Cotton Market

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

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>19792</td>
<td>41400</td>
<td>78.44</td>
</tr>
</tbody>
</table>

Domestic Futures Price (Ex. Gin), May

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>20500</td>
<td>42881</td>
<td>81.25</td>
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</table>

International Futures Price

<table>
<thead>
<tr>
<th></th>
<th>USD Cent/lb</th>
</tr>
</thead>
<tbody>
<tr>
<td>NY ICE Cotton</td>
<td>83.70</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT</td>
<td>15,625</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>94.88</td>
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</table>

Cotlook A Index – Physical

<table>
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<tr>
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<tbody>
<tr>
<td>94.35</td>
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Cotton guide: Precisely past six consecutive trading sessions cotton prices are down from its recent high of 88.08 cent and on the seventh day i.e. today the most active July future trades at ICE is hovering around 84 cents per pound down by 4.6%. No fundamental factors are supporting the price fall while cut in the overall long positions dragging price down. The aggregate open interests have declined and the recent CFTC report also suggests reduction in the speculative long positions. For reference, the aggregate open interests have declined from 0.288 million contracts to 0.284 million contracts and the overall trading volumes are on a downward spree for the past two months.

The lone supportive factor that is still keeping cotton price elevated is the large unfixed on-call positions where in July has the highest followed by other contracts vis-à-vis total open interests in ICE contracts. Every time market has corrected downside millers have aggressively booked their positions and keeping the cotton price supportive.
We feel unless a sharp cut in the long positions takes place the market may see rebounding from lower level. To add a bit of technical analysis here, on the daily price chart the July contract hold a very strong support of 83.30/83.50 cents at 50-day moving average. We believe if this support is respected then cotton price may sustain onto positive trend may move towards 86 to 88 cents again in the near term.

More on the cotton side, market is lacking fresh news to pin Monday’s loss and the same is the case in the last week. Therefore market is bit dicey on the trend. Also, the inversion of July over Dec has been blamed for slower cash sales. At least that was how it has been talked about lately. Never mind that the Weekly Export Report doesn’t confirm the slowdown. Mills don’t seem to be in a hurry to buy though, while sellers seem fairly eager to sell.

The weekly USDA US Cotton Planted Progress Report out after the close showed the US at 36 percent planted, ahead of the 31 percent 5-year average.

For the day we expect ICE cotton for July delivery to trade in the range of 83.40 to 84.40 cents per pound.

On the domestic front, spot price of S-6 variety has declined sharply in last few trading sessions from Rs. 42,250-42300 to Rs. 41600 per candy ex-gin (around 78.80 cents per pound). The daily seed cotton arrivals was 69,000 lint equivalent bales (170 kgs), which includes 23,000 registered in Gujarat, 21,000 in Maharashtra, and 13,000 in Andhra Pradesh/Telangana.

The effect was felt on the futures price. The May future made an intraday low of Rs. 20350 but closed at Rs. 20500 per bale down by 120 from previous close. The trading range for the day would be Rs. 20300 to Rs. 20650 per bale.

_Currency Guide:_

Indian rupee depreciated by 0.4% to trade near 67.71 levels against the US dollar. Rupee has slumped to the lowest level since February 2017 pressurized by higher crude oil price, disappointing inflation data, rising US and European bond yields and uncertainty ahead of Karnataka election results. Indian consumer price rose 4.58% in April as against market expectations of 4.4% growth. Rising crude oil price has fuelled concerns about inflation. US 10-year bond yield has rescaled 3% as part of surge in global yields. Karnataka state election results will be out today and market players are hopeful for a BJP win. Weakening support for ruling BJP government would further undermine confidence on Indian economy. Rupee may remain under pressure unless we see a sizeable correction in crude oil prices. USDINR may trade in a range of 67.45-67.9 and bias may be on the upside.....

Compiled By Kotak Commodities Research Desk, contact us: mailto:research@kotakcommodities.com, Source: Reuters, MCX, Market source
Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:

<table>
<thead>
<tr>
<th>Country</th>
<th>20s Carded</th>
<th>30s Carded</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>2.75</td>
<td>3.05</td>
</tr>
<tr>
<td>Indonesia</td>
<td>2.56</td>
<td>2.85</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2.38</td>
<td>2.77</td>
</tr>
<tr>
<td>Turkey</td>
<td>3.10</td>
<td>3.30</td>
</tr>
</tbody>
</table>

Source: CCF Group

China yarn

Cotton yarn showed a little diverged. OE spun yarn showed stable to lower while others showed stable. Some variety increased. Polyester yarn rose, rayon yarn showed slightly lower while ring-spun yarn was stable.

International yarn

In Pakistan, the cotton yarn market has been fairly stable. Export demand has improved modestly. US textile and apparel imports during March were almost five percent up on the corresponding month in 2017. In Egypt, local yarn demand has improved somewhat. Plans to expand spindleage persisted in Bangladesh.

Source: CCF Group
<table>
<thead>
<tr>
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<tr>
<td>2</td>
<td>US retail imports to grow despite tariff threat: Report</td>
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<tr>
<td>3</td>
<td>Despite Risks, Cambodia Should See Strong Economic Growth Thanks to Apparel Exports</td>
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<td>Cotton Prices Up 6 Percent So Far in 2018</td>
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<td>Italian textile machinery order index drops in early 2018</td>
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<tr>
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<td>Will India get impacted by US-Iran tussle?</td>
</tr>
<tr>
<td>7</td>
<td>India's WPI inflation for apparel rises 1.1% in April</td>
</tr>
<tr>
<td>8</td>
<td>Researchers to focus on commercial exploitation of banana fibre</td>
</tr>
<tr>
<td>9</td>
<td>Amazon invests ₹2,600 crore in India unit</td>
</tr>
</tbody>
</table>
INTERNATIONAL NEWS

US exit from NAFTA may cost $15.8 bn to retailers: Report

The near-term cost to retailers of US’s exit from North American Free Trade Agreement (NAFTA) is estimated at $15.8 billion, according to a study released recently. The report quantifies the impact of a potential withdrawal of US from the treaty and outlines what changes US retailers should expect in the event that the country exits from the pact.

The study called ‘How NAFTA Affects US Retail’ by global strategy and management consulting firm, A.T. Kearney, points to how the American retail landscape is in danger of being undercut. It quantifies direct and indirect margin impact across all sectors of retail, including apparel and footwear.

With the retail industry importing $182 billion of goods from NAFTA partners, the cost to retailers could amount to as much as $15.8 billion in added tariffs and reduced margins.

Additionally, the study quantifies the impact on retail employment, projecting losses of over one hundred thousand jobs within the next three years, adds the report.

"The three macro areas we researched were tariff increases, reduced consumer spending, and lost jobs, each and collectively amounting to losses of billions of dollars and displaced lives," said Johan Gott, A.T. Kearney principal and co-author of the study.

"Retailers in different sectors would be affected in different ways—even from product to product. But bottom line, the impact will extend to millions of products imported into the US."

"NAFTA has dramatically influenced the US economy, the retail sector, and Americans’ standard of living. From the time it came into force, retailers have gradually become de facto importers, because their customers demand the products that NAFTA allows them to purchase easily, affordably, and with great variety. Retailers, then, are agents without the protections that other importers enjoy," added Gott.
The report suggests that retailers should take steps to quantify the impact on their cost of goods sold, outline a response in terms of several different scenarios that factor in potential impact and become an active voice with policymakers, industry groups and peers to share the real, direct impact that the end of NAFTA would have. They should also be prepared to share confidential data with government officials to demonstrate this impact.

"If the US terminates NAFTA, many importers would likely be covered by other protective sanctions against foreign competition," continued Gott. "US retailers do not face the same kind of foreign competition, but they would be left to face higher costs for the goods they sell—a prospect whose ramifications would reverberate throughout the US economy."

This study, undertaken by A.T. Kearney for the purpose of calculating the impacts of a US withdrawal from NAFTA, was done in partnership with the National Retail Federation (NRF), Retail Industry Leaders Association (RILA), and Food Marketing Institute (FMI). The methodology used aimed at quantifying direct cost increases, indirect revenue loss, and jobs impact.

Source: fibre2fashion.com- May 15, 2018

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**US retail imports to grow despite tariff threat: Report**

Imports at the major retail container ports in the US are expected to grow steadily throughout the summer despite the prospect of heavy tariffs on goods from China, says a recent report. Ports handled 1.54 million Twenty-Foot Equivalent Units (TEU) in March, that was down 8.6 percent from February because of Lunar New Year factory shutdowns in Asia.

TEU in March was down only 0.7 percent YoY, according to the monthly Global Port Tracker report released by the National Retail Federation (NRF) and Hackett Associates. A TEU is one 20-foot-long cargo container or its equivalent.

“With proposed tariffs yet to be officially imposed, retailers are stocking up on merchandise that could soon cost considerably more,” NRF vice president for supply chain and customs policy Jonathan Gold said.
“If tariffs do take effect, there’s no quick or easy way to switch where these products come from. American families will simply be stuck paying higher prices and hundreds of thousands of US jobs could be lost.”

“Despite the threats and risks to trade, we continue to see solid expansion and our models are projecting this to continue throughout the year,” Hackett Associates founder Ben Hackett said. “This is driven by a high level of confidence as the economy remains strong and unemployment is at its lowest level in nearly two decades.”

April was estimated at 1.73 million TEU, up 6.4 per cent YoY. May is forecast at 1.82 million TEU, up 4.3 per cent from last year; June also at 1.82 million TEU, up 6.1 per cent; July at 1.9 million TEU, up 5.5 per cent; August at 1.92 million TEU, up 4.6 per cent, and September at 1.82 million TEU, up 2.1 per cent, as per the report.

The numbers forecast for July and August would each set new records for the number of containers imported in a single month, beating the previous high of 1.83 million TEU in August 2017.

The first half of 2018 is expected to total 10.4 million TEU, an increase of 5.8 per cent over the first half of 2017. The total for 2017 was 20.5 million TEU, up 7.6 per cent from 2016’s previous record of 19.1 million TEU.

Global Port Tracker, which is produced for NRF by the consulting firm Hackett Associates, covers the US ports of Los Angeles/Long Beach, Oakland, Seattle and Tacoma on the West Coast; New York/New Jersey, Port of Virginia, Charleston, Savannah, Port Everglades, Miami and Jacksonville on the East Coast, and Houston on the Gulf Coast.

Source: fibre2fashion.com- May 14, 2018
Despite Risks, Cambodia Should See Strong Economic Growth Thanks to Apparel Exports

Buoyed by a rebound in textile and apparel exports, along with tourism and agriculture, economic growth in Cambodia remains strong and is projected to accelerate slightly to 6.9% in 2018 from 6.8% last year, a new World Bank report said.

The World Bank’s latest Cambodia Economic Update said rising government spending and favorable global conditions are expected to form a strong foundation for Cambodia’s high growth trajectory.

But risks remain, the report noted, including erosion of export competitiveness due to rapidly rising wages, vulnerabilities from a prolonged real estate and construction boom, potential election-related uncertainty, and “periodic jolts of protectionism and escalating trade disputes between the world’s largest trading nations.”

Textile and apparel exports to the European Union, including the U.K., grew 7.4% year-over-year in 2017, while those exports to the U.S. expanded 3.7% compared to a decline of 3.5% a year earlier. Despite rapidly rising wages, overall textile and apparel exports rose 7.7% in 2017, a slight deceleration from 8.4% growth in 2016, according to the report.

Last year, the country approved an 11 percent wage hike that took effect in January, bringing garment workers’ average wages to $170 a month.

The reported said the textile and apparel sector has adjusted rising competition through adding value to its products by becoming more vertical, and incorporating printing, embroidery and washing to its production capabilities.

While the effort to climb to higher product prices continued in 2017, the growth in the exports of clothing and other textile products is reliant largely on volume increase due to intense regional competition, the study noted. In volume terms, exports of textile and apparel items grew 6.6%, compared to 12.3% in 2016.
Cambodia’s footwear exports continued to expand, but average prices fell slightly. Attracted by “Everything but Arms” preferential treatment provided by the EU, footwear products have expanded and become the second-largest manufacturing export after clothing and other textile articles.

Total footwear export value reached nearly $900 million in 2017, representing 14.4% growth. Unlike textile and apparel, average footwear export prices have been steadily declining during the last few years due to rising competition, dropping to $6.60 a pair in 2017, down from $7 a pair in 2016. There has been ongoing concern from U.S. imports and global rights groups over labor and human rights in the country. In March, the United Nations Human Rights Council, endorsed by 45 nations including the U.S., issued a statement urging improvements in Cambodia’s rights situation ahead of a general election this July.

The joint statement expressed “deep concern about the recent serious decline of civil and political rights in Cambodia,” adding “these backward steps include signs of escalating repression of the political opposition, civil society and media.”

Meanwhile, Inguna Dobraja, World Bank country manager for Cambodia, said in a statement accompanying release of the report, “To maintain strong growth, it is essential that Cambodia invests more in education and skills training, while addressing the constraints facing small and medium businesses. Investing in people is the best for a more prosperous future.”

Cambodia, the report noted, can diversify growth and create more jobs by reducing the costs of starting a business, operations and financing. The World Bank’s recommendation for the country is to closely monitor the construction and real estate boom by “developing policies that help reduce the scope for speculative activities.”

Large foreign direct investment inflows and rising public investment in infrastructure are expected to help economic expansion. Combined with structural reforms designed primarily to boost Cambodia’s external competitiveness, this should help speed up growth momentum in the longer term.

Source: sourcingjournal.com- May 14, 2018
Cotton Prices Up 6 Percent So Far in 2018

Cotton prices have increased by 4 cents per pound so far in 2018, a rise of about 6 percent, to 80.5 cents as of the end of April, according to data from the U.S. Department of Agriculture (USDA).

The seven-market U.S. average cotton spot price, which ended 2017 at slightly over 76 cents per pound, peaked at 78 cents in mid-May last year. From there, it followed a fairly volatile path for the next several months, before beginning to drift upward.

World cotton production is expected to increase by 11 percent to 122 million bales during the current 2017/2018 crop year. World mill-use, or demand, is forecasted to grow by 4 percent, to 120 million bales. Taking China out of the mix, the increase in mill-use remains at 4 percent.

Stocks outside of China, most of which are freely traded, are expected to grow to a new record level this crop year, 23 percent compared to last year and exceeding the previous record by 10 percent, according to the USDA.

Ending stocks in the U.S., the world’s largest exporter, are forecast to increase by almost 90 percent to 5.3 million bales this season.

It is important to make the distinction between supplies inside and outside China since cotton stocks in the country are largely government-controlled, and cannot be exported without violating WTO rules.

Chinese cotton import quotas are at low levels, reducing its direct interaction with the world market. Stocks in China are expected to finish the 2017/2018 season about 15 percent below last year.
However, as the Cotton Incorporated April Economic Letter noted, the importance of China as a cotton customer to the U.S. and other export countries should not be understated.

The recent trade-related announcements between the U.S. and China adds another level of uncertainty, and therefore volatility, to the cotton market. Although initial salvos threatening increased tariffs didn’t include cotton on the list of U.S. goods that could get hit, subsequent ones did. It remains to be seen what the future of trade policy will be between the nations.

The relative increases in production compared to mill-use would suggest that prices would be dropping, while quite the opposite is happening.

There are several possible reasons for the divergence, including factors relating to the fact that the market tends to be forward-looking, and that transitions to new factors influencing the market may be on the horizon.

As China draws down its stocks of cotton reserves, it can be expected to start importing more, which will mark a major transition in the global market, and could pull prices higher. The upward movement in prices this year could be in anticipation of that pull.

Another transition is that global cotton production is expected to decrease due to expectations that weather will be average compared to that of the current crop year, in which it was exceptionally good.

There are also technical factors relating to the changing ways in which contracts are done that could impact pricing. These changes are causing speculators to hold back on commitments, which may be buoying prices.

Source: sourcingjournal.com- May 14, 2018
Italian textile machinery order index drops in early 2018

The order index for textile machinery prepared by ACIMIT, the Association of Italian Textile Machinery Manufacturers, for the period from January to March 2018 dropped 12 per cent compared to the same period for 2017.

The decline mainly affected textile machinery orders for the domestic market, while the drop was more contained in export markets.

The value of the index for the first quarter of 2018 stood at 104.8 points (basis: 2015=100).

For the Italian market, the index was at 94.1 points, 22 per cent less than the first quarter for 2017. In foreign markets, the index registered 107.2 points.

“In Italy, we had a rebound effect following the heavy investments made during 2017.

The first three months of this year were characterised by a physiological slowdown that doesn’t concern our manufacturers who are used to processing an order portfolio of over four months,” said Alessandro Zucchi, president of ACIMIT, which represents an industrial sector comprising around 300 manufacturers.

Terming the situation in export market as positive, Zucchi said, “For 2018, conditions remain for consolidating the growth trend, as evidenced by the good results obtained at recent trade fairs held in different countries, at which many of our manufacturers participated.”

Source: fibre2fashion.com– May 14, 2018
Pakistan: Declining exports dilemma

One of the perennial problems plaguing the country’s economy, an abysmal level of exports, casts a negative chain reaction effect on the entire system, impacting the benchmark annual GDP growth rate and export-to-GDP ratio.

With annual exports languishing below six percent in the 1990s, rising to 9.9 percent in the 2000s and dipping sharply to 1.94 percent after 2010, the GDP growth figures for corresponding periods remained well below par as well, varying at 4.6 percent, 4.7 percent and 4.3 percent.

The fall of export-to-GDP ratio from 15.53 percent in 1990s to current 9.13 reflects the steep decline in exports and is lowest in the region, with Iran (22.4 percent), China (19.64), India (19.17), Sri Lanka (21.44) and Bangladesh (16.64 percent). Immediately tied with vibrant export regime is international value of the domestic currency, and international financial experts always held that rupee was artificially pegged at vastly inflated levels.

But a currency free-fall too has its collateral damage, causing a quantum leap in external debt, something serious when the debt burden is a staggering $89 billion, apart from the fear of fuelling politically damaging high inflation.

In sharp contrast to this dismal performance, most Asian economies are flying high based precisely on their highly competent and vigorous export-powered and oriented strategy, which then provides the vital competitive and technological edge in production to the entire economy: (total exports, China $2,097 billion in 2016, India 264.4 billion, corresponding GDP growth, 9.63 percent and 6.59 respectively).

Diversifying goods, seeking new markets, creating export options and openings, focusing on manufactured value-added products, low energy cost, commitment to quality, structural reforms, sound entrepreneurship, trained labour, and concentrating on sectors with high share and bright future prospects in global trade, are their main thrusts, something Pakistani economic managers, whose sole genius lies in amnesty schemes and artificially bolstering forex reserves by mindless borrowing, desperately need to adopt.
The pampered local textile industry, no doubt constitutes 67 percent of our total exports but textiles and clothing only make up 5pc of global trade, while Pakistan’s ranking in Global Competitiveness Index is a lowly 115 out of 137 countries, below India (40), Sri Lanka (65) and Bangladesh (99).

Source: pakistantoday.com.pk- May 14, 2018
NATIONAL NEWS

Irani takes stakeholders' feedback on scheme for capacity building in textiles

Union Minister Smriti Irani today sought feedback from stakeholders on ‘Samarth’, a scheme for capacity building and skilling in the textile sector. The scheme targets to train 10 lakh persons (9 lakh in organised and 1 lakh in traditional sector) over a period of three years (2017-20), with an outlay of Rs 1,300 crore. The guidelines of the scheme were released on April 23 this year.

The broad objective of the new scheme under the Skill India Mission is to skill the youth for gainful and sustainable employment in the textile sector covering the entire value chain of textiles, excluding spinning and weaving. “The concerns of the stakeholders and challenges faced by them during implementation of the previous scheme were discussed in the meeting.

“Feedback from the concerned stakeholders on how the scheme can contribute and benefit the textile industry and boost skill development in the respective sector was also discussed,” an official statement said.

The scheme, approved by the Cabinet Committee on Economic Affairs on December 20 last year, is intended to provide demand driven, placement oriented National Skills Qualifications Framework (NSQF) compliant skilling programmes to incentivise and supplement the efforts of the industry in creating jobs in the textiles sectors.

Source: moneycontrol.com- May 14, 2018
Visit to help improve bilateral trade with Latin America: M Venkaiah Naidu

Vice President M Venkaiah Naidu today said his visit to three Latin American countries has addressed India's "high-level contact deficit" with the important region and would help in improving bilateral trade and investments for mutual benefit.

He briefed the media in Frankfurt, Germany before leaving for New Delhi after concluding his week-long visit to Guatemala, Panama and Peru.

Naidu said, "High level visits by Indian leaders to identified countries and regions of the world are affirmative statements of intent to enhance cooperation for mutual benefit.

"India has embarked on such engagements over the last four years and this visit is a part of that well thought-out outreach. This is in line with India's vision for a better world through collective actions for shared benefits," he said.

The vice president explained that the three Latin American countries offered significant opportunities for India given their high level of engagement with the US and the other North and South American economies through regional arrangements and free trade agreements, besides being logistic and financial hubs in the region.

Naidu further said "India's sub-optimal engagement with these three countries is to a large extent due to high-level contact deficit. My visit is the highest level ever from both sides to Guatemala and Panama since the establishment of diplomatic ties about 50 years ago."

"Former president Shri K R Narayanan visited Peru in 1998. I am hopeful that my visit would catalyse enhanced flow of trade and investments through necessary follow up actions by respective governments," he said.

Naidu said the top leadership of the three Latin American countries have acknowledged the strengths and expertise of India in various fields and its fast growing economy which they said could benefit their countries under enhanced engagement.
He stated that during his visit, five memoranda of understanding and agreements have been signed.

These relate to training of diplomats and English teachers of Guatemala, exemption of visas for diplomatic, official and consular passport holders of India and Panama besides a work plan for cooperation in agricultural research and cooperation in new and renewable energy with Peru.

During the talks with Panamanian leaders, Naidu also announced a total of USD 25 million line of credit for setting up a centre of bio-diversity and drug tracking and a centre for innovation and technology.

The vice president informed that the Indian delegation highlighted the help India could provide in areas of agriculture, IT, science and technology, space applications, pharmaceuticals, textiles, and new and renewable energies.

He also said the three countries who suffered from various forms of terrorism supported India's efforts for global action against all kinds of terror.

"They firmly reiterated support to India's permanent membership in the United Nations Security Council as the largest democracy of the world and an important voice on global issues," he said.

Source: newindianexpress.com- May 14, 2018
Textiles Ministry to upgrade apparel training centres

Acceding to the request of apparel exporters, the Ministry of Textiles has approved to upgrade over 200 Apparel Training & Design Centres (ATDCs) across the country, including those in Chandigarh, Punjab, Haryana and Himachal Pradesh. The upgrade includes setting up of state-of-the-art machinery and inclusion of new courses.

“Members of the industry told the textile ministry officials that the machinery at these centres was obsolete. Considering the competitiveness of exports, the industry needs highly skilled professionals. For this, these training centres should be upgraded and equipped with the latest machinery so that workforce can be trained on the modern machinery.

Acting on the request of the exporters, the ministry officials has asked the Apparel Export Promotion Council (AEPC) to make project report for the upgrade. The ministry also agreed to add knitwear section in these training centres,” said a source present in the meeting, held recently, requesting anonymity.

Source: tribuneindia.com- May 14, 2018

India to clock GDP growth of 7.7% in January-March: Nomura

Factors like rising oil prices as well as tighter financial conditions are expected to drag down growth rates.

Despite moderation in factory output growth in March, India’s GDP is expected to grow by 7.7% in January-March, up from 7.2% in the preceding quarter, says a Nomura report.

According to the Japanese financial services major, despite the moderation in March, industrial production growth averaged 6.2% in the January-March period, up from 5.9% in Q4 (October-December).

The uptick in average industrial production growth, implies that the overall industrial activity strengthened in Q1 (January-March), “supporting our
view of a pick-up in GDP growth to 7.7% year-on-year in Q1 from 7.2% in Q4”, the report said.

The report further noted that India is expected to witness cyclical recovery led by both investment and consumption. However, factors like rising oil prices as well as tighter financial conditions are expected to drag down growth rates.

“While we remain optimistic on the near-term growth outlook, we expect the adverse impacts of rising oil prices and tighter financial conditions to slow growth further out,” Nomura said.

According to official data, industrial output growth fell to a five-month low of 4.4% in March due to decline in capital goods production and deceleration in mining activity and power generation.

Industrial growth as measured by the Index of Industrial Production (IIP) in 2017-18 too decelerated to 4.3% from 4.6% in the previous fiscal.

Source: thehindu.com- May 14, 2018

Intra-State e-way bills: 2 States added

The e-way bill system for intra-State transport of goods in Assam and Rajasthan will roll out on May 16 and May 20 respectively, the government announced on Monday.

This would take the total number of States under the system to 21.

As of May 13, more than 4.15 crore e-waybills had been generated, including more than one crore for intra-State goods movement.

“It is hereby informed that e-waybill system for intra-State movement of goods would be implemented in Assam from May 16, 2018, and Rajasthan from May 20, 2018,” the government said.

Source: thehindu.com- May 15, 2018
Will India get impacted by US-Iran tussle?

Last week, the United States (US) pulled out of the Iran deal—the Joint Comprehensive Plan of Action (JCPOA), which was signed in 2015 to ensure that Iran’s nuclear programme will be exclusively peaceful. The International Atomic Energy Agency (IAEA) verified that Iran had implemented its key nuclear-related measures described in the JCPOA. As a result of Iran, in a verifiable manner, meeting its nuclear commitments, the US and the European Union (EU) lifted nuclear-related sanctions on that country, as described in the JCPOA.

With the US pulling out of the deal and imposing sanctions on Iran, the US will reinstate curbs on Iran’s purchase or acquisition of US dollars, as well as any global trading in Iran’s gold, coal, steel, cars, currency and debt, plus imports of Iranian carpets into the US. In addition, the US will bring back sanctions on Iran’s oil exports, shipping, port operators, central bank dealings, insurance and the rest of its energy sector. The US has also prohibited dealings of Boeing and Airbus in aircraft and aircraft parts.

Estimates suggest that the sanctions previously imposed by the United Nations (UN), the US and the EU cost the country more than $160 billion in oil revenue from 2012 to 2016 alone. With the lifting of the sanctions, Iran gained access to more than $100 billion in assets frozen overseas, and was able to resume selling oil on international markets and using the global financial system for trade. So, what is the likely impact of this on India?

India’s trade with Iran stands at around $12 billion, and deficit with Iran stands at around $8 billion (5% of India’s total merchandise deficit). In 2017-18, India imported around 256 million tonnes of crude oil and its derived products worth $101 billion. Imports from Iran made up around 10% of this ($10 billion)—it is India’s third largest oil supplier after Saudi Arabia and Iraq. India and China are the largest importers of Iranian oil—accounting for 1.4mbpd of imports from Iran, which is about a third of the country’s total production.

Other major imports from Iran include fertilisers and organic & inorganic chemicals—India imported around $4.5 billion of fertilisers during 2017-18, and Iran ($0.5 billion) ranks amongst top three in India’s supplier of imported fertilisers.
India’s exports to Iran mainly comprise of food items, organic chemicals and iron & steel. India may now resort to looking for waivers from the US or going back to using a mix of barter, rupee and gold to settle payments. Imposition of US sanctions might also adversely affect the development of Chabahar Port, which provides access to Afghanistan and Central Asia, bypassing Pakistan.

Trade between India and Iran is unlikely to suffer on account of re-imposition of US sanctions—these have been in place for long and India has maintained good trade relations with Iran. In fact, trade in the years following the implementation of the JCPOA in January 2016 has been lower than in the sanction years. Re-imposition of the sanctions might actually give India better bargaining power when trading with Iran.

The most critical impact in India will be via oil prices—which rose in response to the US withdrawing from the JCPOA. There are fears that the sanctions will further tighten the already squeezed oil market. Saudi Arabia has said that it will alone not seek to increase its oil output to make up for Iran's loss, but will consult all the other OPEC (Organisation of the Petroleum Exporting Countries) members and Russia.

According to the US Energy Information Administration (EIA) estimates, Iran’s crude oil output stood at 3.8mbpd in 2017—making up around 4% of global crude production. Estimates suggest that 500kbpd to 1mbpd of oil supply from Iran could be impacted because of the sanctions. Further risk to oil price stems from the falling Venezuelan oil output, tension between Saudi Arabia and Houthi rebels in Yemen, and slow recovery in US shale. Some downside to oil prices is possible in case Iran pulls out of the OPEC output deal and increases its output.

The Reserve Bank of India (RBI) estimates that every $10 rise in global crude oil price adversely affects inflation by 30bps and growth by 10bps. Brent crude oil price is up almost 16% since the start of 2018. While oil prices are a supply-side factor, RBI will need to pay attention to it due to the second round impact of oil prices on overall inflation. The impact of higher global oil prices is hard to bypass unless India refuses to align the retail prices of fuels in line with global oil prices. The same, however, is not advisable since the consumers will fail to adjust their consumption to higher prices and will contribute to the ballooning trade deficit.
India’s oil trade deficit stood at $66 billion in 2017-18. This accounted for almost 40% of India’s merchandise trade deficit. Higher trade deficit will have an adverse impact on currency and will contribute to higher imported inflation. At the same time, RBI might have to drawdown on its reserves to support the currency and stabilise the market.

Higher global oil prices will lead to higher inflation across countries. Higher inflation might prompt central banks of developed economies, particularly the US, to follow a monetary policy tighter than expected before. This can have a negative spillover on capital flows into emerging markets, including India. While the India-Iran trade is likely to remain unaffected, India must keep a close watch on the recent geopolitical developments and conduct its diplomacy accordingly.

Oil and fertilisers are key strategic import items, and India should try to diversify its trading partners to shield itself from any adverse consequences. Situations in India’s key oil partners—Saudi Arabia, Iraq and Iran—remain fragile.

China accounts for almost 20% of our urea imports and 30% for overall fertiliser imports. Relationship with China, too, is always under a doubt. Things are moving fast on North Korea’s front—trade with North Korea was only $132 million during 2016-17 and fell further in 2017-18. This could be a threat as well as an opportunity.

While the India-Iran trade is likely to remain unaffected, India must keep a close watch on the recent geopolitical developments and conduct its diplomacy accordingly.

Source: financialexpress.com- May 15, 2018
India's WPI inflation for apparel rises 1.1% in April

India’s annual rate of inflation, based on monthly wholesale price index (WPI), stood at 3.18 per cent for the month of April 2018 over same month of last year. The index for apparel increased by 1.1 per cent to 139.3 in April, according to the provisional data released by the Office of the Economic Adviser, ministry of commerce and industry.

The official WPI for all commodities (Base: 2011-12 = 100) for the month of April 2018 rose by 0.7 per cent to 116.8 from previous month’s level of 116.0, the data showed.

The index for manufactured products (weight 64.23 per cent) for April 2018 rose by 0.3 per cent to 116.1 from 115.7 for the previous month. The index for ‘Manufacture of Wearing Apparel’ sub-group rose by 1.1 per cent to 139.3 from 137.8 for the previous month due to higher price of woven apparel, except fur apparel (1 per cent).

The index for ‘Manufacture of Textiles’ sub-group too rose by 0.3 per cent to 114.4 from 114.1 for the previous month due to higher price of viscose yarn, weaving and finishing of textiles, cotton yarn and synthetic yarn (1 per cent each). However, the price of manufacture of cordage, rope, twine and netting, woollen yarn and made-up textile articles (1 per cent each) declined.

The index for primary articles (weight 22.62 per cent) rose by 1.4 per cent to 129.2 from 127.4 for the previous month. The index for fuel and power (weight 13.15 per cent) also rose by 0.9 per cent to 98.9 from 98.0 for the previous month due to higher price of naphtha, petroleum coke, furnace oil, HSD, kerosene and petrol. However, the price of LPG declined.

Source: fibre2fashion.com- May 14, 2018
Researchers to focus on commercial exploitation of banana fibre

Researchers from various central and state institutions from six States converged for a brainstorming session at the ICAR’s National Research Centre for Banana (NRCB) in Tiruchi last week to discuss how best to utilise the enormous amount of biomass generated in banana cultivation by evolving technologies for its commercial exploitation.

In her opening remarks, S. Uma, Director, NRCB, observed that the enormous biomass produced in banana cultivation can be converted into wealth to provide supplementary income to farmers.

She suggested adopting development of clusters for mechanical extraction of banana fibre and development of fibre banks to cater to the demands of fibre industry and sustainable business models.

Speaking to The Hindu, Dr. Uma observed that although banana fibre was being used in making handicrafts and fabrics, there was enormous scope for scaling up its applications and commercial utilisation.

The meet, she said, identified two research issues of how to improve the quality of machine extracted banana and promote their use in power looms and take them up for funding. Other applications of banana fibre in production of craters and pro-trays replacing plastics, sheets and composite boards were also discussed, she said.

The Central Institute for Research on Cotton Technology, Mumbai, presented technologies for utilising fibre based products, and researchers from Navsari Agricultural University, Gujarat, briefed on the replicable model for utilisation of banana pseudostem after bunch harvest.

Representatives from the South India Textile Research Association explained the technologies they had developed for spinning and yarn making to make it suitable for blending with other fabrics in textile industry.

Researchers from Tamil Nadu Agricultural University, Coimbatore, highlighted the significance of fibre based nanofilm wraps for extending the shelf life of horticultural commodities in the shelves of super markets.
The Central Institute of Agricultural Engineering, Coimbatore, showcased their machine developed for minimal processing of central core stem.

The Confederation of Indian Industry, Tiruchi, and Tamil Nadu Handicrafts Development Corporation Limited, have assured support for setting up of large scale fibre extraction units, a NRCB press release said.

A. P. Karuppaiah, President, and G. Ajeethan, Managing Director, TN Banana Producers Company Ltd., suggested utilisation of pseudostem as a new vista of business opportunity.

Representatives from the three major institutes of Indian Council of Agricultural Research, the National Institute of Technology, Tiruchi, (SITRA), and officials from the MSME Department, also participated in the meet.

Source: thehindu.com - May 14, 2018

Amazon invests ₹2,600 crore in India unit

American e-retailer Amazon is set to invest ₹2,600 crore in its Indian unit, Amazon Seller Services, to compete with the Indian e-commerce website Flipkart that recently entered into a mega deal worth $16 billion with Walmart.

The board of directors of the India unit have already passed the resolution for the investment at a meeting held on April 26.

The investment has been made by Amazon.com Incs and Amazon Corporate Holdings, according to filings to corporate affairs ministry. Amazon Seller Services had also received ₹1,950 crore from its American parent company in January this year.

Amazon will continue to invest in the infrastructure and the necessary technology to grow its eco-system in order to make e-retail a habit for people in India, said media reports quoting an Amazon India spokesperson.
Jeff Bezos, the founder of Amazon, plans to infuse funds to the tune of $5 billion in the Indian market.

Amazon CFO Brian Olsavsky said that the company sees great progress in India with regards to seller and customers and hence it will keep investing in its India business.

The company is continuing to pump money in its India unit, despite registering a $622 million loss in its international business in Q1 2018.

The company is also investing towards strengthening logistics, increasing its assortment of products and building warehouses as well as in marketing and promotions.

Source: fibre2fashion.com- May 14, 2018