



IBTEX No. 255 of 2018

December 15, 2018

USD 71.92 | EUR 81.34 | GBP 90.53 | JPY 0.63

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	Rs./Candy	USD Cent/lb
21200	44308	78.41
Domestic Futures Price (Ex. Gin), December		
Rs./Bale	Rs./Candy	USD Cent/lb
21810	45583	80.67
International Futures Price		
NY ICE USD Cents/lb (March 2019)		79.41
ZCE Cotton: Yuan/MT (May 2019)		15,315
ZCE Cotton: USD Cents/lb		100.82
Cotlook A Index - Physical		88.25
<p>Cotton Guide: Arrivals have picked up and are now touching 173,500 Lint Equivalent Bales (source Cotton Outlook), including 35,000 in Gujarat and 28,000 from Punjab & other northern states and 50,000 in Maharashtra.</p> <p>Prices of white Gold were quoted lower - Shankar 6 cotton exchanged hands at a price of Rs 44,500 per candy and Punjab J-34 exchanged hands at 4,460 Rs/Maund. Cotlook Index A was further adjusted to 88.25 i.e a decrease of -0.05 reason being – dull trading sessions resulting into lesser volume.</p> <p>ICE nearby contracts fell plummeted by more than 50 basis points for all Cotton contracts. March settled at 79.41 after touching a high of 79.97 and a low of 78.95 i.e. a negative slide of 56 points. May and July contracts skidded with a figure of -58 and -53 respectively. The Indian Contracts did follow a similar trend with negative figures of -</p>		

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260, -250, -240, -250 at 21810, 22060, 22320, 22560 (Rs/Bale) for December, January, February and March Contracts respectively.

US Export sales were poor. Commitments for 2018/2019 increased at 47,000 RB (Running Bales) of upland cotton following cancellations of 62,600. Increases were reported for Vietnam, China, Indonesia and Turkey. Whereas Reductions were reported for Bangladesh, South Korea and Malaysia. For China, new sales of 30,700 Bales were offset by cancellations of 13,200 and destination changes 5,800. Export shipments were stated as 154,400 RB. The Major destinations were Vietnam – 46,500, China – 25,200, Mexico – 17,800, Indonesia – 13,500 and South Korea 7,800. For Shipment in 2019/2020 net Upland sales of 33,500 RB were reported for Bangladesh -22,000, China - 8,800, Mexico – 2,600 Japan – 100.

The reason for International cotton Prices to decline was attributed to poor export sales data. On the other hand the expectations of China buying cotton in the near future restricted the further downward fall. China seems to have bought a small quantity of US Soybean which can be considered as an initial minor indication that the country is adhering to what it had promised at the recent G20 Summit. The world still awaits for China to start buying considerable amounts of agricultural goods from China.

On the Technical front - Prices declined towards the lower band of the trading range (78.60-81.20). Only a decline below 78.60 could witness further downside towards 78.00 levels. Meanwhile immediate resistance exists around 80 and 80.50 levels. For the day price is expected to trade in the range of 80-78.60 with sideways to downside bias. MCX Dec futures is likely to remain in the range of 21,650-22,120. We expect this day to be in favor of the bears. However, we also expect the bulls to give a fair competition.

Currency Guide

Indian rupee opened weaker by 0.15% to trade near 71.79 levels against the US dollar. Rupee is pressurized by choppiness in global equity market amid disappointing Chinese industrial production and retail sales data. China industrial production rose 5.4% in November as against forecast of 5.9% growth. Retail sales rose 8.1% as against forecast of 8.8% growth. Gains in crude oil price yesterday has also pressurized rupee. Brent crude surged 2.2% yesterday as International Energy Agency said unplanned supply losses from members Iran and Venezuela could effectively double OPEC's production cut. There is also uncertainty ahead of RBI's board meeting today. RBI governor Urjit Patel's surprise resignation and appointment of demonetization fame S Shaktikanta Das as the new chief has fuelled concerns about autonomy of the central bank. The US dollar is also supported by European Central Bank's dovish stance and persisting worries about Brexit. Rupee may remain under pressure as crude price hold recent gains while weaker Chinese economic data will keep risk appetite low. USDINR may trade in a range of 71.5-72 and bias may be on the upside..

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INTERNATIONAL NEWS

The US rejects EU's proposal to reform WTO

The US has rejected European Union's proposal to reform the World Trade Organization, dealing a blow to international efforts to bolster the Geneva-based body, which has come under attack from President Donald Trump's administration.

At a WTO General Council meeting held recently, the US didn't support the EU's plan to avert the paralysis of the organisation's appellate body, which mediates trade disputes that affect some of the world's largest companies.

The move comes after the EU formally deposited blueprints aimed at addressing US concerns that the appellate body has overstepped its mandate. The WTO now enters a precarious year in which it may lose its ability to mediate disputes.

The EU recently circulated two proposals that represent the first concrete texts aimed at fundamentally reforming the WTO's dispute settlement system in a quarter century. The WTO requires consensus to amend the dispute settlement process.

Over the past year, the US has refused to consider any appellate body appointments because the forum's members have strayed from their original mandate.

Absence of reforms, a US block on new appointments will paralyse the forum by the end of 2019 because it won't have the three panelists required to sign off on rulings.

Source: fashionatingworld.com- Dec 14, 2018

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China's cotton stocks fall to 13 million bales

China's cotton stocks have drastically fallen, from 60 million bales in 2014 to just under 13 million bales. This dramatic reduction has been due to three years of aggressive selling with 11.5 million bales sold in the latest annual round of selling which ended in September.

China was able to increase reserves dramatically as additional imports were allowed to offset purchases from the domestic crop.

In 2015-16, China's shift away from a price support program for cotton caused internal prices to fall, which helped to boost consumption but also helped to lower production.

The gap between the two grew to nearly 15 million bales. From 2012 to 2015, the gap between cotton consumption and production in China was less than five million bales.

At the same time, China stopped issuing additional TRQ (Tariff Rate Quota) import licenses under its sliding-scale quota category. The belief is that the country wishes to maintain around 11.5 million bales.

World cotton production for 2019 is forecast to be down, led by Pakistan, China, and India more than offsetting higher production in Brazil.

Trade is projected up with higher Brazil exports and rising Pakistan demand. Global use is down sharply mainly because of China's lower-than-expected annual growth amid uncertain economic prospects and textile exports.

Source: fashionatingworld.com - Dec 14, 2018

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China still accounts for 36.5 per cent of US apparel imports

Despite the trade war, China accounts for nearly 36.5 per cent of all the apparel imported into the United States, though these imports have declined from the 41.5 per cent in 2010. For the 12 months ending in October, the United States imported \$40.3 billion in apparel, textiles and yarns from China, a 5.25 percent increase over last year.

Still, there is a shift out of the country after the Trump administration earlier this year imposed an additional 10 percent in tariffs on \$200 billion of imported Chinese goods. Those tariffs covered textiles and handbags but not apparel. The main beneficiary of this shift out of China is Vietnam, which continues to be the second largest apparel provider to the United States. Vietnam now accounts for 11.75 percent of all the textiles and apparel the U.S. imports into the country.

For the 12 months ending in October, US' apparel and textile imports increased by 8.44 per cent over the previous year, totaling \$1.3 billion.

Source: fashionatingworld.com - Dec 14, 2018

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South African parliament ratifies AfCFTA

The South African parliament recently ratified the agreement establishing the African Continental Free Trade Area (AfCFTA). Welcoming the ratification, trade and industry minister Rob Davies said South Africa is expected to deposit the instrument of ratification during the 32nd Ordinary Session of the Assembly of the African Union in February 2019.

The agreement, comprising 55 African nations, enters into force once 22 member states deposit their instruments of ratification. It will then turn the largest free trade Area across the globe.

An integrated market of over a billion people in Africa with a combined gross domestic product of nearly \$3.3 trillion will be created, South African newspapers reports quoted Davies as saying.

The United Nations Economic Commission for Africa estimates that the AfCFTA will increase intra-Africa trade from the current 10-16 per cent to nearly 52 per cent by 2022.

The AfCFTA was launched during an Extra-Ordinary Summit of African Union Heads of State and Government on March 21 this year in Kigali, Rwanda.

South Africa signed the agreement during the 31st Ordinary Session of the Assembly of the African Union in July 2018 in Nouakchott, Mauritania. Forty nine countries have signed the agreement, while Kenya, Ghana, Rwanda, Eswatini, Chad, Niger, Sierra Leone, Uganda and Guinea Conakry have deposited their instruments of ratification.

The Minister said the AfCFTA is anchored on the development integration approach, which places emphasis on market integration, infrastructure development, and industrial development to boost intra-Africa trade.

Source: fibre2fashion.com- Dec 14, 2018

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Next edition of Apparel Sourcing coming up in February

Apparel Sourcing, Avantex, Leatherworld, Shawls and Scarves will be held in France, February 11 to 14, 2019.

Apparel Sourcing will feature some 600 clothing manufacturers from all over the world.

From basics to high-end, the offer covers the whole range of ready-to-wear for women, men and children, grouped by knitwear, dressmaking, tailoring, sportswear, evening wear, made-to-measure, lingerie and swimwear, workwear, textile accessories etc.

Avantex is a trade fair dedicated to technological innovation and sustainable development in the fashion industry. It brings together companies from the design phase through to retail, whose approach is to offer effective solutions for encouraging and shaping tomorrow's fashion.

Leatherworld is dedicated to flexible materials used in particular in certain branches of fashion such as leather goods, footwear, gloves and fur items. The show attracts a growing number of retailers, in addition to buyers of fabrics or manufactured products.

Shawls and Scarves is self-explanatory. It includes headscarves, wraps, capes, ponchos, etc. in every material: cashmere, wool, silk, cotton, linen, bamboo etc., from entry level to very high end, both woven and knits.

These shows have established themselves as an absolute must for anyone involved in designing collections of clothing and accessories: heads of innovation and research, production managers, buyers of fabrics and finished products, designers and consultants.

Source: fashionatingworld.com- Dec 14, 2018

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Vietnam: Garment-textile export turnover sees highest growth in three years

The garment-textile sector has grossed over 36 billion USD in export turnover this year, up 16.01 percent against the previous year, heard a conference in Hanoi on December 14.

Vu Duc Giang, Chairman of the Vietnam Textiles and Apparel Association (VITAS), said at the conference that this is the highest rise over the past three years, compared with 12.1 percent in 2015, 4.07 percent in 2016, and 10.8 percent in 2017.

In 2018, the export turnover of clothes hit 28.78 billion USD, up 14.45 percent; while that of fabric was 1.66 billion USD, up 25.5 percent; and the export values of yarn reached 3.95 billion USD, up 9.9 percent, according to Le Tien Truong, General Director of the Vietnam National Textiles and Garment Group (Vinatex).

The sector ran a trade surplus of some 17.86 billion USD throughout the year, representing a year-on-year increase of 14.39 percent.

Giang said the VITAS has made proposals to the Government as well as relevant ministries and agencies in an effort to remove difficulties facing garment-textile businesses.

The sector has seen rosy signs for 2019, with many businesses already receiving orders for the first six months and some even the whole year, with better product competitiveness and supply chains forecast.

Besides, the new-generation free trade agreements Vietnam has joined will be put into place and are expected to exert positive impacts on the production and business activities of the sector.

At the conference, the VITAS set the target of raising the export turnover to 40 billion USD in 2019, up 10.8 percent and bringing trade surplus to 20 billion USD, in turn ensuring jobs and raising incomes for 2.85 million workers.

To that end, the association urged businesses to join hands in implementing solutions regarding investment, marketing, human resources development, and sci-tech application.

It will also better perform its role as the bridge between member businesses and the domestic and foreign markets through trade promotion and cooperation activities, as well as between businesses and State management agencies to help remove difficulties facing firms at present.

The association has proposed the State continue reforming administrative procedures, conducting inspections, and creating an open business environment for enterprises.

The State should put forth policies to support waste water treatment at garment-textiles industrial parks, increase personnel training, and admit wholly foreign-invested enterprises into the association to develop the supply chain and promote experience exchange between members, it said.

Source: en.vietnamplus.vn- Dec 14, 2018

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Vietnam: FTAs make apparel and footwear outlook bright

The textile, garment and footwear sectors have seen positive market movements, which are evident in the export revenue increase in January-October 2018, Nguoi Lao Dong newspaper reported.

Statistics from the Ministry of Industry and Trade show that Vietnam earned an estimated US\$25 billion in revenue from apparel exports over the first 10 months of 2018, up 17.1% year-on-year. Meanwhile, footwear exports rose by 9.7% to US\$12.9 billion in the 10-month period.

Orders of textiles, garments and footwear have mainly been made by major markets that have participated in the signing of bilateral and multilateral free trade agreements (FTAs) with Vietnam, including the United States, Europe, South Korea, China and member countries of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This year, the country's exports of textiles and garments are expected to generate US\$35 billion in revenue, US\$1 billion above the initial target.

The commitments to opening markets under the European Union-Vietnam Free Trade Agreement and CPTPP will result in a possible boom of apparel exports in 2018-2022 as exporters are subject to a zero tax.

Capital flows into the apparel and footwear sectors will grow strongly due to benefits from FTAs and Vietnam's manufacturing potential, according to the ministry. Also, U.S.-China trade tensions may lead to a shift of orders from China to Vietnam.

Nguyen Phuc Nam, a representative from the Department of Asia-Africa Markets, under the Ministry of Industry and Trade, said the ASEAN-Australia-New Zealand Free Trade Agreement and the upcoming CPTPP will give Vietnamese exporters a 5% reduction in export tax in the 2019-2021 period and zero tax for years thereafter. As a result, Vietnamese apparel will best capitalize on this.

In addition, Australian firms tend to enhance apparel imports from Vietnam.

The recent appearance of major apparel and footwear brands at Vietnam expositions is evidence of the strong appeal of the two sectors.

FTAs, however, also present multiple challenges, including compulsory requirements of origin traceability to the Vietnamese business community.

Truong Van Cam, general secretary of the Vietnam Textile and Apparel Association, remarked that 80% of materials for producing apparel comes from imports, adding that before they can enjoy a zero-percent tax rate, apparel exporters must meet the strict requirements for material origins.

Experts from Australia-based The Woolmark pointed out that Vietnam will surely be eligible for entering selective markets if apparel producers focus on restructuring and enhancing the quality of products, turning out textiles and garments that have not been treated with chemicals.

Thai Binh Duong, director of Bac Ninh Province-based Yen Duong Company, said that materials for the apparel sector should be imported from new markets such as Australia, which can supply high-quality fiber.

Boosting fiber imports from Australia will diversify sources of materials for the sector and ensure the quality of products, Duong added.

The apparel and footwear sectors are facing risks, as the United States can conduct origin traceability checks and impose an additional tax on Vietnamese textiles and garments that are made of Chinese materials, according to the Ministry of Industry and Trade.

Therefore, the ministry urged enterprises to use domestic materials or fabrics from other countries besides China when manufacturing apparel and footwear.

Source: english.vietnamnet.vn- Dec 14, 2018

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BCI to achieve its target of 30 per cent global cotton being grown sustainably

Better Cotton Initiative (BCI) is well on its way to achieve its goal of having 30 per cent of all cotton grown globally being done so responsibly and sustainably.

The initiative aims to increase the use of environmentally friendly practices across its supply chain that reduce water and pesticide use. IT defines “Better Cotton” as cotton grown following seven principles.

These include environmental factors: crop protection, water stewardship, soil health, land, and biodiversity, but also, importantly, social factors too, including decent work and management.

The ultimate goal, according to BCI, is to allow farmers to produce cotton that measurably better for the environment and farming communities.

Unlike other initiatives, which sometimes focus solely on the consumer end, BCI also understands that increasingly the capacity of farmers to produce Better Cotton is as important as getting brands on board.

That is why one of their keys programs is to build capacity with farmers through training and partnerships at the field level.

BCI plans to train 5 million farmers worldwide on more sustainable agricultural practices, and hope to hit 1 million tonnes in 2019.

Source: fashionatingworld.com- Dec 14, 2018

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Pakistan seeks Japan's help to enhance textile exports

Adviser to Prime Minister on Textile and Commerce Abdul Razzad Dawood has said Pakistan is seeking Japan's cooperation to enhance its textile exports as the country plans to tap newer geographies to beat an economic slowdown in traditional hunting grounds.

"If Japan reduces its tariff on Pakistani textile products, we can easily increase our exports to the country," Dawood told The News. The advisor is currently in Japan to get duty free access of Pakistani products.

He said Pakistan was not able to increase its exports to Japan for the last several years, but "now the government has been seriously working to not only enhance exports to Japan, but also to bring Japanese investment to Pakistan"

The advisor also underscored the importance of furthering trade and investment ties between Japan and Pakistan.

"Pakistan had a long standing trade and investment relationship with Japan and there is a need to build upon the reserve of historical linkages, goodwill, understanding and respect for brand Japan in Pakistan," he added.

A recent report by Japan External Trade Organization, termed Pakistan as 'the most profitable market in the region in terms of investment.

The current presence of 86 Japanese companies in Pakistan with some enhancing their investments while new ones entering the Pakistani market coupled with Japan External Trade Organization's recent annual survey ranking Pakistan as the first in terms of business growth expectation, profitability and local employment was also highlighted.

Japanese investors have great chances in Pakistan, and government provides full investment security and one window operation to the Japanese investors, the adviser said.

He also elaborated the economic agenda of the present government and said new rulers are determined to overcome the current economic challenges through peace oriented, investment friendly, development focused and people centered strategies.

Dawood said recent fluctuation in rupee value against dollar was the result of the last government’s financial mismanagement, but ‘the present government would handle it in a better manner’.

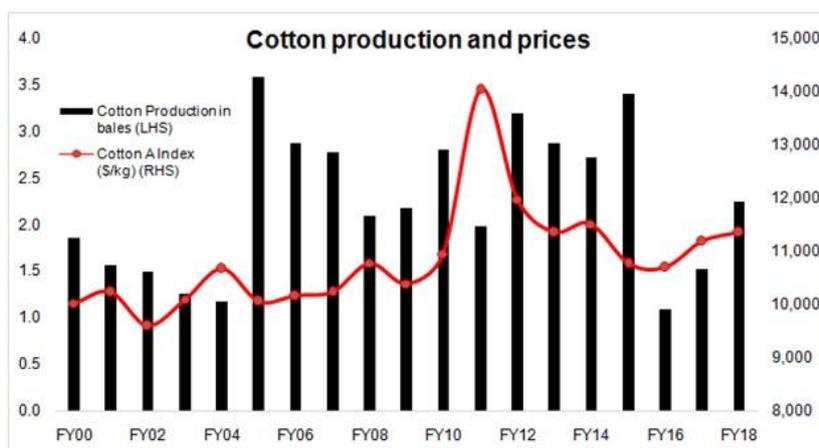
“The government is making efforts to come out of the financial crisis, and for that it sought help from friendly countries, such as Saudi Arabia and China,” he added.

Source: thenews.com.pk- Dec 15, 2018

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Pakistan: Textile ready to take off

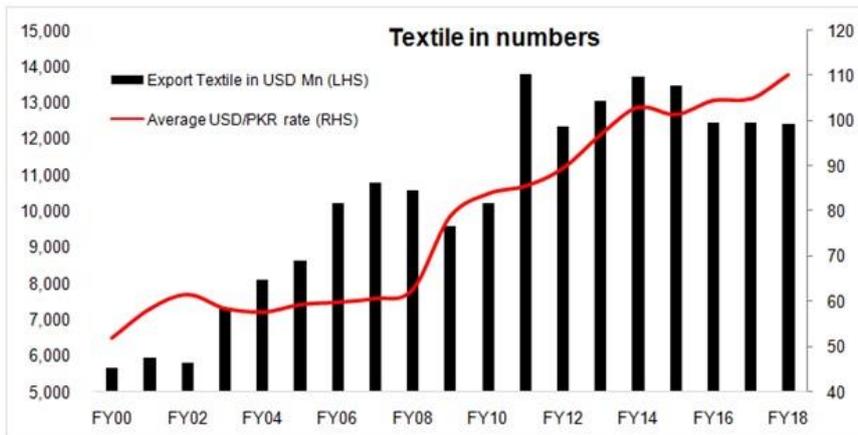
The currency has depreciated over 30 percent in last 12 months but textile exports grew by a mere 6 percent during Nov17-Oct18 over the same period last year. This implies that currency adjustment alone is not sufficient to boost exports.



Pakistan textile exports grew by 85 percent from \$5.8 billion to \$10.8 billion during FY02-07 at a time when currency and cotton prices were sticky. Since then, there has been no significant growth in textile exports during the last decade, despite the fact that the

value of dollar has more than doubled against the rupee during the same period. FY11 was the only exception when textile exports jumped by 34 percent due to over 100 percent increase in cotton prices during that year.

Turning around stunted growth in textile exports requires more than just currency depreciation. Yes, there are advantages of recent currency adjustments; but given the capacity constraints of value added sectors, growth may remain restricted to 5-10 percent this year.



In order to go beyond, textile industry needs to significantly increase its capacity as it happened during 2002-06. No significant sector wide expansion has been recorded in the industry during the last decade which

could have led to a exportable surplus.

It appears that stars have aligned for significant expansion in textile over coming periods: government has set the price for gas at 6.5 cents per unit and electricity at 7.5 cents per unit, is providing long term financing at attractive rates, and is seemingly committed to flexible exchange rate. These factors are making players to seriously consider massive expansions. It takes a year or two for the industry to expand and for that process to kick start more clarity is needed in implementation, and a few more incentives are warranted.

For example, the government has to do away with 0.25 percent tax for export development fund which is wasted in TDAP and other such nuisances, and refunds of exporters need to be cleared sooner or later. Anyhow, the direction is right.

Another major impediment is the falling cotton production in the country. Back in FY05, cotton production peaked at 14.3 million bales which was aligned with industry expansion. Cotton production has been downhill since; averaging at 12.7 million bales per year during FY06-15, before further spiraling downward to average annual production of 10.8 million bales by FY16-18.

One reason for recent dip is the shift of cotton production area to sugarcane which is due to undue incentives for sugarcane production in the form of support price mechanism. Per hectare yield has also deteriorated substantially over the same period. For context, yield in Indian Punjab is around 50 percent higher than Pakistani Punjab, even though domestic yield was not far behind as recent as in FY12.

The major problem is in cotton seed research which is poor in Pakistan. Three big textile players (Nishat, Sapphire and Fatima) have formed a cotton seed company (Safina) to resolve the problem.

Such interventions can resolve the problem of germination and purification of seeds; but without stewardship of a global player such as Bayer (ex Monsanto), resistance against pesticides and other harming elements cannot be developed. India, Brazil, US and many other economies have done it; it is time for Pakistan to move towards GMOs in cotton production.

Cotton production is important as increasing reliance on imported cotton does not only strain current account deficit but also renders the exports uncompetitive relative to India and others. Imported cotton adds additional 10 percent logistics charge to cost of production. Value chain price of garments is same for buyers but cost of production increases due to higher input price.

With currency adjustment, minimum wage is becoming competitive too. Until recently, Pakistan labour wage was around \$145 per month which was similar to India (\$150) and little lower than Vietnam (\$150-175) but was almost double than Bangladesh (\$70). Now with 34 percent currency adjustment, labour cost has fallen to \$110-115, while the internal pressure in Bangladesh is pushing the wages close \$100 per month.

Given the incentives for fabric, bed sheets, knitwear and towels, it makes sense for value added textile sectors to go for expansion, Market pulse confirms this view, as major players appear to be in advanced planning stage of expansion.

The problem is in garments which is a big market to tap. There are one or two players at the competitive curve in Punjab, but none in Karachi. The low hanging fruit is to incentivize garment industry in Pakistan. The labour lacks the skill set and our productivity is far behind even Bangladesh. Garment players require sustainable support – not like cash support for six months.

One option is to create a garment city in Punjab – be it Multan, Faisalabad or Lahore. But one that has all the facilities including housing for workers (aligned with PM's low-cost housing passion), skill development by one of the three Punjab institutes in this area, and custom office at site to reduce

the friction in importing raw material for exporting goods. The other option is to incentivize existing players to expand where they are already present.

The math is simple – if 25 new garment factories are added by existing players, each can add \$50 million of exports with 2,500 jobs per factory while the cost of setting up is just \$10 million per factory. This can create sustainable exports of \$1.25 billion per year – 50 percent increase from existing \$2.5 billion exports in FY18.

Similar is the story of other value-added sectors, as they will expand too if long term financing, flexible exchange rate, and affordable energy prices policies continue. The problem in Pakistan is scale. Pakistan has niche buyers, but mass-market stores such as Walmart, Target and the likes do not come to Pakistan as there are too few garments or other value-added factories in Pakistan.

This will change the narrative of Pakistani exporters amongst buyers. The industrial exports growth does not happen in short term, it requires strategic decision of buyers which is a gradual process and needs commitment both from government and exporters.

Meanwhile, Pakistan should also look for market access in regions other than US and Europe. Pakistan should look at China, Japan, South Africa and other economies for exports. Pakistan needs bilateral agreements for market access, but not FTAs as history suggests these have adverse impact on imports. For example, Pakistan imports 90 percent of Kenyan tea, but exports nothing back in return.

Another market is retail textile exports – Pakistani brands in lawn and other products are exporting to various destinations through Kyapia; as exporting destinations have imposed import duties on retail products from Pakistan.

Lady luck can work in our favour for yarn and fabric- our exports are part of global production chain. China adds value to imported yarn to export to western markets, primarily the US. With the truce between China and the US in Argentina, tariff war between the two giants may end. And to expand the low value-added market, FTA2.0 with China is critical – Pakistan's yarn exports to China have 3.5 percent duty versus no duty for Vietnam.

If Pakistan gets the same treatment, yarn exports to China can increase by 50 percent in no time. Note that unlike garments, there is no capacity bottleneck in yarn as around 100 mills are closed and they can become operative in months, if not weeks.

In a nutshell, if the policies are played right, Pakistan textile exports can grow by 50-70 percent in 3-4 years to cross \$20 billion.

Source: breccorder.com - Dec 14, 2018

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Condition of Cambodian garment workers improves: ILO

Cambodia has seen remarkable improvements in labour standards in the garment and footwear industry, according to a recent International Labour Organisation (ILO) report. The total number of violations on 21 critical issues fell from 811 in 2014 to 631 this year, the report covering 464 factories found. However, not all areas have shown progress, the report noted.

Over the same time, the proportion of factories in compliance with all publicly reported issues rose from 32 percent to 41 percent, a news agency reported citing an ILO Better Factories Cambodia Program press release.

While critical issues related to emergency preparedness, discrimination, child labour and payment of wages and allowances have shown steady gains, other areas are stable and some have declined in rates of compliance, the report said.

Garment and footwear industry is the largest foreign exchange earner for the Southeast Asian nation. The industry consists of about 1,100 factories with more than 740,000 workers, mostly females.

Source: fibre2fashion.com- Dec 15, 2018

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NATIONAL NEWS

India's export growth plunges to 0.8% in November; trade deficit shrinks

On the other hand, a similar slower pace of growth on the import side effectively shrunk the trade deficit in November

A high base effect and falling outbound trade of major exchange earners such as gems and jewellery and engineering goods nearly wiped out export growth in November, which came down to a marginal 0.8 per cent.

Outbound trade rose by the smallest margin so far in the current financial year to \$26.5 billion. Compared to this, growth was recorded at 17.86 per cent in October. Exports contracted just once this year, in September. Despite suggesting that this was because of global trade headwinds, the figure had raised eyebrows among policymakers since the fall had come even as the rupee depreciated against the dollar.

On the other hand, a similar slower pace of growth on the import side effectively shrunk the trade deficit in November. The trade deficit was \$16.67 billion in the latest month, down from \$17.13 billion in October. “We expect India’s current account deficit to rise to \$18-20 billion in Q3FY19 from \$14 billion in Q3FY18, while remaining stable at the level recorded in Q2FY19,” Aditi Nayar, principal economist at ICRA, said.

Slowing imports

The second largest component of the import bill — gold — saw a sharp drop in inbound shipments as imports fell by 15 per cent in October to \$2.75 billion in November. The rate of fall was however much lower than the 43 per cent contraction in October.

The gold industry continues to see volatility as imports had risen in July after remaining in negative territory for six consecutive months. Imports of the shiny metal had remained low since the Rs143-billion Nirav Modi scam earlier this year. Experts said this may have been a consequence of the considerable restocking that took place over the previous quarter, and may also have been led by the late start to the festive season.

However, the largest component of the import bill — crude oil — saw a slower rise in October, in line with expectations. Crude imports rose by more than 41 per cent in October to \$13.49 billion, down from the 52 per cent growth seen in the previous month. Global crude prices started reducing from early November and a supply glut is expected to stay as sanctions hit continue to pump out oil, while the US adds fracking capacity.

If crude oil prices remain relatively stable around current levels, the merchandise trade deficit is likely to average a lower \$14 billion in the remaining months of FY19, compared to \$16 billion in the first eight months, Nayar added.

Non-oil non-gold merchandise imports, showcasing industrial demand, also fell by 5 per cent in November, down from a steep rise of 20 per cent in October to \$26.92 billion.

Exports hang on to growth

TRADE FIGURES



Source: Commerce & industry ministry

Despite this, receipts from processed petroleum exports continued to swell, albeit at a slower pace. It rose by 42 per cent to \$5.14 billion in November, down from the nearly 50 per cent rise in October.

Another major export earning sector - gems and jewellery - again lapsed into the negative zone as shipments shrank by nearly 17 per cent, after the 5.48 per cent rise in the previous month. The sector had returned to the growth charts in June after months of contraction.

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

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How India and Japan are enhancing their strategic relationship

Japan and India have shared a long enduring strategic and economic partnership which got further elevated to a 'Special Strategic and Global Partnership' four years ago.

Ever since Japan's Suzuki Motor Corporation's historic investment in India in the early 1980s, which transformed the automobile sector, ties between the two countries have grown from strength to strength.

Japan, which is the largest bilateral donor for India, has been extending bilateral loans and grant assistance since 1958. In 2016, it announced a Country Assistance Policy providing ODA to build India's critical infrastructure, and to address social and environmental causes.

Many of the on-going landmark infrastructure projects, be it the Ahmedabad-Mumbai High Speed Rail, the Western Dedicated Freight Corridor, the Delhi-Mumbai Industrial Corridor with twelve new industrial townships, or the Chennai-Bengaluru Industrial Corridor (CBIC), are being undertaken with Japanese assistance.

Bilateral trade ties between India and Japan got a big strategic push in 2011 when they signed the Comprehensive Economic Partnership Agreement (CEPA). The CEPA envisages abolition of tariffs on over 94 per cent of items traded over a period of 10 years. The CEPA also covers services, movement of natural persons, investments, IPR, customs procedures and other trade related issues.

India's exports to Japan in 2017-18 were pegged at \$4.73 billion and imports were \$10.97 billion. With the Commerce Ministry trying to ensure that the Indian industry gets to use the CEPA better by spreading awareness and sorting out technical issues, bilateral trade is expected to increase further.

A number of institutional dialogue mechanisms have been established between the two including a 2+2 Dialogue at the Foreign and Defence Secretaries level. In the 21st Century political ties between Japan and India have been robust.

The Joint Statement signed by then Prime Ministers Manmohan Singh and Shinzo Abe in 2006 factored in the new challenges, and bilateral relationship was upgraded to a Global and Strategic Partnership with the provision of annual Prime Ministerial Summits.

Japanese Emperor Akihito and Empress Michiko travelled to India in 2013 and visited Delhi and Chennai giving a further boost to diplomatic ties. Abe was the Chief Guest at the Republic Day parade in New Delhi in January 2014. The BJP-led government, under Prime Minister Narendra Modi, has also been contributing in strengthening ties. During the 9th Annual Summit in Japan in August-September 2014, Abe and Modi, apart from further upgrading bilateral relations, also agreed to establish the 'India-Japan Investment Promotion Partnership'.

Abe, during his India visit in December 2015, signed 16 agreements/MoUs/ MoCs/ LoIs. India also announced "visa on arrival" scheme for all Japanese travellers, including for business purposes, from March 1, 2016.

During Modi's recent visit to Japan this October, both countries signed six agreements, including on a high speed rail project and naval cooperation.

Source: thehindubusinessline.com - Dec 15, 2018

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Trade Wars could be a boon for India

The trade war between US and China has created a turbulence in the global affairs and the trade between nations will undergo a change if the issues between two nations are not resolved soon.

In the month of November, US had the highest trade deficit with China. The two countries so far imposed tariffs on \$ 360 bn of merchandise trade between them.

US-China trade war will have an adverse effect on many economies which are depending on trade and it will distort the trade flows between countries. The war is likely to push the production to more expensive locations which will lead to price rise and reduced efficiency.

Global trade growth will take a beating, existing global supply chains will be disrupted and investor confidence will dampen. There are two opposite views on What US will do once the year 2019 dawns. It will go ahead with the proposals and start implementing them. Other view is that, once we come closer to 2019, US could change its stand and moderate the proposals.

While, many countries will be affected by the Global trade war, few countries, will also be winners in this scenario. US and China will explore options for suppliers from other countries to fulfil their demand. They will develop alternate markets for their products and seek new sources to meet their local demand.

The countries which are likely to benefit include, Mexico (auto exports to US will increase), Europe (can export more agricultural produce to China) and many of the Asian countries , especially ,India, Malaysia, Vietnam, Indonesia, Thailand, Sri Lanka, Pakistan, Cambodia, Myanmar can explore the opportunities to increase their exports.

India can focus on increasing the exports from ICT, Automotive, Apparel and Readymade sectors. ICT is one sector, where US government has increased the tariff for imports from China. This is the largest category of imports from China and it amounted to \$ 150 bn a year. This will help to hamper the China initiative of Made in China 2025 , which is focussed on increasing the growth of the hi tech sectors in China.

India witnessed a phenomenal growth in mobile penetration and other related ICT sectors in the last few years. India had come out with a policy of Hardware manufacturing and few large players, especially in mobile phones had announced their plans for big investment in this sector. India has a very good eco system for hardware development and this could be a good opportunity for India to increase the growth of hardware Industry. The initiatives in India like Make in India, Industry 4.0, will make India attractive for foreign companies to make the investments here.

Automotives. China exported finished vehicles of US \$ 7.2 bn. But exports of Auto components from China was at \$ 31 bn in 2017. US was the main destination for Auto component exports from China. This is likely to affect the Chinese exporters. China Imported Finished Vehicle exports to the tune of US \$ 10.3 bn.

But most of the brands exported to China, have their local presence in China. Auto components is a very big opportunity. In the last few years, India has become very competitive in Auto sector and emerged as the most preferred location for manufacturing small cars in the world. Further, the Eco system for Auto sector in India is well developed. All the players in the market invest on innovation , R&D and produce global quality vehicles today. Further, the FDI regulations for this sector are very liberal. Indian Auto and Auto component manufacturers can capitalise on this emerging opportunity.

Apparel and readymade Garments. China is the leading producer today and they exported \$ 38.7 bn to US in 2017. In 2016, China had 36.2% of global textile exports and 34.5% of global clothing exports. The new tariffs by US government , will create significant opportunities for other countries who are leading exporters in the world. Bangladesh and Vietnam rank second and third in world in exports. But India has the raw material , cotton and a vibrant Industry. At present, high quality yarns from other countries are not allowed to be imported into India. If India relaxes , this norm, India can move higher up in the value chain and aspire to become the second largest exporter in the world.

India can fill the void of exports from US to China. This will be mainly in the area of agriculture and we can grow crops which are suited to Chinas' requirements and ensure China continues to buy cotton from us and start importing other agricultural produce. This will also help in achieving the objective of doubling farmers income and increasing the productivity in agriculture. India has a very huge trade deficit with China. By promoting Agri Exports, the trade deficit with China could be reduced.

By focussing on these sectors, India would be able to significantly increase its exports and it will also aid in achieving the export targets set by the Government and reduce the trade deficit. The more investment friendly / export friendly policies could be drawn up in these sectors , keeping the export markets as the focus. This is the right time for India to accelerate the development of these sectors.

Source: thehindubusinessline.com - Dec 15, 2018

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Google Launches Shopping Homepage In India With An Eye On \$200 Bn Ecommerce Space

Global search giant Google has now launched a shopping homepage in India built on a marketplace model. The Shopping tab allows users to filter through offers, review prices from multiple retailers and discover products, before directing them to merchant websites or ecommerce platforms.

At present, Google's Shopping Homepage offers products across categories such as cell phones and speakers, headphones, apparel, books, watches, makeup and personal care. Apart from currently trending products, Google will also highlight products which it believes the user is looking for.

Reports of the Shopping feature came first in October, and the company was also in talks with ecommerce players such as Flipkart and Paytm Mall to participate in the company's shopping tab initiative.

"More than 40 Mn Indians are coming online every year, and search is an integral part of their online journey. From seasoned desktop shoppers to first-time users with entry-level smartphones, we hope this new shopping experience will make finding what people are looking for just a little bit easier," said Surojit Chatterjee, vice president, Product Management, Google.

Google Shopping's Unique Features

To ensure that the new feature is unique, Google has worked on improving its accessibility and including the offline market. As part of its plans for Google Shopping, the service will feature products from offline stores as well. This will be done by providing retailers access to a Merchant Centre and letting them make their product feed available on Google.

To widen its reach, Google is making the Merchant Centre available in Hindi as well. Google Shopping results will also be available in English as well as Hindi.

The Shopping tab will also be available as a Progressive Web App (PWA) for users with entry-level phones. Google Shopping will enable Style Search in Google Lens as an all-new visual approach to finding products such as clothes, furniture and home decor.

Chatterjee said that Google's aim is to support the entire retail ecosystem, from shopping sites and large retailers to small local shops, and give them the tools, technology and scale to thrive in today's digital economy. The company won't be involved in either payment or fulfilment of the product. The retailers can upload store and product data on the Merchant Centre for ads on Shopping homepage, he added.

Google's entry into any sector is never without a larger plan and the launch of its Shopping feature is being observed as a precursor to Google's ambitions for India's \$200 Bn ecommerce market.

Source: inc42.com- Dec 14, 2018

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India's WPI inflation for apparel down 1.1% in November

India's annual rate of inflation, based on monthly wholesale price index (WPI), stood at 4.64 per cent for the month of November 2018 over same month of the last year. The index for apparel declined 1.1 per cent to 138.1 in November, 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 November 2018 rose by 0.1 per cent to 121.8 from the previous month's level of 121.7, the data showed.

The index for manufactured products (weight 64.23 per cent) for November 2018 remained unchanged at its previous month level of 118.8. The index for 'Manufacture of Wearing Apparel' sub-group declined 1.1 per cent to 138.1 from 139.6 for the previous month due to lower price of knitted and crocheted apparel (2 per cent) and manufacture of wearing apparel (woven), except fur apparel (1 per cent).

The index for 'Manufacture of Textiles' sub-group, however, rose by 0.1 per cent to 119.1 from 119.0 for the previous month due to higher price of cordage, rope, twine and netting (2 per cent), weaving and finishing of textiles, manufacture of made-up textile articles, except apparel and woollen yarn (1 per cent each).

On the other hand, price of synthetic yarn and viscose yarn (2 per cent each) and texturised and twisted yarn and other textiles (1 per cent each) declined.

The index for fuel and power (weight 13.15 per cent) declined by 1.0 per cent to 110.0 from 111.1 for the previous month due to lower price of naphtha, petrol, petroleum coke and HSD. Meanwhile, the all-India consumer price index (CPI) on base 2012=100 stood at 2.33 (provisional) in November 2018 compared to 3.38 (final) in October, 2018 and 4.88 in November, 2017, according to the Central Statistics Office, ministry of statistics and programme implementation.

Source: fibre2fashion.com- Dec 14, 2018

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India: Welspun to expand capacity with a flooring plant in Telangana

Welspun is planning to expand its capacity by setting up a fully integrated and independent flooring plant in Telangana. The company will manufacture carpets, area rugs and carpet tiles in this facility. It will invest Rs 11 billion in this facility with a capacity to produce 27 million sq. mt per annum. The company is planning to begin commercial production in the new plant by end of 2019.

Welspun also plans to manufacture products for specialised use in healthcare, fire departments, aerospace, defense, automobile, railways and other utilities. These products include specialised features such as fire retardants, stain resistant, anti-bacterial, PET resistant, and soil resistance, among others. The company also plans to tap opportunities in the bedding segment.

Another high potential segment that Welspun plans to foray into is global wellness economy. The company has partnered with Stay Well to infuse wellness into hotel rooms with features and programs to maximise the guest experience and minimise the impact that travel has on the human body.

Source: fashionatingworld.com- Dec 14, 2018

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