhile, import of goods into SEZs or EOUs either from overseas or from the DTA attract nil duty. But, exports to DTA from SEZ attract the effective rate of duty.

However, exports to overseas are duty-free. The implementation of goods and services tax (GST), however, has worsened business environment in the SEZs and EOUs, as units outside these notified areas do not want to sell their goods to the units within.

This is because manufacturers inside these zones are required to either purchase goods with applicable GST from buyers or pay the levy from their own books. Sellers outside the EOUs and SEZs do not want to claim input credit under GST, as it blocks working capital for months. This is why SEZs and EOUs business has been badly affected under the GST regime, said Sharma. Currently, goods exported from SEZs attract nil duty while services suffer 18 per cent.

Source: business-standard.com- Jan 15, 2018

HOME

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Textile Fair to be held on Jan 27

TEXTILE FAIR TO BE HELD ON JAN. 27

Solapur: India's second Uniform Garment and Home Textile Manufacturers Fair 2018 is set to be held in Solapur in Maharashtra for three days from January 27 to 29. This is the brainchild of Mr. Subhash Deshmukh, textile minister of Maharashtra. The event is hosted by Solapur Readymade Kapad Utpadak Sangh and organised in association with the Maharashtra government's textile ministry. It is sponsored by Mafatlal Industries and supported by Bank of India. As many as 10,000 retailers from across the country are expected to visit the fair. Maharashtra chief minister Devendra Fadnavis has personally sent out invitations to 198 Indian embassies across the globe and 164 embassies in India. In addition door-to-door invitations for retailers, dealers and distributors are underway across to 14 States in India. To attract global buyers, special literature explaining the features of the expo is also being dispatched to Indian embassies abroad and to foreign embassies in India.

Source: onlinepaper.asianage.com- Jan 14, 2018

HOME

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