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# IBTEX No. 191 of 2018 September 15, 2018

USD 72.10| EUR 83.89 | GBP 94.24 | JPY 0.64

| Cotton Market (14-09-2018) | | |
|---|---|---|
| **Spot Price ( Ex. Gin), 28.50-29 mm** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 22326 | 46700 | **81.94** |
| **Domestic Futures Price (Ex. Gin), October** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 23030 | 48173 | **84.53** |

| **International Futures Price** | |
|---|---|
| NY ICE USD Cents/lb ( Dec 2018) | 82.64 |
| ZCE Cotton: Yuan/MT ( Jan 2019) | 15,705 |
| ZCE Cotton: USD Cents/lb | **88.10** |
| **Cotlook A Index – Physical** | **1000** |

**Cotton Guide:** Most Indian agriculture physical markets were closed on Thursday due to Ganesh Chaturthi. However, future markets opened for limited trading hours. The active October future for cotton ended the session on Thursday at Rs. 22800 per bale down by Rs. 210 from the previous day's close. We saw a gap down in the price as its global counterpart was seen trading lower after the USDA report released previous day evening. December future trades at ICE settled at 8151, down 113 points, its biggest loss in almost a month. This has been three consecutive trading sessions low. For the past four weeks December is seen trading in the band of 365 point range from 8060 to 8425. This week so far has approached both ends of the range, given Monday's 8393 high and Thursday's 8140 low.

However, trading volumes were slightly lower at the ICE futures. As per record volume were 17,424 contracts. Cleared yesterday were 25,804 contracts. The aggregate open interest did show no major change and continued around 256+K contracts. On the other side of the world China's ZCE futures had the lightest volume in 4 and half months. Prices haven't moved much at all this week. The ZCE and ICE both have been stuck in 4-plus-week patterns.

USDA Weekly Export Report was released during the market hour however it was mostly mediocre. Total combined net sales for the week ended September 6th were 105,200 bales (upland 99,400; Pima 5,800). That included 4,300 bales in cancelations. The top 4 buyers so far this season are: China 1,975,300 bales (shipped 101,900 bales); Vietnam 1,841,000 bales (shipped 231,900 bales); Mexico 950,000 bales (shipped 84,600 bales); and Indonesia 930,700 bales (shipped 108,400 bales). Weekly shipments were 138,500 bales (upland 135,700/pima 2,800). Total shipments stand at 960,100 bales (upland 926,500/pima 33,600). 46-1/2 weeks remain in the season.

Further after the market closed, the Weekly CFTC On-Call Cotton report for the week ended September 6th was released. December on-call sales and purchases appeared to be mildly active last week. December on-call sales were 37,149 contracts, down 1,825 contracts. Dec on-call sales a year ago were 31,912 contracts. Dec on-call purchases were 20,371 contracts, down 860 contracts. Dec on-call purchases a year ago were 18,396 contracts. Total unfixed on-call sales added 225 contracts to 149,701 contracts. Total on-call sales a year ago were 131,053 contracts. Total on-call purchases were 43,488 contracts, down 769 contracts. Total on-call purchases a year ago were 38,435 contracts, down 879 contracts.

On the technical front though market has been trading in the band of 80.50 to 84.25 it has come down to the lower band of the price. This morning while writing this report at 8:30 AM IST, the ICE Cotton for December is seen trading at 81.45 cents down marginally from previous close however seems weaker having immediate support at 80.50. Upon break of that price might see a strong decline in the price. The repercussion will be felt further on the Indian cotton future. The Indian rupee appreciating strongly from record low near 73 to 72 per one USD might further pressure cotton price.

Overall for the day we expect Indian MCX cotton future for October to trade in the range of Rs. 22650 to Rs. 23000 per bale.

**Currency Guide:**

Indian rupee has appreciated by 0.6% to trade near 71.75 levels against the US dollar. Rupee has recovered on expectations that Indian government may take measures to support the economy. Also supporting rupee is correction in US dollar against major currencies amid disappointing inflation data. The US dollar corrected also as safe haven buying was tarnished by expectations of US-China trade talks. Correction in crude oil from recent high is also supporting rupee. Brent crude corrected after failing to sustain above $80 per barrel as demand worries intensified while global supplies hit new high. However, gains in US dollar may be challenged by persisting trade worries and contagion fear in emerging market economies. Rupee may see some gains amid expectations of announcement of government measures. USDINR may trade in a range of 71.35-72 and bias may be on the downside.

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

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# INTERNATIONAL NEWS

## US-China tariff war sees newer sourcing destinations emerging strong

The escalating US-China trade war is driving many China-based manufacturers and their US clients out of China to other low-cost countries like Vietnam, Cambodia, etc, leather brand Steve Madden is shifting handbag production to Cambodia, Techtronic Industries is moving out to Vietnam while Flex is planning to shift production centres from Mexico to Malaysia.

The US has so far levied 25 per cent tariff on $50 billion Chinese industrial goods and is planning to levy tariffs on another $200 billion Chinese exports. It has excluded most consumer goods from the tariff lists, yet many manufacturing and retail executives fear the range of affected products could widen with both Beijing and Washington refusing to concede.

### Emergence of new lucrative markets

The manufacturing industry needs to come up with strategies to diversify this risk. Factory owners in China are already shifting production to other US China tariff war sees newer sourcing destinations emerging strong 001 developing countries such as Bangladesh, Cambodia and Vietnam over the past decade in search of cheaper wages and a hedge against the political and economic risk that comes from reliance on one country. The trade war will further intensify this shift.

Vietnam has been at the centre of many companies' 'China plus' manufacturing strategies in recent years, attracting investments from the companies like Samsung, the South Korean electronics group, Daikin, the Japanese air conditioning group, and Techtronic.

Many US and European apparel fashion brands have shifted their production to Vietnam with a just few spare facilities left in China.
China retains its dominant position

Though tariffs and the uncertain future of US-China relations have unnerved many manufacturers, China is still likely to retain its dominant position.

According to WTO, the country still accounted for 35 per cent of global clothing exports last year, compared with just 6.5 per cent from Bangladesh, 5.9 per cent from Vietnam and 1.6 per cent from Cambodia. It is in a similar position for office and telecoms equipment.

**Retailers to bear the brunt**

Although the onus of paying tariffs will officially fall on the US importers of the affected products, the entire supply chain from consumers to the Chinese factories are likely to be affected. According to Panjiva, a research unit of the credit rating agency S&P, of the 200 US companies that are depending on these tariffs for their main earnings, only 47 per cent plan to raise prices for consumers.

Also the percentage by which these prices are likely to rise is comparatively lesser as tariffs are charged on wholesale import prices, before retail mark-ups. As Edward Rosenfield, CEO, Steven Madden notes retail prices would need to rise by only 3.5 per cent to offset a 10 per cent tariff. But retailers are unlikely to pass on this cost to consumers; affecting their own profit margins in the bargain.

Source: fashionatingworld.com - Sep 13, 2018

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## Chinese buying mission to visit Pakistan

Adviser to Prime Minister on Textile, Commerce, Industry and Production Abdul Razak Dawood has underlined the need for enhancing exports from Pakistan to China as well as to the global market.

“It will require better access to the Chinese market,” he said while talking to Chinese Ambassador Yao Jing who called on the minister on Friday.

The adviser emphasised that in addition to strong political affinity, Pakistan and China enjoyed excellent trade and commercial relations bonded further by the signing of the China-Pakistan Free Trade Agreement in 2006.

He added that agreement on the China-Pakistan Economic Corridor (CPEC) opened another dimension to the ever-growing trade and economic relations between the two countries.

Jing announced that a Chinese buying mission would visit Pakistan. “Such buying missions will be of great importance for Pakistani exporters and the overall export growth of the country,” he stressed.

Dawood appreciated China for organising the China International Import Expo, which would be held in November 2018 in Shanghai, and expressed gratitude for declaring Pakistan as the “Guest of Honour” during the event.

Both sides agreed to work more closely to build a brighter and prosperous future for the region.

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

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## Chinese association to invest in textile industry in Ethiopia

China’s national textile association China National Textile and Apparel Council (CNTAC) has confirmed its interest in investing in Africa’s fastest-growing economy, Ethiopia. The association that deals in the textile industry seek for investment opportunities in the country.

The Non-Profit Organization (NGO) will join other Chinese firms already established in the country to grow the East Asian’s foreign direct investments in the East African nation.

A delegation of 52 members was in the sub-Saharan country to discuss the possibilities of investing with the Head of State Mulatu Teshome. The growing and promising market of Ethiopia has lured many investors into the economy as they look to seize business opportunities in East Africa’s investment hub.

From Swiss to Indians, Americans to Turkish, and now German companies, Ethiopia has wooed different companies with its economic outlook speculation.

China's textile industry is the world's largest both in production and exports, dominating the industry since 1994.

The increasing demand in the apparel market has flourished the nation's sector and has changed the economic performance of the world's most populous country.

China's industrial clusters have played a pivotal role in the growth of the textile and apparel sector. The Chinese Government has sought for keeping a balance in the economy by nurturing the industry.

According to CNTAC's president Sun Ruizhe who led the representatives, he acknowledged several factors that accounted for the rapid rise of investors in the nation.

Business incentives to drive more FDIs was a paramount factor as entrepreneurs look for investment opportunities.

The Government policy of the country has proven to be business-friendly hence wooing more companies.

The availability of cotton and labour were other factors for eyeing the Ethiopian market.

Ethiopia plans on generating close to $30 million in exports from the textile and apparel sector by 2030, a vision that will see textile firms joining to achieve the goal.

Source: exchange.co.tz- Sep 14, 2018

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## Gulf Dreams

“Everyone worldwide eats Middle Eastern food,” says the Lebanese-born fashion philanthropist Tania Fares. “But no one knows a thing about its fashion designers.” Until now, that is. This week, Fares launched Fashion Trust Arabia — a non-profit mentorship and financial prize programme for emerging designers across the whole of the Middle East and North Africa, which aims to give winning designers international exposure. “There is a lot of talent in the region, but there’s a lack of support,” says Fares. “We’re creating a structure within the industry there from scratch.”

With the exception of brands such as tuxedo-based label Racil, handbag designer Nathalie Trad and couturier Elie Saab, few Arabian designers have broken out on the international scene. Racil Chalhoub, who launched her eponymous label in Paris and whose designs are stocked at MatchesFashion.com, MyTheresa and Bergdorf Goodman, says it would have been “a lot harder” for her brand to achieve such international success had she done so from the Middle East.

“It sometimes feels like we are trying to give birth to an entire industry here,” says Amman-based designer Nafsika Skourti, who launched her namesake label in 2014. As well as production issues, Skourti points to the lack of access to quality models, photographers and stylists as difficulties of operating in the region.

“Launching a brand in Arabia is very challenging,” says Fares, of a region that lacks infrastructure and official fashion week programmes. “The ability to deliver orders on time, company growth . . . it’s difficult for designers,” she says.

“Let’s say you’re an Arab designer within the Arab world and you have your e-commerce but you want to launch internationally. How do you ship? How do you price? Who is there to guide you?”

Establishing such an initiative in the Middle East was a natural next step in Fares’ philanthropic adventures. She launched a similar scheme — Fashion Trust — in the UK, in 2011, in partnership with the British Fashion Council. To date, the UK Fashion Trust has awarded £1.6m to designers — recipients include Christopher Kane, Peter Pilotto and Roksanda Ilincic. “I love young designers," says Fares, "but I was born in Beirut, so it's good to give something back to my part of the world."

For the FTA's co-chair, Sheikha al-Mayassa Bint Hamad Al-Thani, the project has an even deeper cultural resonance. "This initiative has the potential to be transformative," she says, "helping to build bridges of understanding between our culture and others." Fashion Trust Arabia founder Tania Fares Fashion Trust Arabia arrives at an opportune moment, when modest fashion and diversity are buzzwords in the industry. It began with a trickle in 2016, with the launch of abaya collections from Dolce & Gabbana and the Japanese high street retailer Uniqlo.

Today, Net-a-Porter offers an Eid edit, while online retailer The Modist — founded in 2017 by the Algerian entrepreneur Ghizlan Guenez — this year created Layeur, an in-house line of modest, sophisticated separates that are targeted at the international consumer. Meanwhile, the Middle Eastern market holds a promise of explosive growth. Thomson Reuters projects that global fashion spending by Muslims will reach $373bn by 2022.

Qatar, an oil-rich state that has the largest GDP per capita in the world at around $128,000, has a flourishing fashion economy despite last year's political and diplomatic tensions. Fares' initiative is part of a bigger global shift away from the west, seen with the launch of websites such as Industrie Africa, which connects designers across the continent.

International buyers have yet to plunder the region. But there is a wealth of talent to be tapped; from womenswear designers such as Huda Al Nuaimi, Anatomi, Abadia and Bambah, to fine jewellery brands such as Donna Hourani and Maha Lozi. "Young designers in Arabia are dressing women in a very contemporary way," says Jason Steel, assistant professor at Beirut's Lebanese American University, who rejects the notion that Arabian style is all about brash glamour.

Production, however, is often problematic. "Through many complex factors — the fluid political situation, civil war, lack of investment, cheap imports and the desire for luxury brands — the industry has fallen short of what it could be," says Steel. "Skilled artisans have given up making beautiful leather shoes as driving a taxi makes them more money. Those in the industry often aren't willing to entertain a young designer with difficult patterns and sampling . . ." In Beirut, electricity does not run all day, so "running a small business takes extra planning and finances to ensure smooth operating", he says.

Fashion Trust Arabia — which will operate under the patronage of honorary chair Sheikha Moza Bint Nasser — aims to combat all of these issues. Backed by private investors from across the region, the scheme, which is open to brands who have been in business for three years or more, will provide finalists with cash and a business strategy. It will also connect them with entrepreneurs, factories and retailers — among the members of the 15-person committee are Ghizlan Guenez, designer Zuhair Murad and Nez Gebreel, founding chief executive at the Dubai Design & Fashion Council.

Fares anticipates a vast number of applicants. For those who win — and the wider Arabian fashion industry — the prize will prove a lifeline in bringing awareness and interest to the region. "The designers here are regional and international stars of the future," says Steel. "A prize like this shows that the Arab world is emerging full force and catering to a new, global market.

Source: ft.com- Sep 10, 2018

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## Nigeria, China sign $2 bn MoU on cotton industry

Nigeria has signed a memorandum of understanding with Chinese firm Shandong Ruyi International Fashion Industry for an investment of $2 billion in Katsina, Kano, Abia and Lagos states to grow, gin and spin cotton and manufacture textiles and garments, minister of industry, trade and investment Okechukwu Enelamah announced recently in Abuja.

The project will involve manufacturing at least 300 million metres of African print to meet 20 per cent of West Africa's demand, he said.

The government is aggressively implementing the Nigeria Industrial Revolution Plan for industrialisation by establishing the Nigeria Industrial Policy and Competitiveness Advisory Council, Nigerian media reported Enelamah as saying.

The focus would be on five high priority areas: policy and regulation, trade and markets, critical infrastructure, skills, capacity building and lastly financing.

Infrastructure at many existing industrial parks are being upgraded to turn those into world-class special economic zones, he added.

Source: fibre2fashion.com- Sep 15, 2018

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## Pakistan: External pressures ease as exports rise, trade deficit subdued

In rupee terms, export proceeds rose 27.4pc in the second month of the current fiscal year, owing in significant part to the 17pc depreciation in the exchange rate since last year.

The export proceeds rose to $2.02 billion in July FY19 from $1.86bn over the corresponding month of last year. The monthly volume again crossed the psychological barrier of $2bn.

Take a look: Rs32bn doled out under export package

The data came a day after remittances showed a 13.5pc increase from last year. Exports and remittances are the key foreign exchange earners for Pakistan's economy. Depleting stocks of foreign exchange, currently sufficient for barely two months worth of imports, are at the heart of the immediate economic challenge facing the incoming government. The depletion owes itself mainly to a galloping trade deficit.

Since the start of the current fiscal year, data that reflecting health of the external sector has been showing a positive trend. Remittances jumped 25pc year on year in July as well, while the trade deficit flattened out. The month of August has seen that trend continue, with remittances and exports both showing healthy growth, while imports and the trade deficit have are largely flat.

Between July-August FY19, the export proceeds reached $3.66bn from $3.48bn over the corresponding months of last year, reflecting an increase of 5.05pc.

On the other hand, a paltry growth was recorded in imports and trade deficit with the latter going up by 1.2pc to $4.99bn in August versus $4.93bn from same period last year. In the first two months, the import bill edged up 1.01pc to $9.83bn from $9.73bn the year before.

The trade deficit fell by 1.25pc to $6.167bn in the first two months of the fiscal year, July-August FY19.

The data suggests that the growing trade deficit might have hit a peak. If subsequent months show similar tepid growth in the trade deficit, the incoming government's fortunes on external sector could see a turnaround.

It is worth mentioning that in the last 18 months, the federal government has released nearly Rs32bn in cash support for promoting textile and clothing exports.

This was doled out under a special prime minister's package and textile policy for the sector.

The last fiscal year saw the trade deficit rise to an all-time high of $37.6bn, representing a year-on-year growth of 15.8pc.

When the PML-N came to power in 2013, the country's annual trade deficit was $20.44bn which has been continuously on the rise since then.

Source: dawn.com- Sep 13, 2018

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# Indonesia-Sri Lanka Cooperate in Garment Export to Europe

The Governments of Indonesia and Sri Lanka are committed to following up the agreement on the trade sector, including the clothing export to the European Union.

“The joint effort of apparel export to the European Commission will open access to the European Union market. We must continue our intensive approach so that the proposal can be accepted by the European Union,” President Joko Widodo said on Thursday, September 13.

Based on the Industry Ministry's "Making Indonesia 4.0" program, textile industry and products (TPT) is one of the five manufacturing sectors whose the development is being prioritized as pioneers in the roadmap for the application of the fourth industrial revolution.

This is because the national textile industry has high competitiveness since its manufacturing structure has been integrated from upstream to downstream and its products are also known to have good quality in the international market.

The ministry noted that 30 percent of ready-to-wear garments from the national textile industry is to meet the needs of the domestic market, while 70 percent is for export. The export value reached US$12,58 billion in 2017; a 6 percent increase compared to the previous year. This sector also contributes to Rp150,43 trillion GDP in 2017.

Besides garment export, the Indonesian government also offers cooperation in building railroad facilities and infrastructure in Sri Lanka. “It is not only to sell wagons, but also to offer the making of signaling systems, rails, depots and even stations,” said Minister of Industry Airlangga Hartarto.

Source: en.tempo.co- Sep 14, 2018

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## Vietnam relatively safer than ASEAN peers in trade war storm

Unlike most other ASEAN countries, who have been buffeted by the China-U.S. trade war, Vietnam could actually benefit from it.

The threat of an escalating global trade conflict is weighing on prospects for export-dependent economies like Singapore and Malaysia, while Indonesia and the Philippines face challenges funding their high levels of external debt as their currencies come under pressure from a rising U.S. dollar.

On the contrary, Vietnam's geographical proximity to China and economic links with Beijing are paying dividends.

Facing cost pressures created by U.S. trade tariffs, Chinese manufacturers are starting to shift production away from the mainland into cheaper Asian locations such as Vietnam and Bangladesh.

"A lot of companies are relocating," said Robert Subbaraman, head of emerging markets economics at Nomura.

Angelo Cheung, a Hong Kong-based executive for Aoyagi, a Japanese electronics group that manufactures in China, told Financial Times that some orders from the U.S. had already been halted because of the increasing uncertainty.

Cheung said his company is considering various options including moving part of its supply chain to Vietnam.

The Southeast Asian nation could be a "winner" if a lot of foreign direct investment shifts into Vietnam due to rising cost pressures from the U.S.-China tariffs, Bill Stoops, the chief investment officer of Dragon Capital, told CNBC.

Now with tariffs on made-in-China products set to rise, nations like Cambodia and Vietnam turn out to be more attractive than ever for U.S.-based consumer-goods makers that have factories in China, according to Bloomberg. Some of the names on the list are now Steven Madden Ltd., Tapestry Inc.'s Coach and Vera Bradley.

The U.S. and China have imposed tariffs on $50 billion of each other's goods since July as trade frictions between the world's two biggest economies worsened, despite several rounds of negotiations.

President Donald Trump has criticized China's record trade surplus with the U.S. and has demanded that Beijing cut it immediately, threatening further tariffs on an additional $200 billion worth of goods - and possibly more, according to Reuters.

Source: e.vnexpress.net- Sep 14, 2018

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## India committed to Bangladesh's development: Indian High Commissioner

Indian High Commissioner to Bangladesh Harsh Vardhan Shringla said, "India is the committed development partner of Bangladesh. For the last few years, the cooperation between the two countries has been unprecedentedly expanded."

On Wednesday, he was delivering a speech at the international exhibitions of Textile and Textile Industry sector, International Convention City Bashundhara in Dhaka.

Jatiya Sangsad Speaker Shirin Sharmin Chowdhury, State Minister for Jute and Textiles, Mirza Azam MP, FBCCI President Shafiul Islam Mohiuddin, President of Indian Chamber of Commerce Rudra Chatterjee also spoke on the occasion.

Shringla said, "The garment industry is making a great contribution in the economy of Bangladesh. 84 per cent of Bangladesh's export earnings come from this industry. This sector is contributing 15 per cent to the GDP of Bangladesh."

The exporters of Bangladeshi garment industries had increased in the market of India due to the duty-free quotas in 2011, the High Commissioner said.

The export growth increases 115 per cent more in the fiscal year 2017-18 than 2016-17, the High Commissioner added. India is now one of the emerging markets of Bangladesh's export market.

India is one of the largest suppliers of raw materials in Bangladesh's ready-made garment industry. About one-fourth of the demand for cotton and yarn in this country comes from India. 25 per cent of India's cotton, yarn and fabric exports come from Bangladesh.

Textile engineering industry of India is one of the most important sources of garment machinery in Bangladesh. Highlighting India as the committed development partner of Bangladesh, High Commissioner Shringla said that the Indian third credit line was upgraded to $5 billion during the visit of Prime Minister Sheikh Hasina to India in April 2017.

The total credit of the Indian credit line has increased to 8 billion in Bangladesh.

This is the largest Indian credit line than any country. He said that the cooperation between the two countries improved. He also mentioned the jointly inauguration of three development projects by the Prime Minister of Bangladesh Sheikh Hasina, Indian Prime Minister Narendra Modi, Chief Minister of West Bengal Mamata Banerjee and Chief Minister of Tripura Biplob Kumar Dev.

The 19th Textech Bangladesh, 14th Dhaka International Yarn and Fabric Show and the 33rd Dye-Bangladesh Expo will continue till September 15.

Source: indiatoday.in- Sep 12, 2018

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# Pakistan exported cotton cloth worth US$ 144.210 million

Pakistan: About 144,621 thousand square meters of cotton cloth worth US$ 144.210 million were exported during the first month of current financial year as compared the corresponding month of last year.

The exports of above mentioned commodity was decreased by 9.94 percent during the period under review as it was recorded at 147,894 thousand square meters valuing US$ 160.123 million of first month of last financial year, said the data of Pakistan Bureau of Statistics.

Meanwhile, the Country earned an amount of US$ 188.287 million by exporting about 188,267 thousand square meters of cotton cloth during the month of June, 2018, it added.

However, during the month of July, 2018, exports of cotton yarn grew by 7.26 percent and about 42,767 metric tons of cotton yarn worth US$ 117.343 million exported as compared the 42,549 metric tons valuing US$ 109.030 million of same month of last financial year, it added.

In first month of current financial year, exports of towels were recorded at 15,129 metric tons valuing US$ 51.707 million as compared the exports of 13,456 metric tons worth of US$ 51.447 million of same month of last year, hence showing an increase of 0.51 percent

During the month of July, 2018 about 3,648 thousand dozen of ready-made garments exported as compared the exports of 3,102 thousand dozen of same period of last year, which was slightly below then the exports of same month of last year, whereas knitwear worth of US$ 208.880 million exported as compared the exports of US$ 193.802 million of same moth of last year.

During the month of July, 2018 exports of textile products registered an increase of 0.49 percent as against the exports of the same month of last year, it added.

Source: dnd.com.pk- Sep 14, 2018

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## NATIONAL NEWS

### Exports up 19%

India's exports have grown 19.21 per cent to $27.84 billion in August on account of a healthy growth in petroleum shipments.

"Export trade during August 2018 recorded at $27.84 billion, a positive growth of 19.21 per cent. Exports excluding petroleum also reported a positive growth of 17.43 per cent," commerce and industry minister Suresh Prabhu said in a tweet on Wednesday.

Merchandise imports too rose by 25.41 per cent in August to $45.24 billion due to the rising crude oil prices, leaving a trade deficit of $17.4 billion.

In July, trade deficit soared to a near five-year high of $18.02 billion.

During April-August this fiscal, exports recorded a growth of 16.13 per cent, while imports during the first five months of this fiscal grew by 17.34 per cent.

The continuous fall in the value of domestic currency appears to be helping the exporters. In August, the growth rate in overseas shipments grew at a three-month high of 19.21 per cent.

Earlier in May, the exports recorded a growth of 201.18 per cent. The high trade deficit is one of the factors that dragged the rupee to below 70 levels.

The ruppe rebounded from the historic low of 72.91 to end higher by 51 paise at 72.18 against the dollar Wednesday after the finance ministry assured of steps to avert its fall to unreasonable levels.

The rupee had crashed to an all-time low of 72.91 in morning trade tracking higher crude oil prices that increased concerns of widening trade deficit at home.

Source: telegraphindia.com- Sep 13, 2018

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## India's 2018-19 forward cotton export contract up 100% YoY

India's forward export contracts of cotton have more than doubled from about seven lakh bales in September 2017, driven by increased demand from China, lower domestic prices and depreciation of the rupee.

Traders said exports would go up in this financial year despite expected projections of tight supplies and increase in minimum support price (MSP) by the government.

"We have signed export contracts for 14-16 lakh bales (of 170 kg each). About 75% of these contracts are for export to China," said Atul Ganatra, president, Cotton Association of India (CAI). "The 25% duty imposed by China on cotton imports from the USA will make Indian cotton more affordable to Chinese buyers."

In 2017-18, India could not sign as many forward contracts since cotton availability was restricted. This year, traders are upbeat because Indian cotton is the cheapest in the international market and demand from China is looking up.

Ganatra said he expected total exports to China to increase to 30-40 lakh bales this year, up more than threefold from eight-nine lakh bales last year.

Bangladesh and Vietnam are the other buyers that have signed some forward contracts for Indian cotton. Indian traders export maximum quantities of cotton in November and December since India is the only country where cotton is available at that time.

"In 2017-18, we had exported 10 lakh bales every month from November to January," said Manish Daga, director, CAI.

Concerns such as uncertainty over yield due to late sowing in Gujarat, pest incidence in Maharashtra and Telangana, 2% decline in area sown under kharif crops and increasing domestic consumption of cotton may limit exports. However, traders said that factors supporting exports are strong too.

In India, cotton is currently priced at about Rs 48,000 per candy of 356 kg each. The central government has increased the MSP for raw cotton seeds for 2018-19 season 28.1% year-on-year to Rs 5,150 per quintal.

"The price of each cotton candy of 356 kilogram at MSP is Rs 47,000. Indian cotton exports will remain competitive even at MSP as the depreciation of the Indian currency will aid exports," said Ganatra.

India will have to compete with Brazil, though, to get a larger share of Chinese demand. The United States Agriculture Department too expects India's exports to increase in 2018-19.

Source: economictimes.com- Sep 14, 2018

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## India reiterates call for taking forward FTA talks with EU

*Negotiations for the BTIA started in 2007 but were put on hold in 2015. In all, 16 rounds of negotiations have been held.*

India and the European Union (EU) should find new and innovative ways to move ahead with negotiations for a free trade agreement (FTA) they are engaged in, the Secretary (West) in the External Affairs Ministry, Ruchi Ghanashyam, has said.

"The Broad-based Trade and Investment Agreement (BTIA) is an example where both sides need to find new and innovative ways of moving ahead," Ghanashyam said while delivering the keynote address at a symposium on "EU and India — Partners for stability in a new international environment" here on Thursday evening.

"Effective standards that are helpful in engaging industry and protecting consumer interests should not raise new trade walls," she said.

Negotiations for the BTIA started in 2007 but were put on hold in 2015. In all, 16 rounds of negotiations have been held.

Those in the know say that after India renounced its bilateral investment treaties (BITs) with all countries, investments from European nations are now not protected.

India has terminated all BITs following a new BIT model New Delhi released in December 2015.

The 28 EU member-states have now passed on the responsibility of investment protection negotiations to the EU.

Ghanashyam said India was an open society with a strong rule of law that provides adequate protection to foreign investors. “India’s FDI regime has addressed most demands of the EU even before investment negotiations had commenced,” she said.

“The government, through its reform-oriented agenda, is placing heavy emphasis on performance to bring about transformational changes in the country.”

Stating that over 1,200 archaic laws that affected business, governments and day-to-day life of the common man have been repealed, Ghanashyam said India’s flagship programmes in the areas of manufacturing, digitisation, skills, financial inclusion, urbanisation, start-ups, infrastructure in energy and transportation were driving economic growth.

“The unprecedented roll-out of the Goods and Services Tax (GST) in July 2017 has resulted in making India a single market very much like the EU and has thrown up multiple business opportunities to European businesses,” she stated.

Describing India and the EU as “natural partners”, she said that in the last two years engagements between the two sides have substantially increased.

“There are over 30 dialogue mechanisms between India and the EU,” Ghanashyam said. “The EU is one of India’s largest trading partners.”

EU Ambassador to India Tomasz Kozlowski said that Thursday’s symposium coincided with the start of the political autumn season in Europe and that the EU planned to adopt a new strategy for relations with India.

The bloc will publish an EU strategy on connecting Europe and Asia.

Source: thestatesman.com- Sep 14, 2018

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# India Ratings maintains stable outlook on textiles sector

India Ratings and Research Wednesday maintained a stable outlook on the cotton and synthetic textiles sector for the remaining period of this financial year.

It expects the domestic demand for textiles to remain robust from end-users, supported by a strong rise in private consumption during the rest of FY19.

The agency also expects textile exports to rise, which will result in apparel exporters benefitting due to the depreciation of rupee against the US dollar.

The rupee has depreciated at a higher rate against the US dollar during the April to August period than the currencies of key apparel-exporting nations, according to India Ratings.

The sector profitability is likely to improve gradually with players passing on increased raw material prices to end-users following healthy demand, a depreciating rupee and waning impact of the structural issues, it said in a report.

However, the positive impact of improved demand and profitability will, according to the agency, be partly affected by working capital requirements on the back of cost inflation leading to steady reliance on debt.

A lower-than-expected cotton production in 2017-2018 (October-September) and a further decline in production in 2018-2019 due to a low acreage, along with high domestic consumption demand and high export demand from China, would further erode the domestic stock levels, it said.

An expected decline in the stock levels, along with a likely rise in minimum support price for the cotton season 2018-2019, would keep cotton prices elevated, according to India Ratings.

"This is likely to result in volume growth of synthetic textiles and support the profitability of the synthetic value chain," it said.

Also, the government's decision to allow input credit on man-made fabric to 7 per cent of fabric price, according to the ratings agency, would lead to a decline in input prices for apparel manufacturers and further support their volume growth.

Source: business-standard.com- Sep 13, 2018

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## APMCs meant to purchase cotton through e-NAM not equipped

To ensure that farmers get fair price for their produce and minimize the role of arhtiyas (commission agents) in the purchase of crops, Punjab government has notified 19 agricultural produce market committees (APMCs) under the e-national agriculture market (e-NAM). However, these APMCs are not fully equipped to make digital purchases for farmers.

Of these 19 APMCs, only eight have been designated to deal with cotton purchase but these lack in providing the infrastructure for the transactions. Cotton procurement season has started but e-NAM facility is nowhere to be seen as there is only one computer set in each of the eight APMCs. Labs have not been set up to check the quality of produce. In some mandis, labs lack the required machinery. No tabs have been provided to field staff to record the arrivals and details of produce at the spot.

Under e-NAM, farmers can sell their produce directly in the national market through an electronic trading portal as bids from across India are put on it. The APMCs selected for cotton purchase through e-NAM are Bathinda, Abohar, Bhucho, Fazilka, Goniana, Maur, Muktsar and Rampura Phul. Sources said a lobby of commission agents in Punjab doesn’t want agencies and traders to make direct purchase of cotton. Fearing loss to their business, commission agents were putting pressure on the state government to slow down the e-NAM process so that the central agency Cotton Corporation of India (CCI) might not make direct purchases this season.

Currently, only intra-market registrations of produce are being done in some of the APMCs designated to make purchases through e-NAM. Farmers and commission agents are made to register themselves to make deals in a particular market.

Facility of inter-market transactions at state and national level has not been provided at the APMCs due to lack of infrastructure. The CCI has been asked by the state government to make direct purchases of cotton in the eight APMCs but as the infrastructure has not been created, it is hesitant to start the process.

The sources said the CCI had developed its own software, where details of farmers would be entered and the entire process would be worked out by the CCI and payments would be made in five days.

Fazilka district mandi officer Manjit Singh said, “Some equipment in the laboratory to check the quality control of cotton is lacking. We are hopeful to get it soon. Presently, only intra-market purchases are being done through e-NAM and quality is being checked manually.”

Coordinator for cotton purchases in Bathinda Rajnish Goyal said, “As we are waiting for the lab equipment, intra-mandi purchases are being made through e-NAM.

The inter-market purchases will be started after sometime when the labs are fully equipped. Presently, only Rampura APMC is equipped.”

The CCI’s Bathinda branch head, Brijesh Kasana, said the Punjab government had given the nod to make purchases through e-NAM without involving commission agents.

“We are ready to enter the markets from October 1 if the rates are traded near the MSP of Rs 5,350 per quintal. We will seek permission from the higher authorities to proceed further if the APMCs lack infrastructure to make purchases without e-NAM,” he said.

Source: timesofindia.com- Sep 14, 2018

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# SME mills curtail production

With cotton prices shooting up, small and medium-scale textile mills in the region have curtailed production. Many units have reduced production during night shifts and weekends.

“This is because of the abnormal increase of cotton price,” said S.K. Rangarajan, president of the South India Spinners’ Association.

When the prices spiral up during the end of cotton season - in the months of August or September - neither the farmers nor the textile mills benefit as the cotton is mostly with the traders.

Further, the SME mills do not have the financial capacity to procure cotton in bulk and store for their next season.

In April, the cotton prices were Rs. 38,000 a candy. In June, the prices had shot up by Rs. 10,000 a candy, he said.
The SME spinning sector buys cotton for its monthly requirements and when the cotton prices shoot up, the mills do not get a higher price for yarn.

“The SME sector is unable to repay bank loans resulting in NPAs. “In spite of repeated representation, the Government is not curtailing the artificial inflation,” he said.

The association appealed to the Government to permit calibrated export of cotton and ensuring adequate buffer stock of cotton for the domestic industry.

It should come out with a policy to safeguard the MSME textile sector ensuring a price mechanism so that these mills get cotton at affordable prices.

Source: thehindu.com- Sep 15, 2018

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# Indian e-commerce to reach $200 bn by 2026: Report

The Indian e-commerce market is expected to grow to $47 billion in 2018 and to reach $200 billion by 2026, according to a recent report. The e-retail market in India is dominated by marketplace platforms, and among the specialists, fashion pure plays take the lead. The fashion e-commerce market in India is expected to grow to $30 billion by 2020.

Offline retail is much less developed in India than it is in Western countries. Yet, there is no shortage of tech-driven disruptors bringing more choice, greater convenience and lower prices to Indian consumers through e-commerce, says the Deep Dive: Indian E-Commerce Platforms Update report by Coresight Research, the think tank for the Fung Group.

The e-commerce market in India is highly competitive and houses many medium- and small-sized players. Among the specialist online retailers, fashion e-commerce sites dominate the market, as per the report.

The fashion e-commerce market in India, valued in the range of $7–$9 billion in 2017, is expected to grow to $30 billion by 2020, according to a report by Boston Consulting Group (BCG) and Facebook.
The joint study expects fashion to be the first preferred category that Indian consumers buy online by 2020.

Based on net revenue figures published in regulatory filings, Flipkart and Myntra led e-commerce sales in fiscal year 2017. Flipkart acquired Myntra in 2014 in order to gain a strong foothold in fashion e-commerce. In 2016, Flipkart acquired Jabong through its Myntra unit to grow its userbase and market share.

By offering fast fashion at affordable prices and being able to reach a wider audience than physical retailers, both Myntra and Jabong have achieved market dominance in online fashion, and other players have had little luck in displacing them.

The report further adds that during the early years, a lack of competition resulted in the growth of players such as Flipkart, Snapdeal, Quikr and Bigbasket.

But more recently, the market has witnessed increased competition and increased investments from global players such as Amazon, Alibaba and most recently Walmart, which acquired a 77 per cent stake in Flipkart.

With each of these international firms pledging increasingly larger amounts of investment in India, it appears that the e-commerce battle in the country will be limited to them and not to the homegrown companies.

Going by the latest developments in FDI in e-commerce in India, a draft e-commerce policy unveiled on July 30 might negatively impact the foreign stakeholders in Indian e-commerce if implemented.

The draft policy proposes a ban on: bulk buying, group companies of online marketplaces influencing prices and short-lived deep discounts. If the policy is finalised with these proposals, e-commerce companies may find it more challenging to compete and maintain market share.

The India e-commerce market has become more competitive than ever with larger players such as Flipkart attracting significant investments and smaller players focusing on niche segments, notes the report.

Source: fibre2fashion.com- Sep 14, 2018

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## Goods export up 19% in August at $27.84 bn

But a sharp rise in imports of oil, gold, widens trade gap to $17.4 billion

An increase in exports of goods across sectors such as petroleum, electronics, engineering goods, gems & jewellery, pharmaceuticals and chemicals pushed the country's overall exports to $27.84 billion in August, a growth of 19.21 per cent.

A sharper increase in import of items such as petroleum and gold, however, pushed total imports in the month by 25.41 per cent to $45.24 billion resulting in higher trade deficit of $17.4 billion compared to a deficit of $12.72 billion in August 2017, according to provisional data published by the Commerce Ministry on Friday.

The trade gap during the month, though, was a tad lower than last month's five-year high of $18.02 billion. While import of petroleum, crude & products rose 51.62 per cent to $11.83 billion, inflow of gold increased 92 per cent to $3.63 billion with demand increasing partly due to the upcoming festival season.

Proving to be a worrying trend for the economy, exports from a number of labour-intensive sectors such as readymade garments, carpets and marine products continued to fall in August as well. Most of the sectors had posted a dip in exports in July as well.

Cumulatively, exports grew at 16.13 per cent to $136.09 billion during April-August 2018-19. Imports for the period were $216.43 billion, a growth of 17.34 per cent.

"It goes to the credit of Indian exporters that they have been performing well for the past several months, braving a turbulent global trade environment, marked by a pressure on the currencies of the emerging markets, tariff war and uncertainty over Iran," said EEPC (Engineering Export Promotion Council) India Chairman Ravi Sehgal, adding that the government and the RBI must accord top priority to the sector as it generates employment.

India's overall exports (merchandise and services combined) in April-August 2018-19 are estimated to be $221.83 billion, registering a growth of 20.70 per cent over the same period last year.
Overall imports during the five-month period are estimated to be $269.54 billion, exhibiting a growth of 21.01 per cent over the comparable period last year.

The Commerce Ministry pointed out that the services export and import figures for August 2018 had been extrapolated from RBI's April-July 2018 data and would be revised as per RBI's next press release for August data.

Source: thehindubusinessline.com- Sep 14, 2018

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# Textile Exchange, KPMG develop SDG roadmap for textiles

Non-profit organisation Textile Exchange in association with KPMG has developed the Sustainable Development Goals (SDGs) roadmap for the apparel, retail and textile sector. It is a set of 17 universally agreed-upon goals addressing the top current environmental, social and economic issues. SDGs address critical operational risks, according to a report.

Titled 'Threading the Needle: Weaving the Sustainable Development Goals into the Textile, Retail and Apparel Industry', the report prepared by Textile Exchange with KPMG, offers SDG guidance to apparel, retail and textile suppliers, brands and retailers on business considerations and opportunities for shared value, an SDG engagement model, best practices and multi-stakeholder initiatives, and considerations for top sourcing countries.

"Threading the Needle is an important first step in understanding how existing industry initiatives can advance the 2030 Agenda, including adoption of more sustainable fibres and materials, responsible production and circular business practices," said La Rhea Pepper, the managing director of Textile Exchange.

"The report provides a roadmap for companies seeking to realize the SDGs in their own sector and value chain," said Anita Whitehead, principal for KPMG's Development and Exempt Organizations (DEO) practice in the US "The report aims to provide companies with guidance and information that will help prioritize their SDG focus where it can generate the most impact."

"Threading the Needle is an amazing information source for the apparel industry to tackle the global challenges of the SDGs. This valued toolkit supports my discussions with the textile supply chain and apparel brands as a starting point to integrate the SDGs into their sustainability platforms and goals. Collaboration is the key for impactful change," noted Tricia Carey, director of Global Business Development for Lenzing AG.

Source: fibre2fashion.com- Sep 14, 2018

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