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IBTEX No. 11 of 2019 January 16, 2019

USD 71.06| EUR 81.08 | GBP 91.39 | JPY 0.66

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20574	43000	**77.09**
Domestic Futures Price (Ex. Warehouse Rajkot), January		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20740	43347	**77.71**
International Futures Price		
NY ICE USD Cents/lb (March 2019)	72.36	
ZCE Cotton: Yuan/MT (May 2019)	15,160	
ZCE Cotton: USD Cents/lb	**101.71**	
Cotlook A Index – Physical	**82.45**	

Cotton Guide: The normal fluctuation of almost 1 cent in either direction still continues in the ICE contracts. Yesterday all ICE contracts ended in negative settlement figures as compared to day before yesterday's positive figures. The ICE March contract ended yesterday with a negative figure of (-63) therefore settling at 72.36, whereas the ICE May and ICE July contracts ended much with a greater change of (-79) and (-90) at 73.72 and 74.89 cents/lb respectively.

The MCX contracts on the other hand also ended in tandem with the International markets. The January contract settled at 20740 Rs/Bale which was exactly the same as Monday's settlement figure. The February, March and May contracts ended with change figures of +10, +100 and +150 respectively at 21010, 21250 and 21560.

Arrivals in India were still low, due to the festive days. Arrivals are estimated to be 78,500 lint equivalent bales (1 Bale =170 Kg). On the price front the prices of Shankar 6 remain steady at Rs 43,000 per candy (77.30 cents/lb) whereas Punjab J-34 is around 4,420 Rs/Maund. Cotlook Index A has been revised higher to 82.45 cents/lb i.e. a +0.30 rise.

There are a few religious levels which market is not able to break either side given the market factors being still volatile. Cotton is not able to break the 74 cents/lb mark. Crude oil is still finding tough resistance near 54 USD, Gold at 1300 USD, the Indian Rupee is currently struggling near 71 and the global equity indices almost are in a dilly dally mode for more than a fortnight.

The factors that are ruling the market these days are Brexit, US china unending talks, US Government's continued partial government shutdown, feeble Chinese Economy numbers, lower inflation reading from India, OPEC deal etc. Unless these issues are sorted the market is expected to remain volatile

On the technical front ICE cotton is hovering in the band of 71.50-73.80. In the daily charts prices made a bullish pattern (Morning star) accompanied with the positive cross over in the MACD suggest a short term pullback in the price towards 73.80-74.50. Failure to sustain above 70.50 will only resume the downtrend while the immediate resistance is at around 74.50. From the above we expect prices to trade in the range of 71.50-74.60 with sideways to positive bias. Above 74.60, 75.35 and 76.20 exits as immediate resistance levels. In the domestic markets trading range for Jan future will be 20550-20950.

Currency Guide

Indian rupee may trade with a negative bias against the US dollar. Rupee is pressurized by rebound in crude oil price, mixed economic data and choppiness in equity market amid increasing challenges to global economy. Brent crude surged 2.8% yesterday and trades near $60.5 per barrel today supported by OPEC's production cuts, decline in US crude stocks and hopes of Chinese stimulus measures. India's industrial production data showed slowdown in economic activity while inflation data showed weaker price pressures. Asian equity markets trade mixed today after gains in US market yesterday. Support from Fed's patient stance on rate hikes, progress in US-China trade talks and expectations of China's stimulus measures is countered by concerns about Brexit and US government shutdown. UK ministers have voted against the Brexit deal increasing political uncertainty in UK and increasing chances of a chaotic exit of Britain from European Union. Brexit uncertainty and disappointing euro-zone economic data has also helped US dollar recover against major currencies. Rupee has fallen sharply in last few days and lack of fresh cues may result in some choppiness however bias remains weak owing to firmness in crude oil price and general weaker risk sentiment. USDINR may trade in a range of 70.85-71.4 and bias may be on the upside.

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

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INTERNATIONAL NEWS

Will the TPP-11 Agreement Impact Cotton Trade?

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership – popularly known as TPP-11 – is now in effect in seven of the 11 participating countries.

The treaty, which was signed by 11 countries on March 8, 2018 in Santiago, Chile, had to be subsequently ratified by the countries' respective national assemblies. The treaty became effective in Australia, Japan, Mexico, New Zealand, Canada and Singapore on December 30, 2018. Vietnam was added on January 14.

Vietnam's entry creates an interesting dynamic in the cotton trade. Vietnam's textile sector is burgeoning and needs good supplies of cotton.

In the last three seasons, Vietnam is the number one importer of United States cotton, including about 2.98 million bales (480 lbs. each) during the 2017/18 season. That number has more than doubled since 2013/14, when the United States exported about one million bales to Vietnam.

Vietnam is followed by China in terms of U.S. exports, while other major importing countries are Turkey, Indonesia and Pakistan. Bangladesh is also marching closely with Mexico in terms of U.S. cotton imports.

As part of the TPP-11 treaty, free trade between Australia and Vietnam will boost agricultural exports from Australia to Vietnam. This agreement eliminates 98% of tariffs in the TPP-11 region, whose collective GDP is about $13.5 trillion.

According to the Australian Department of Foreign Affairs and Trade, all tariffs on cotton exports will be eliminated under the treaty, providing an additional advantage for Australia's exports of cotton to Vietnam.

Japan has also given more market access to Australian cotton via Vietnam. Tariffs on clothing made from Australian cotton in Vietnam have been eliminated in Japan, giving more market entry for Australian cotton.

In 2017, 15% of Australia's total cotton exports were to TPP-11 countries. Market access and common rules are expected to enhance the export chances of agricultural products from Australia.

Grady Martin, Director of Sales for Plains Cotton Cooperative Association stated, "Vietnam is a very important market for U.S. cotton. As yarn and garment operations are shifting to Vietnam, the country has growing importance."

Regarding the impact of the new TPP-11 treaty on exports to Vietnam, Martin replied that it may have an impact, but Vietnam needs cotton. In the long run, what the impact will be is hard to judge right now, he added.

The biggest question to answer is this: Since 80% of U.S. cotton is exported, will the non-participation of United States in the TPP-11 impact agricultural exports – and particularly cotton?

Source: cottongrower.com - Jan 15, 2019

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China trade slump casts broad shadow over economy

Trump expresses optimism toward deal with Beijing

For the first time in more than two years, China's exports and imports both fell year on year in December, according to data released Monday, reflecting the drop in trade with the U.S., as well as shrinking domestic consumption.

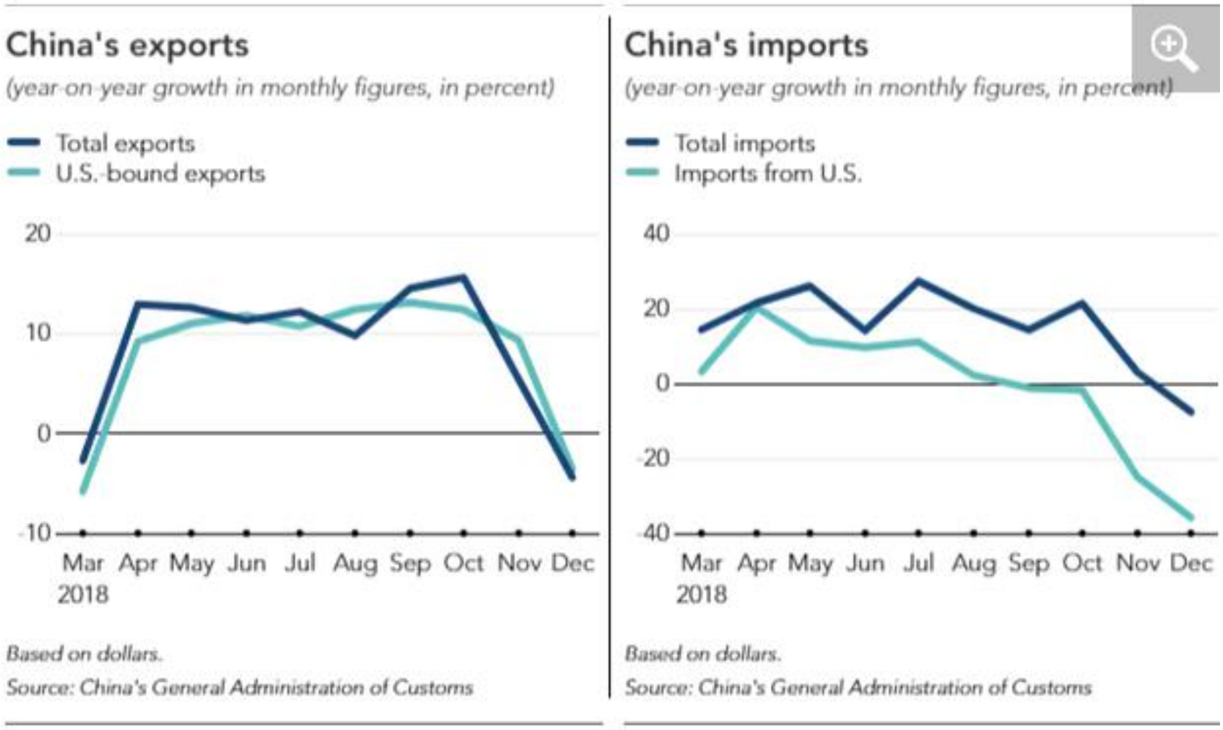
The weaker-than-expected showing, which Goldman Sachs called "well below consensus expectations," was best represented in the sluggish exports of cellphones, which plummeted 31%. The decline in trade is likely to cloud China's economy as a whole, which has been underpinned by firm exports since 2017.

Meanwhile, auto sales in China, the world's largest market, declined for the first time in nearly three decades in 2018, in data released Monday as uncertainty over trade dampened consumer sentiment and further shackled economic growth.

Overall, December exports fell 4.4% on the year to $221.2 billion, while imports shrunk 7.6% to $164.1 billion. Trade with the U.S. was especially slow, with exports falling 4% to $40.2 billion and imports nose-diving 36% to $10.4 billion.

The trend complicates the options for U.S.-China trade negotiators, who are seeking ways to reduce the trade imbalance between the two nations. China's trade surplus with the U.S. for the full year jumped 17% to a record of $323.3 billion, as exports to the U.S. climbed 11% to $478.4 billion while imports edged up just 1% to $155 billion.

U.S. President Donald Trump predicted on Monday that a trade deal with China was likely.



"We're doing very well with China. They're having a hard time with their economy because of the tariffs," Trump told reporters at the White House. "I think that we are going to be able to do a deal with China. China wants to negotiate."

Looking deeper into China's December trade statistics, exports for the labor-intensive fields of clothing and textiles, which are in a tough competition with Southeast Asian countries, fell on the year, as the additional duty of 10% imposed by the U.S. from September took a toll. Furniture exports rose just 2%.

On the import side, semiconductors dropped the most by value, sliding 15% for their second straight month of year on year decreases as cellphone and computer assembly declined. Auto imports also plummeted 30% thanks to poor domestic sales.

Chinese imports from the U.S. have retreated on the year for four consecutive months, and December's reduction was the largest among available statistics dating back to January 1993.

Retaliatory tariffs on U.S. soybeans and liquefied natural gas -- goods easily procured from other regions -- have prompted Chinese buyers to switch their suppliers. State-owned companies, which account for a large portion of Chinese imports, are also staying away from U.S. products.

Exports to the U.S. have also fallen for the first time in nine months. The figures suggest that American buyers had frontloaded imports of items that were not subject to additional tariffs as Trump threatened to impose extra duties on all Chinese products.

"Last-minute demand [before the tariffs kicked in] has passed, and the downturn seems to have begun," said Nomura Securities.

Foreign demand accounted for 2 percentage points of the country's 6.8% real growth in gross domestic product for the October-December quarter of 2017. A downturn in exports will likely weaken the country's economic growth.

The largest beneficiaries from exports are private companies, which employ 80% of China's workforce. A deterioration in trade could hurt these businesses, further affecting the country's job market.

Chinese President Xi Jinping has moved to expand imports from early 2018 to ease trade tensions with the U.S., but poor domestic consumption has hindered his efforts. Retail sales in November recorded the slowest growth in 15 years. Construction on infrastructure projects meant to stimulate the economy has not started, and real estate investment is lackluster.

Most symbolically, Chinese sales of new autos declined on an annual basis for the first time in 28 years.

A total of 28.08 million new vehicles were sold in 2018, down 2.8% from the previous year, according to data released Monday by the China Association of Automobile Manufacturers. Sales of passenger vehicles, which compose more than 80% of the market, slid 4.1% to 23.71 million.

"In addition to the tax break on auto purchases expiring at the end of 2017, the economic slowdown and the U.S.-China trade war also affected consumer sentiment," a senior official at the industry group told reporters. Sales this year are projected to be on par with 2018.

The automotive industry has become China's largest industrial sector, reportedly generating about 10% of gross domestic product when maintenance and other services are included. Continued weakness risks further weighing on an already faltering economy, and the Chinese government is considering steps to promote car-buying in rural areas to at least keep sales from declining again this year.

Non-Chinese automakers put in mixed performances. Toyota Motor's Lexus luxury brand, which is imported from Japan and elsewhere, enjoyed a 14% rise in sales thanks to a midyear tariff cut. Brisk demand for sport utility vehicles fueled a 20% jump at Zhejiang Geely Holding Group, owner of Sweden's Volvo Cars.

By contrast, American automakers struggled under retaliatory duties imposed by China in July, with General Motors and Ford Motor seeing declines of 10% and 37%.

Overall, the year 2018 was a year that investors in China "would wish to forget," wrote New York-based investment bank Jefferies. "Not one single investment factor delivered absolute returns," it noted in a strategy note.

Source: asia.nikkei.com- Jan 15, 2019

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USTR Pledges Exclusions From Higher China Tariffs If Talks Fail

The Trump administration has promised two senators that the administration will set up a system of exclusions for the next round of proposed tariffs on Chinese goods.

If trade talks with China don't produce a deal by March 1, the White House has scheduled an increase in tariffs to 25 percent from 10 percent on $200 billion of Chinese goods.

Republican Senator Pat Toomey of Pennsylvania and Alabama Democrat Doug Jones have pressed the office of the U.S. Trade Representative to develop a process whereby some importers can apply for exclusions from the new tariffs, similar to what's already in place for tariffs on about roughly $50 billion worth of Chinese imports.

USTR responded in a letter to Toomey and Jones with a promise that exclusions will be allowed. "If the duty rate on the $200 billion tariff action is raised to 25 percent, USTR will initiate an appropriate exclusion process," according to the letter dated Jan. 11.

Decisions on exclusion requests for tariffs on Chinese imports are based on whether a product is available only from China, if duties "would cause severe economic harm" to the company or U.S. interests, and whether the item is strategically important, according to USTR.

There is no exclusion process for the current 10 percent tariffs on $200 billion worth of goods.

In an emailed statement, Toomey said "tariffs are taxes" that hurt American consumers and workers.

"While I appreciate USTR creating an exclusion process for its third list of 301 tariffed-products, my hope is the administration and China reach an accord that ends this incipient trade war and rescinds the tariffs," Toomey said.

Tense talks

The U.S. and China are trying to advance tense trade negotiations that have rattled markets for months. Officials from both sides expressed optimism after mid-level talks wrapped up in Beijing last week, bolstering sentiment across global markets.

Chinese Vice Premier Liu He is set to visit Washington on Jan. 30-31 for further trade talks, according to people familiar with the plans, signaling progress in efforts to tamp down the dispute. Liu is expected to meet with U.S. Trade Representative Robert Lighthizer.

The USTR began posting determinations in December on requests from the initial $34 billion in duties on Chinese goods that took effect last July. Of the 10,830 requests posted as of Jan. 10, 985 had been granted and 1,731 denied, according to data posted online.

The remaining requests were in different stages of review, including more than 1,500 being examined by U.S. Customs and Border Protection “to determine whether an exclusion would be administrable,” according to the USTR.

Tariff exclusions

There have been no determinations yet on then more than 2,500 exclusion requests posted as of Jan. 10 for the second tranche of tariffs imposed on $16 billion of Chinese imports in August, according to USTR.

Among the entities getting approvals so far are Mercury Marine for certain outboard engines and the Retail Industry Leaders Association on behalf of members importing water coolers, data show. Rejections include products from Cummins, BASF and Kimberly-Clark.

The partial government shutdown has delayed Customs and Border Protection from entering the approval of exclusions into its system, according to a person briefed on the matter, meaning companies need to continue paying the tariff for now. It could take at least 10 days after the shutdown is resolved to reboot the system, the person said.

The USTR office said on Monday that trade negotiations and enforcement will continue even as the agency responds to a lapse of funding amid shutdown.

Source: sourcingjournal.com - Jan 15, 2019

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Trade Tariffs Still a Concern at NRF

Who will win the trade war between China and the U.S.?

Flip a coin, because even some chief economists who have been tracking the ongoing dispute and potential additional tariff increases aren't sure.

Sourcing Journal on Monday caught up with two chief economists at the National Retail Federation's 2019 Big Show at the Jacob K. Javits Convention Center in New York City, and both had differing viewpoints on the trade war.

Jack Kleinhenz, chief economist for NRF, said, "I'm hopeful it doesn't go forward."

Kleinhenz's concern is that another round of tariffs would result in cost increases for consumers who are already pressured and feeling the pinch by current prices. As for the retail sector, he said larger firms would likely try to absorb the increase, while smaller businesses with less than 10 employees would have a harder time doing so.

But it isn't just consumers who could get pressured.

"There's going to be a push-back on the supply chain. Companies will try to get by without price increases to consumers. It will become a vise where they will tighten up as much as they can first with their suppliers," he said. That's a move aimed at cutting costs on the back end if they can so they don't have to resort to price increases at the consumer level, Kleinhenz explained.

Steven Blitz, chief U.S. economist at TS Lombard, a firm focused on economic, political and market research, believes the issues will get worked out. Given his background in labor management negotiations with unions, Blitz sees the back-and-forth between the two countries as posturing. According to Blitz, the real debate still to be determined is, “Who will own the next round of technology, such as 5G, artificial intelligence and machine learnings? The dispute will come down to that–this isn’t about making T-shirts in China. The U.S. wants to own 5G, but China needs natural liquefied gas.”

According to Blitz, China is already part of the U.S. supply chain. While it doesn’t want to lose production, the world is moving toward automated factories.

For Blitz, that will mean greater reliance on robotics and AI, with the big question more on, “Who will own it and where is it going to be?” He thinks that over the next five years, the “big trend will be on the creation of decentralized production centers that will be closer to the [location] of final demand.”

Another round of tariffs on $200 billion worth of goods from China had been slated to rise to 25 percent on Jan. 1. Following a meeting between U.S. President Donald Trump and China’s President Xi Jinping at a G-20 summit last month, the two countries agreed to delay the increase for 90 days and keep the current tariff rate of 10 percent.

For the 90-day period, the two countries are negotiating over a range of issues that include intellectual property, cybersecurity and non-tariff matters, among other topics.

If they can’t reach a resolution within the 90 days, the increase in the tariff rate could go into effect unless there’s a further agreed-upon delay by both sides.

Source: sourcingjournal.com - Jan 15, 2019

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China's Slumping Trade Adds Pressure for Settlement With Trump

China's exports slumped in December as a rush of orders to beat expected tariffs showed signs of fading and as domestic buyers succumbed to a worsening economic outlook.

The worse than expected figures, with exports falling 4.4 percent in December from a year earlier, set a grim domestic backdrop for China's negotiators as they seek a deal to end the stand-off with the Trump administration. The fall in exports was the worst result since 2016 in dollar terms while imports slumped 7.6 percent, also the worst reading since 2016 and hinting at softening demand at home.

At the same time, China's overall trade surplus with the U.S. hit a record in 2018, underscoring the political imperative to cut a deal ahead of a March 1 deadline after which U.S. President Donald Trump has threatened to impose additional tariffs on Chinese goods.

The numbers show how the world's biggest trading nation is being hit by a confluence of slowing global growth and by uncertainty linked to the trade war — factors that are expected to linger in the near term, at least."The bad trade data will quite likely increase the pressure on China to achieve a deal, or at least a suspension of the U.S. tariff hikes," said Louis Kuijs, chief Asia economist at Oxford Economics in Hong Kong. "At the same time, the U.S. side also seems to be under more pressure to de-escalate tension in terms of news on the economy and financial markets than a few months ago."

U.S. stocks opened lower on Monday over concerns about slowing global growth, with the S&P 500 Index dropping 0.6 percent by 10:06 a.m. in New York.

Chinese Vice Premier Liu He is slated to travel to the U.S. for further talks around the end of this month, with little progress seen so far on the tougher areas of the dispute such as China's treatment of intellectual property or support for state firms. The headwinds from trade comes at a time when policy makers are already grappling with decelerating consumption, falling factory sentiment, fears of producer deflation and a worsening employment outlook.

"Cargo volume to the U.S. on trans-Pacific trade increased until November as exporters pushed cargo forward to avoid the U.S. increase," according to a spokesman for Hyundai Merchant Marine Co, South Korea's biggest container line. "From December to now cargo volume has returned to normal levels, indicating that forward shipment of good before the tariff increase has concluded. Still we are expecting cargo volume to pick up before the Lunar New Year toward the end of January."

There's worse news to come, according to economists at Commerzbank AG and Australia & New Zealand Banking Group Ltd.

Chinese shipments are already under pressure from slowing demand from top trade partners — Europe's recovery is under question, with Germany triggering recession fears, Japan is facing a tougher 2019 and the U.S. itself forecast to see waning growth after a robust 2018. China's exports to the U.S., European Union, Hong Kong, Japan and Taiwan all fell from a year earlier. South Korea's exports–often viewed as a bellwether for world trade–fell in December.

"There is a clear downward trend," said Zhou Hao, an economist with Commerzbank in Singapore who was among the few to accurately forecast a December contraction in exports. "This is not just due to the trade war and tariffs. On top of those, the major drag is slowing global demand."

While China is no longer as dependent on trade, as the world's largest exporter, factory output, profits and employment still hinge on demand from overseas. Its domestic appetite also affects production by commodity and machinery exporters around the world. Stabilizing trade is one of the goals the leadership set for 2019, on top of supporting employment, investment and the finance sector.

What our economists say…

The 2019 outlook for exports is not promising. Signs of progress in trade negotiations between China and the U.S. are encouraging, but the outcome is by no means certain… The extent of external slowing will be an important factor affecting the intensity of China's pro-growth policies.– Chang Shu and David Qu, Bloomberg Economics.

Negotiators expressed optimism after mid-level talks wrapped in Beijing last week, bringing some temporary relief to global investors. Less certain are the further results, as Trump is trying to both appeal to the stock market with a deal, and get expanded tariff powers under a new draft law.

Few economists are betting on a grand deal that would dissolve the economic confrontations between China and the U.S. for good.

“Significant uncertainty remains as to whether there could be a ‘deal’ after March 1,” Citigroup Inc economists led by Liu Ligang wrote in a note. “We believe trade growth next year will slow significantly on huge uncertainty and a high base.”

Source: sourcingjournal.com- Jan 14, 2019

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Pakistan: ECC allows duty-free cotton imports

The government on Tuesday ordered immediate clearance of about Rs36 billion refund claims of exporters and allowed tax and duty-free import of cotton in addition to mandating the payment of duties and taxes on import of vehicles in foreign exchange.

The decisions were taken at a meeting of the Economic Coordination Committee (ECC) of the Cabinet presided over by Finance Minister Asad Umar.

In response to demands of the textile industry, the ECC approved withdrawal of customs duty, additional customs duty and sales tax on import of cotton effective Feb 1-June 30, 2019.

The step is aimed at ensuring sufficient cotton supply for textile industry – especially its export segment.

The decision was based on the plea that Pakistan had been a net cotton importer since 2001 while the domestic cotton was of short-to-medium staple length, leaving local textile manufacturers to import long and extra long staple cotton for finer yarn counts for subsequent transformation into high value-added finished products.

Import of cotton has remained duty free till the slab of 0pc was abolished in 2014-15 and custom duty of 1 per cent was imposed along with the 5pc sales tax. Later on, 1pc slab was increased to 2pc and then 3pc along with the imposition of 2pc additional duty to make it 5pc. Currently, cotton is subject to 3pc customs duty, 2pc additional customs duty and 5pc sales tax.

The prime minister's export package was announced in Jan 2017 under which the textile sector was provided number of facilitations including withdrawal of custom duty and sales tax on imported cotton effective Jan 16, 2017.

These duties and taxes were re-imposed on July 15, 2017 to facilitate lifting of local cotton. However, these were withdrawn again effective Jan 15, 2018 and then re-imposed effective July 15, 2018.

The textile ministry had once again demanded withdrawal of these taxes and duties now saying the industry consumed around 12-15 million bales per annum while local crop this year was estimated at 10.78m bales of 170kg, showing a decrease of 9.7pc compared to last year and a decrease of 24pc against the initially fixed target of 14.37m bales.

Vehicle imports

The ECC also approved a summary of the Commerce Division seeking payment of duty and taxes on all imported vehicles in new and

used condition under personal baggage or gift scheme, through foreign exchange arranged by Pakistani nationals themselves or local recipient supported by bank encashment certificate showing conversion of foreign remittance to local currency.

The government, in import policy of 2016, had allowed import of such vehicles under above schemes to facilitate overseas Pakistanis. There had, however, been complaints that the schemes were massively misused by commercial importers. As a result, the ECC on Oct 6, 2017 rationalised import schemes by ordering payment of duties taxes in foreign exchange. The abrupt policy change led to about 6,000 vehicles being stranded at seaports.

The commerce ministry proposed, as a result, that the new schemes should come into force for vehicles arriving after Feb 28, 2018 but the issue remained unsettled. Subsequent meetings between the government and various stakeholders revealed that around 5pc of cars under these schemes were imported by the bona fide overseas Pakistani.

As a result, the commerce division proposed that misuse of schemes should be prevented by introducing a change in import order 2016 that all vehicles imported under such schemes should be subjected to payment of duties in foreign exchange arranged by Pakistani nationals themselves or local recipient supported by bank encashment certificate showing conversion of foreign remittance to local currency.

Export refunds

The meeting also approved another summary to clear outstanding claims of drawback of local taxes and levies (DLTL) under the exports incentive scheme announced by the government under the Finance Act 2014-15. The ECC decided that cases, which were submitted in time but were pending due to want of funds, will be entertained by the government.

The meeting was told that one of the major impediments faced by export-oriented industry was the liquidity crunch due to the held up sales tax refunds and non-release of budget for the DLTL and hence, in continuation of government policy to support export sector, their liquidity should be improved by clearing the backlog of sales tax refunds and duty drawbacks as promised in the government’s 100 day agenda.

The Commerce Division demanded that funds for drawback of local taxes and levies, allowed under the PM’s export package, should be released by the finance ministry within one week. Verified claims worth Rs36bn were pending with the State Bank of Pakistan.

It was also suggested that going forward, sales tax refund claims and customs duty drawback may be paid by the SBP through authorised dealers immediately at the time of realisation of export proceeds.

The ECC also approved regulatory amendments in the Export Policy Order 2016 and Import Policy Order 2016 as proposed by the Commerce Division.

These will be submitted for consideration of the Federal Cabinet. The amendments are aimed at enhancing ease of doing business in the country.

Source: dawn.com- Jan 16, 2019

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Turkish textile firms eye over $11 bln export revenue this year

Turkey's textile industry foresees weaker demand in the domestic market as rising costs will push prices higher, but hopes to boost exports this year.

"The overall costs of the firms operating in the textile industry have increased by 30 percent over the past one year due to the rises in energy costs and minimum wages as well as exchange rates. Those cost increases will be reflected onto prices in the coming months," said Ahmet Öksüz, the head of the Istanbul Textile and Raw Materials Exporters Association (İTHİB).

The expected price increases will translate into a contraction in the domestic market, according to Öksüz.
"This contraction will be felt particularly in the first half of the year, but the industry will see double-digit growth in exports," he said.

Exports of the textile and raw materials industry increased by 4.5 percent in 2018 from a year ago, hitting $10.5 billion.

"Our target for 2019 is to generate more than $11 billion in export revenues. We expect to boost exports in 75 percent of our markets. The industry's three largest export markets are Germany, Italy and the U.S., while 50 percent of exports go to the EU," Öksüz added.

Turkey is the seventh largest textile and textile raw materials supplier in the world.

"Many textile firms, which want to avoid risks stemming from the expected contraction in the domestic marker, are increasingly focusing on exports. The costs in the industry are indexed to foreign currencies thus companies experience hardship when currency rates rose," he said.

Öksüz also noted that 314 member companies of the association exported their goods for the first time in 2018.

“Last year, Turkish firms shipped goods to a total of 188 countries, but the EU remained the largest single market with $5.4 billion in export revenues. Exports to Russia, meanwhile, soared 107 percent and sales to Belarus jumped 43 percent. Exports to Portugal saw a 26.3 percent increase.”

According to Öksüz, the textile industry will also target the South American and Far Eastern markets.

Source: hurriyetdailynews.com- Jan 15, 2019

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Vietnam: Ready to kick off CPTPP

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) has officially come into force in Vietnam as of today January 14. From this date, Vietnamese goods exported to countries that have ratified the deal will enjoy new preferential tariffs. This will create great opportunities for domestic enterprises to seek and expand their markets but is also a big challenge for enterprises due to increasingly fierce competition.

Actively joining the playground

With a deep level of commitment to tariff reduction, the CPTPP is expected to bring benefits to many industries in Vietnam, particularly textiles, garments and footwear.

Regarding the Canadian market, for example, all Vietnamese textile and garment products will be subject to tariff elimination at the effectiveness of the agreement.

According to statistics from the Vietnam National Textile and Garment Group (Vinatex), the textile and garment import revenue of Canada reached US$13.86 billion in 2018 including only US$814 million worth of imports from Vietnam, accounting for 5.9% of the total market share.

Australia's textile and garment import turnover was reported at US$9.01 billion in 2017, including only US$256 million worth of imports from Vietnam, accounting for merely 2.8% of the total market share. Thus, Vietnam's textile and garment industry still has many opportunities to expand its exports when the CPTPP kicks off.

Ho Chi Minh City accounts for one third of the country's textile and garment export turnover. Therefore, local enterprises are preparing to make good use of opportunities to increase exports to new potential markets including Canada, Peru, Mexico and others.

Tran Huu Phuoc, Finance Director of Tran Hiep Thanh Textile Joint Stock Company, said that the company has invested VND1 trillion (US$43 million) in its textile factory with an annual capacity of 77 million m2 of cloth to prepare for the CPTPP.

Chairman of the Ho Chi Minh City Textile and Garment - Embroidery Association, Pham Xuan Hong, said that enterprises in the association are all excited and are carrying out human resource training and changing technology and machinery in order to be ready to welcome "new air" from the CPTPP. Furthermore, enterprises have actively learnt about new issues in the CPTPP such as the environment, quality, origin of products, and others because these are mandatory regulations for countries participating in the deal.

TNG Investment and Trading Joint Stock Company, the largest apparel exporting company in Thai Nguyen province, with more than 13,000 employees and a network of dozens of factories in the province, is also prepared to join the new playground. According to TNG Chairman Nguyen Van Thoi, the company has prepared conditions to meet the rules and standards set out in the CPTPP for five years and so far TNG has been able to meet most of the requirements in the CPTPP. In addition, TNG has planned to shift the import of materials to CPTPP member countries and build its own raw material factory instead of importing from countries that do not enjoy the many incentives of the CPTPP.

Not only the business community, many local authorities have also made necessary preparations to effectively implement the CPTPP. Vice Chairman of Vinh Phuc provincial People's Committee Le Duy Thanh said that there will surely be a "wave" of foreign investors in Vietnam when the CPTPP comes into force and brings benefits to Vietnam. Vietnamese enterprises will likely meet difficulties due to weaker capacity compared to foreign enterprises, forcing them to promote research, investment in machinery and equipment, and improve management capacity and quality of human resources. Therefore, Vinh Phuc authorities have developed resolutions and offered many solutions to support businesses, while creating the best business environment for local enterprises to grow without intervention by administrative measures.

Continuing to accompany enterprises

Director of WTO Integration Centre under the Vietnam Chamber of Commerce and Industry (VCCI), Nguyen Thi Thu Trang said that Vietnamese enterprises are more proactive and willing to join the CPTPP. Businesses have learnt more about the deal and clearly defined their responsibilities as well as anticipated difficulties. However, there are still many things to do in order to solve the difficulties due to limited capacity of almost all Vietnamese enterprises, particularly small and medium-sized enterprises.

According to the preliminary survey results of VCCI, there are three main groups of issues that are hindering enterprises from taking advantage of opportunities from the CPTPP. The first issue is that businesses do not understand fully the commitments in the CPTPP because they are too difficult and complicated.

Secondly, enterprises do not have enough confidence in the capacity of State management agencies in implementing the CPTPP as well as supporting enterprises to take advantage of the CPTPP. Finally, domestic enterprises have weak competitiveness in both capital and technology.

Therefore, the Government, ministries, sectors and localities must provide consultancy and complete information for people and businesses on the CPTPP. In return, businesses should actively acquire information on the commitments related to their industry and sector. The most important aspect for enterprises is to focus on improving their competitiveness in order to cope with challenges from the CPTPP and fluctuations in the international trade situation.

Economist Vo Tri Thanh said that the CPTPP is also a legal contract, requiring us to fully understand these legal issues to make the best use of the deal and protect our rights. Another special feature of the CPTPP is that it requires strong institutional reforms from the Government to further support businesses to take advantage of opportunities as well as limiting costs in the integration process.

The CPTPP is considered an important milestone in the integration process of Vietnam. According to the assessment, Vietnam is one of the countries enjoying the most opportunities from the CPTPP besides big challenges. If the country can overcome the challenges, it will have a chance to make great strides, under which enterprises play the key role.

It is expected that the Government will issue a detailed action programme for the CPTPP to ensure the smooth and effective implementation of the agreement. Enterprises also need to make more efforts to grasp the commitments in their areas to turnchallenges into motivation to renew technology, reduce production costs, and increase competitiveness in order to participate more deeply in the global supply chain.

Source: nhandan.org.vn- Jan 14, 2019

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Malaysia has potential to up textile exports to US

Malaysia has the potential to increase exports of textiles to the United States (US) in light of its trade war with China.

The textile industry, often described by some experts as a “sunset industry,” began to lose its sheen decades ago following rising costs and fierce competition from China, Bangladesh and Vietnam.

But the ongoing US-China trade war has prompted some western buyers to look for alternative source, and this is where Malaysia can take advantage of the situation.

Hopes of reviving the industry in Malaysia — and other South-east Asian suppliers of home-textiles and other textile products — were visible at

Frankfurt's just-concluded four-day Heimtextil Trade Fair, the world's largest event for home textiles and accessories.

While an abrupt switch by buyers representing the US and other western importing companies and houses to other supplying countries is not expected, the ongoing dispute between the two economic giants has caused what traders at the Frankfurt show call a "gentle panic."

"I am pretty sure buyers in the US and elsewhere are aware of the perils of asymmetrical dependency on China as a source of textile products, coupled with the many problems which foreign importers face in that country, particularly in regard to quality and post-sales service, among others.

"Prices of Chinese products have also risen, no thanks to the soaring labour and production costs in that country. So, the ongoing trade war could, in fact, be the proverbial straw that will break the camel's back," said one US buyer who preferred to remain anonymous to Bernama at the Heimtextil show.

He said Malaysia could step in to fill the vacuum if US companies decide to quit China, adding Malaysia's textile quality is definitely a plus, despite prices being slightly higher.

Meanwhile, Malaysian exhibitors offered testimony of the changing scenario in the home-textile trade.

Fernex Sdn Bhd's marketing director Lee Kheang Lim said the company received many solid business enquiries from both existing and potential new buyers from around the world, including the US.

Wendy Tan, managing director of Nature World Manufacturing Sdn Bhd said the company, which manufactures home textile products, also received numerous enquiries.

"While our buyers have shown a keen interest in our Bio-Active Energy-based products, the increase in the number of enquiries may possibly be due to the ongoing trade war, with buyers trying to establish alternative sources of supply," she said.

Organised by Messe Frankfurt, the Heimtextil show from January 7-10 boasted 3,025 exhibitors from 65 countries.

Olaf Schmidt, Messe Frankfurt vice-president of textiles and textile technologies said the number of US buyers at the show had increased, implying that the country was exploring opportunities in the international market.

“All the big US stores are here. There is, clearly, a shift to other countries and because of the emotional character of the ongoing problem, we should know in about six months from now what will happen,” he added.

However, he was unsure if other suppliers can quickly replace China as the world’s biggest textile supplier with its huge textile-manufacturing infrastructure.

Schmidt was upbeat about the Asean region’s potential, with Vietnam, Malaysia, Indonesia and Bangladesh expected to become key players in the global textile supply chain.

“I also believe fierce international competition will force suppliers to upgrade their production processes, adopt automation and devising faster and convenient modes of supplies. Technological innovation is the mantra of the industry’s future,” he said.

The textile exhibition saw participation from Asean exhibitors, including eight exhibitors from Indonesia, three from Malaysia, three from Thailand and eight from Vietnam.

The top two textile giants, China and India, had 559 and 394 exhibitors respectively, surpassing the host country Germany at 301.

According to the Malaysian trade commissioner in Frankfurt, Badrul Hisham Hilal, Malaysia’s total exports of textiles, apparel and footwear amounted RM13.69 billion in the January-November 2018 period.

The US is the biggest market for such products, accounting for RM1.78 billion (13 per cent) of total exports.

Source: malaymail.com- Jan 15, 2019

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Vietnam's textile-garment industry hopes for breakthroughs in 2019

According to the Vietnam Textile and Apparel Association (VITAS), 2018 was a successful year for the textile and garment industry with a total export turnover of over 36 billion USD, up over 16 percent year-on-year, making Vietnam one of the three biggest exporters of textiles and garments in the world.

VITAS Chairman Vu Duc Giang said last year, the world saw complicated developments, rising trade disputes and scientific-technological advances. In that context, the association proposed many measures to the Government, and relevant ministries and sectors to remove policies that cause difficulties for businesses operating in this field, he said.

With the results achieved in 2018, Vietnamese textile firms have witnessed positive signals for orders in 2019.

Many businesses have already received orders for the first six months of 2019 and even the whole year. Vietnam's products are highly competitive and the country gradually completed the textile supply chain because flows of capital investment in the textile and dyeing industry, and material has been on the rise.

The upcoming enforcement of new generation free trade agreements is a positive factor supporting for production and business activities of the sector in 2019.

On that basis, VITAS has set a target of 40 billion USD in export turnover, up 10.8 percent compared to 2018. The sector is expected to enjoy a trade surplus of 20 billion USD, and create employment and increase income for 2.85 million workers.

Experts said in 2019, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is hoped to create a boost for many industries of Vietnam, including the textile and garment sector. In addition, the textile and garment sector is also waiting for more orders shifted from China to Vietnam due to the US-China trade war.

According to Pham Xuan Hong, Chairman of the Board of Directors of Saigon 3 Garment Joint Stock Company, domestic enterprises will be enabled to choose orders with highs price and easier requirements when a lot of orders are moved from China to Vietnam.

In order to catch up with these opportunities, local businesses need to gradually improve technologies and invest more in new technologies, he said.

However, opportunities will always go with challenges, experts said.

According to the Ministry of Industry and Trade, 2019 will continue to be a challenging year for the sector to integrate into the global textile supply chain.

Especially, the fourth Industrial Revolution will have great impacts on the textile and garment industry in the coming time, forcing it to change and strongly increase investment in equipment and personnel.

Many consumers now require origin certifications and environmentally-friendly products, so textile and garment enterprises need to ensure global standards of materials to ensure health of customers.

Bui Kim Thuy, Chief Representative of the US-ASEAN Business Council (USABC), said Vietnam is participating in 16 free trade agreements (FTAs). Ten out of 12 signed agreements have been enforced, such as the ASEAN Trade in Goods Agreement (ATIGA), the ASEAN-China FTA, the ASEAN-Korea FTA, while the two remainders, the CPTPP and the ASEAN-Hong Kong (China) FTA, have not yet come into force.

The participation in various FTAs helps Vietnamese enterprises to have more choices in exporting goods abroad. However, those are also bringing challenges to the sector, she said.

Thuy stressed that if businesses do not meet regulations on origin of goods, it will be difficult for them to take full advantage of incentives from FTAs.-VNA

Source: english.vietnamnet.vn - Jan 14, 2019

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Bangladesh: International Yarn and Fabric Show from January 23

Commerce Minister Tipu Munshi is expected to inaugurate the fair on January 23. It will conclude on January 26.

A four-day "15th Dhaka International Yarn and Fabric Show 2019" (DIFS Winter Edition) is slated to begin in Dhaka from January 23 at International Convention Centre, Bashundhara (ICCB), according to a press release.

CEMS Global and China Council for the Promotion of International Trade (CCPIT) will jointly organize the fair, which will also include the 3rd Dhaka International Denim Expo.

Meherun N Islam, president and group managing director of CEMS Global informed this at a press conference at Economic Reporter's Forum (ERF) auditorium in the capital on Monday. Commerce Minister Tipu Munshi is expected to inaugurate the fair on January 23. It will conclude on January 26.

"Over 370 exhibitors from 22 countries across the world will present a diverse range of textile products that include the latest trends and technologies in fabrics, accessories, ready-to-wear and industrial fabrics, innovative and smart fabrics, as well as many more," she remarked.

"The exhibition will remain open for trade and public visitors from 10.30 am to 7.30 pm. The online registration link for the visitor is www.e-registrations.com," Meherun said. The CEMS Global president also said the exhibition will enable the textile and apparel industry buyers to meet local and overseas textile & yarn manufacturers face to face for excellent qualities and reasonable prices.

Along with the two fairs, a third one, titled "35th Dye+Chem Bangladesh 2019 Winter Edition International Expo" will also be held during the same period and venue.

Source: dhakatribune.com- Jan 15, 2019

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NATIONAL NEWS

India's merchandise exports rise 0.3% in December 2018

Trade deficit narrows to 10-month low of US$ 13.08 billion in December 2018

India's merchandise exports rose 0.3% to US$ 27.93 billion in December 2018 over a year ago. Meanwhile, merchandise imports declined 2.4% to US$ 41.01 billion, leading to 7.9% dip in the trade deficit to 10-month low of US$ 13.08 billion in December 2018 from US$ 14.20 billion in December 2017.

Oil imports rose mere 3.2% to US$ 10.67 billion, while the non-oil imports declined 4.3% to US$ 30.33 billion in December 2018 over December 2017. The share of oil imports in total imports was 26.0% in December 2018, compared with 24.6% in December 2017. The price of India's basket of crude oil declined 7.3% to US$ 57.77 per barrel in December 2018 over December 2017.

Among the non-oil imports, the major contributors to the overall fall in imports were electronic goods imports declining 9.1% to US$ 4.25 billion, gold 24.3% to US$ 2.57 billion, pearls, precious & semi-precious stones 28.1% to US$ 2.53 billion, transport equipment 14.7% to US$ 1.90 billion, vegetable oil 14.7% to US$ 0.72 billion, metaliferrous ores & other minerals 7.8% to US$ 0.72 billion and medicinal & pharmaceutical products 1.4% to US$ 0.54 billion.

However, the imports have increased for machinery, electrical & non-electrical by 8.4% to US$ 3.08 billion, coal, coke & briquettes etc 11.4% to US$ 2.26 billion, organic & inorganic chemicals 2.7% to US$ 1.79 billion, iron & steel 15.6% to US$ 1.43 billion, non-ferrous metals 12.7% to US$ 1.25 billion and artificial resins, plastic materials etc 5.4% to US$ 1.21 billion.

The imports also improved for crude & manufactured fertilizers by 79.9% to US$ 0.74 billion, professional instrument, optical goods etc 11.2% to US$ 0.48 billion, machine tools 25.6% to US$ 0.41 billion and silver 49.0% to US$ 0.29 billion in December 2018.

On exports front, the petroleum products recorded an increase in exports by 13.2% to US$ 4.21 billion, followed by organic & inorganic chemicals 5.5% to US$ 2.01 billion, RMG of all textiles 2.8% to US$ 1.37 billion, electronic goods 50.8% to US$ 0.83 billion and plastic & linoleum 20.2% to US$ 0.75 billion.

The exports also improved for rice by 1.3% to US$ 0.65 billion, mica, coal & other ores, minerals including processed minerals 7.4% to US$ 0.35 billion, ceramic products & glassware 43.3% to US$ 0.27 billion and oil meals 35.8% to US$ 0.19 billion in December 2018.

However, the exports declined for engineering goods by 3.1% to US$ 7.16 billion, gems & jewellery 19.2% to US$ 2.61 billion, drugs & pharmaceuticals 0.7% to US$ 1.66 billion, cotton yarn/fabrics/made-ups, handloom products etc 5.5% to US$ 0.89 billion, marine products 7.4% to US$ 0.61 billion, leather & leather products 7.4% to US$ 0.44 billion and man-made yarn/fabrics/made-ups etc 1.3% to US$ 0.41 billion in December 2018.

Further, the exports declined for meat, dairy & poultry products by 24.6% to US$ 0.38 billion, spices 4.4% to US$ 0.27 billion, and fruits & vegetables 13.0% to US$ 0.18 billion in December 2018.

Merchandise exports in rupees increased 10.5% to Rs 197536 crore, while imports moved up 7.4% to Rs 290033 crore in December 2018 over December 2017. The trade deficit declined to Rs 92497 crore in December 2018 compared with Rs 95594 crore in December 2017.

India's merchandise exports increased 9.7% to US$ 245.44 billion, while merchandise imports moved up 13.3% to US$ 386.65 billion in April-December 2018.

An increase in imports was driven by a 41.9% jump in oil imports to US$ 108.10 billion. India's merchandise trade deficit rose to US$ 141.20 billion in April-December 2018 from US$ 117.52 billion in April-December 2017.

Source: business-standard.com- Jan 15, 2019

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Cotton yarn realisation to touch 20% this fiscal: ICRA

After hitting a multi-year low last fiscal, cotton yarn spinning companies' profit margins have improved in the December quarter due to revival in export and rupee depreciation.

However, sustainability of profit is already threatened by rising cotton prices and competitive pressure from Vietnam and Bangladesh.

Over 90 per cent of increase in exports to China in first seven months this fiscal helped Indian spinners regain a part of the export market lost to competing nations such as Vietnam over the past few years, said the rating agency ICRA.

However, the difference between domestic and international cotton prices have fallen to eight per cent in the quarter ended December quarter from 16 per cent logged in June quarter, adding to competitive pressures from Vietnam.

Besides, incremental developments on the US-China trade row can play a key role in influencing India's export prospects, ICRA added.

After growing at a strong pace of 50 per cent in five months of FY'19, India's cotton yarn exports have normalised to 34 per cent in October.

ICRA expects the annual cotton yarn exports to grow at 18-20 per cent this fiscal supported by a strong beginning.

Jayanta Roy, Senior Vice-President, ICRA, said healthy demand and higher cotton prices have shifted cotton yarn realisation into a higher trajectory this year, with realisations averaging 13 per cent higher against an 11 per cent increase in cotton prices from last year.

Source: thehindubusinessline.com- Jan 14, 2019

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Cotton spinners record healthy recovery in profits as export demand surges

The surge in export demand for cotton yarn during the initial few months of the current financial year has helped the domestic spinners record a healthy recovery from the multi-year low profitability reported during FY2018 amid multiple headwinds, according to an Icra report released on Monday.

Even though exports have started to normalise and cotton prices have softened with fresh arrivals in the recent months (though still higher vis-a-vis last year), cotton yarn realisations have exhibited stickiness which, together with movement in cotton yarn stock levels, point towards a pick-up in domestic demand.

Moreover, notwithstanding the moderation in Y-o-Y growth in cotton yarn exports in the recent months, trend in absolute exports remains healthy.

Commenting on the emerging trends, Mr. Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA, says, “Healthy demand and higher cotton fibre prices (vis-a-vis last year) have shifted cotton yarn realisations into a higher trajectory this year, with realisations averaging ~13% higher vis-a-vis an 11% increase in cotton fibre prices from last year.

Additional benefits of lower cost cotton stocked during the last harvest season has helped in placing the recent performance ..

Notwithstanding the volatility in Indian rupee against the US dollar during the current year, the sharp rupee depreciation between July and October 2018 also supported spinners’ INR realisations and hence contribution margins.

The aggregate operating margins of ICRA’s sample of 13 large spinning companies improved to two-year high of 13.7% in Q2 FY2019 vis-a-vis 12.2% in Q1 FY2019, after remaining subdued at 9-11% during the preceding five quarters.

On an absolute basis, the aggregate operating profit of ICRA’s sample in Q2 FY2019 stood at five-year high level, with 59% Y-o-Y growth and 9% Q-o-Q growth.

After growing at a strong pace of 50% Y-o-Y during 5M FY2019, India's cotton yarn exports normalised in the subsequent months of September and October 2018, reporting a moderation in growth to 34% Y-o-Y in 7M FY2019.

The growth initially had been driven by a more than two-fold increase in exports to China - one of India's key markets for cotton yarn. Besides a low base effect, the staggering growth in exports was supported by the relative competitiveness of Indian cotton and yarn prices, providi ..

"Despite exports retreating to normal levels in the recent months in absolute terms, ICRA expects the annual growth in India's cotton yarn exports to remain healthy at ~18-20% during FY2019 supported by a strong YoY growth of ~34% in 7M FY2019." Mr. Roy added.

A more than 90% growth in India's cotton yarn exports to China during 7M FY2019 also helped Indian spinners claw back a part of the export market lost to competing nations such as Vietnam over the past few years.

However, sustainability of India's cotton yarn exports remains to be seen, given the correction in spread between domestic and international cotton prices to ~8% in the quarter ended Dec 2018 from ~16% in the quarter ended Jun 2018 and continued competitive pressures from Vietnam.

Given India's continued high dependence on China, its ability to strengthen its presence in other export markets remains crucial.

Besides, incremental developments on the US-China trade row can play a key role in influencing India's export prospects, as China has a significant reliance on the US for import of cotton fibre.

Source: economictimes.com- Jan 14, 2019

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TEXPROCIL Congratulates Ministry of Textiles for Significant Achievements in the Past 4.5 Years

Dr. K.V. Srinivasan, Chairman -TEXPROCIL congratulated the Honb'le Minister of Textiles Smt. Smriti Irani and the officials at the Ministry of Textiles for their outstanding support to the Textile sector and recognising significant achievements in the last 4.5 years and the areas identified for future growth.

TEXPROCIL also complimented the Government for taking major steps in improving 'Ease of Doing Business' in the entire textile value chain.

While agreeing with the remarks made by Shri Venkaiah Naidu, Hon'ble Vice President of India, on need for modernization, innovation, value addition and focus on Research & Development, TEXPROCIL requests the Govt. of India to speed up finalizing various FTAs and bi-lateral trade agreements so as to create a level playing field for Indian suppliers in major importing countries.

Thanking the Hon'ble Minister of Textiles, Smt. Smriti Zubin Irani for the initiative in recognising the outstanding contribution, TEXPROCIL is confident that such recognition would encourage the industry to work towards more achievements in coming years.

The RoSL scheme of the Ministry of Textiles is encouraging the value chain to focus more on manufacturing and exporting value added products and thereby creating more employment in the textile eco system. TEXPROCIL sincerely hopes more number of Integrated textile parks will become operational in the near future so as to further improve the competitiveness of the textile sector.

The 32nd meeting of the GST Council held on January 10, 2019 has raised the GST exemption threshold limit from Rs.20 lakhs to 40 lakhs effective from April 1, 2019. For the North Eastern states, the threshold has been doubled to Rs. 20 lakh from Rs. 10 lakh.

Welcoming the decision, Dr. K.V.Srinivasan, Chairman of The Cotton Textiles Export Promotion Council (TEXPROCIL), said, "This decision will help the small and medium sized businesses and will encourage growth in the textiles sector."

The GST Council has also raised the existing Composition Scheme turnover threshold from Rs. 1 crore to Rs 1.5 crore effective from April 1, 2019. Businesses under the scheme will now pay tax on a quarterly basis but returns will have to be filed annually.

"The expansion of the Composition Scheme has come as relief to a large number of small tax payers who are not in a position to file returns on time," according to the Chairman, TEXPROCIL.

Dr. K.V.Srinivasan thanked the Hon'ble Prime Minister, Shri Narendra Modi, and the Hon'ble Finance Minister, Shri Arun Jaitley, for these two very important decisions which will have a positive impact on the overall economy of the country.

Source: theweek.in- Jan 14, 2019

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Strong case to revisit 'restrictive' FDI retail policy: ICRA

Organised and unorganised retail can co-exist, says report.

Domestic ratings agency Icra has said there is a "compelling case" to revisit the "restrictive" retail foreign direct investment (FDI) policy as India has not been able to get sizeable investments despite opportunities.

Citing examples of other emerging geographies to allay concerns, the agency said organised and unorganised retail can co-exist.

The multi-brand retail sector remains "most restrictive" to FDI, with a cap of 51 per cent ownership and guidelines relating to mandatory investments in back-end infrastructure and local sourcing norms, it said.

"There is a compelling case for the government to revisit its FDI policy. The investment requirements of the sector are sizeable," its Vice President and Co-Head for Corporate Sector Ratings Kinjal Shah said.

Relaxing norms

According to data released by the Department of Industrial Policy and Promotion (DIPP), India received USD 1.4 billion in FDI in the retail sector between 2000 and 2018, which is only 0.36 per cent of the overall FDI inflows, it said.

The agency said a population of over 1.3 billion with favourable demographics and a rising middle class present a big opportunity for foreign retailers, who have actually evinced interest. Icra said “restrictive nature of the retail FDI policy” has curtailed the foreign retailers’ operations.

Shah said there remains on-ground opposition for multi-brand retail from local traders, who fear risk of being thwarted by the deep pockets and increased competition from foreign players.

Pitching for relaxation in inter-segmental restrictions for multi-brand retail, Shah also said India needs to up the caps on foreign ownership in the segment.

“There is limited domestic capital being invested in the sector and FDI flows can bridge capital deficit and remove the supply chain inefficiencies,” Shah said.

Citing global experience to drive home the point of co-existence between organised and unorganised retail players, the agency said China saw a spike in employment and number of traders since liberalising on foreign ownership in retail in 1992 and Indonesia is witnessing traditional retailers holding on to food selling.

It can be noted that relaxations in foreign ownership is an extremely sensitive subject politically in the country which faces opposition from large segments.

Source: thehindubusinessline.com- Jan 14, 2019

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India among world's leading exporters of creative goods

India's creative goods exports nearly tripled from $7.4 billion in 2005 to $20.2 billion in 2014

India's creative goods exports nearly tripled from $7.4 billion in 2005 to $20.2 billion in 2014, making it one of the world's leading exporters of such products in the top 10 developing economies, according to a United Nations report.

China is the biggest single exporter and importer of creative goods and services. China's trade in creative goods between 2002 and 2015 has been exponential, with average annual growth rates of 14 per cent, the United Nations Conference on Trade and Development (UNCTAD) report said.

The second edition of the periodic Creative Economy Outlook: Trends in International Trade in Creative Industries examines the global picture and also features 130 country profiles with reported creative goods and services trade data. The data, which covers the period 2002 to 2015, shows the creative economy's contribution to world trade.

Over this period, the value of the global market for creative goods doubled from $208 billion in 2002 to $509 billion in 2015.

"China, Hong Kong (China), India, Singapore, Taiwan Province of China, Turkey, Thailand, Malaysia, Mexico and the Philippines were the top 10 performing developing economies stimulating global trade in creative goods," the report said.

Among developed economies, the United States (US), France, Italy, the UK, Germany, Switzerland, the Netherlands, Poland, Belgium and Japan were the top 10 creative goods exporters.

India's creative goods exports nearly tripled from $7.4 billion in 2005 to $20.2 billion in 2014, the report said.

Design goods accounted for the largest share of creative goods exports with a value of $17.9 billion in 2014. Jewellery was a key export at $13.2 billion followed by fashion accessories at $3.2 billion.

The US was India's top export partner for creative goods in 2005 but the country slipped to second place in 2014, when the UAE emerged as India's top trading partner, it said.

The report noted that India's fashion industry is likely to continue its growth as the country has a large young population. Art crafts (carpet and yarn products) was another dynamic sector with exports at $1.5 billion in 2014. India had a positive trade balance in creative goods trade, which stood at $15.4 billion in 2014.

In 2014, the main destination markets for India's creative goods exports were Asia (58 per cent), the Americas (20 per cent) and Europe (19 per cent).

The report said India had become the centre for outsourcing work such as game development, game support services.

In the coming years, the country is expected to become the hub for development, porting and dubbing of various games across the globe, due to low costs and the easy availability of game developers with world-class experience, it said.

"With the country's youth population standing at over 350 million, India is one of the largest markets for companies operating in the global gaming industry," the report said.

Highlighting other creative aspects emerging from the country, the report also said that India makes more movies than any other country in the world.

"Fourteen million Indians go to the movies on a daily basis (about 1.4 per cent of the population of 1 billion) and pay the equivalent to the average day's wages ($1-3) to see a film, of which Bollywood produces over 800 films each year. That is more than double the number of feature films produced in the US," the report said.

Indian gastronomy is also undergoing rapid growth. Food service sales in the country are growing at about 10 per cent annually, making it one of the fastest growing sellers in the world.

This growth is double the rate expected for the much more mature US' restaurant industry, and with a population quadruple the size, it said.

“These figures are significant on two fronts. The creative economy has both commercial and cultural worth. This dual value has led governments worldwide to focus on expanding and developing their creative economies as part of economic diversification strategies and efforts to stimulate prosperity and well-being,” said Pamela Coke-Hamilton, who directs UNCTAD’s trade division.

The report said that globally design and visual arts are among the highest performing sectors with fashion, interior design and jewellery accounting for 54 per cent of creative goods exports in developed economies and 70 per cent (including toys) in developing economies.

“Although the downturn in global trade has impacted all industries, the report shows the creative economy is more resilient than most,” said Marisa Henderson, chief of UNCTAD’s creative economy programme.

The report said that the Indian animation and visual effects industry (VFX) grew at 16.4 per cent in 2016 to reach a size of $8.2 billion.

The State governments are implementing favourable policies and Maharashtra, Karnataka, Telangana have announced, or are coming up with, policies in support of the of the animation and VFX industry, it said.

“These would enable the Indian animation and VFX industry to effectively compete with established markets such as the US, Canada and emerging centres in Republic of Korea, France, China and Malaysia,” the report said, citing a KPMG India-FICCI Indian Media and Entertainment Industry Report 2017.

It said that visual effects are indispensable parts of filmmaking and the Indian film industry is the largest in the world in terms of number of films produced.

Source: thehindubusinessline.com- Jan 15, 2019

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E-way bill to be integrated with NHAI's FASTag to track GST evasion from April

The GST e-way bill system is likely to be integrated with NHAI's FASTag mechanism from April to help track movement of goods and check GST evasion.

The revenue department has set up an officers' committee to integrate the e-way bill, FASTag and DMIC's Logistics Data Bank (LDB) services, after consultation with transporters.

"It has come to our notice that some transporters are doing multiple trips by generating a single e-way bill. Integration of the e-way bill with FASTag would help find the location of the vehicle and when and how many times it has crossed NHAI's toll plazas," the official said.

The integrated system on an all-India basis is planned to be rolled out from April, the official told PTI.

Karnataka is implementing an integrated system on a pilot basis, and integration at the national level would be beneficial in terms of tracking of goods and ensuring that the e-way bill has been generated for the correct duration of travel.

"The officers' committee would explain the benefits to all stakeholders," an official said, adding the move would also improve operational efficiencies across the country's logistics landscape.

Currently, lack of harmonisation under the 'track and trace' mechanism in terms of sharing information among different agencies is affecting the ease of doing business in the country. Besides, it is leading to misuse of the e-way bill.

"This would also help in preventing goods and services tax (GST) evasion by unscrupulous traders, who take advantage of the loopholes in the supply chain," the official said.

Central tax officers have detected 3,626 cases of GST evasion/ violations involving Rs 15,278.18 crore during the April-December period.

Touted as an anti-evasion measure, the e-way bill system was rolled out on April 1, 2018, for moving goods worth over Rs 50,000 from one state to another. The same for intra or inter-state movement was rolled out in a phased manner from April 15. Transporters of goods worth over Rs 50,000 would be required to present an e-way bill during transit to a GST inspector, if asked.

“The integration of the e-way bill system with FASTag and LDB is expected to help boost tax collections by clamping down on trade that currently happens on cash basis,” the official said.

The National Highways Authority of India (NHAI) has put in place the FASTag system for collection of toll electronically on national highways. FASTag also offers non-stop movement of vehicles through toll plazas.

Integration of the e-way bill with FASTag will help revenue authorities track the movement of vehicles and ensure that they are travelling to the same destination as the transporter or the trader had specified while generating the e-way bill.

It will also help suppliers locate goods through the e-way bill system. Transporters, too, would be able to track their vehicles through SMS alerts that would be generated at each toll plaza.

Similarly, the Delhi-Mumbai Industrial Corridor’s (DMIC’s) container tracking services, also called LDB programme, would be integrated with the e-way bill to improve the logistics ecosystem.

With GST system now stabilising, the focus of the Central Board of Indirect Taxes and Customs is now on increasing compliance and checking evasion.

The government has also set up the Directorate-General of GST Intelligence (DGGSTI) to investigate cases of tax evasion and conduct search and seizure operations under the GST Act, and erstwhile Excise and Service Tax Act.

As against the budgeted monthly revenue target of over Rs 1 lakh crore, GST collections have so far this fiscal averaged Rs 96,800 crore per month.

Source: thehindubusinessline.com- Jan 15, 2019

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India's WPI inflation for apparel up 0.2% in December

India's annual rate of inflation, based on monthly wholesale price index (WPI), eased to eight-month low of 3.80 per cent for the month of December 2018. The index for apparel increased by 0.2 per cent to 138.4 in December, 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 December 2018 declined 1.4 per cent to 120.1 from the previous month's level of 121.8, the data showed.

The index for manufactured products (weight 64.23 per cent) for December 2018 declined by 0.4 per cent to 118.3 from the previous month's level of 118.8. The index for 'Manufacture of Wearing Apparel' sub-group rose by 0.2 per cent to 138.4 from 138.1 for the previous month due to higher price of leather garments including jackets and shawls & scarves (knitted) (1 per cent each).

The index for 'Manufacture of Textiles' sub-group also rose by 0.1 per cent to 119.2 from 119.1 from 119.0 for the previous month due to higher price of made-up textiles except apparel (4 per cent) and other textiles (2 per cent). However, the price of synthetic yarn (2 per cent), and texturised & twisted yarn and cordage, rope, twine & netting (1 per cent each) declined.

The index for primary articles (weight 22.62 per cent) declined by 1.8 per cent to 134.7 from 137.2 for the previous month. The index for fuel and power (weight 13.15 per cent) declined by 5.9 per cent to 103.5 from 110.0 for the previous month due to lower price of naphtha, furnace oil, LPG, ATF, petrol, bitumen, HSD, petroleum coke and kerosene.

Meanwhile, the all-India consumer price index (CPI) on base 2012=100 stood at 2.19 (provisional) in December 2018 compared to 2.33 (final) in November, 2018 and 5.21 in December, 2017, according to the Central Statistics Office, ministry of statistics and programme implementation.

Source: fibre2fashion.com - Jan 15, 2019

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After GST blow, Gujarat textile units get jitters over incentive scheme

Surat has seen daily production fall from 40 million metre per day to 25 million metre per day

While the Gujarat government may have announced an incentive scheme to attract new investment in the textile value chain, existing units in the state fear that the same could affect their operations.

Already reeling from sluggish economy, coupled with an accumulated input tax credit under the goods and services tax (GST) regime, existing textile units across the value chain fear incentivising new units would mean stiffer competition for them.

With the state's textile policy expiring on September 3, 2018, the Gujarat government recently announced a 'Scheme for Assistance to Strengthen Specific Sectors in the Textile Value Chain' effective from September 4, 2018, to December 31, 2023.

As against the policy that attracted fresh investments in ginning, spinning and garmenting, the assistance scheme covers segments such as weaving, knitting, dyeing/printing, machine carpeting, technical textile, composite units and other activities in the textile value chain such as embroidery, winding, sizing, twisting and crimping.

The scheme provides financial assistance through credit-linked interest subsidy of six per cent for micro small and medium enterprises (MSMEs) and 4-6 per cent for large enterprises, with an upper ceiling of Rs 20 crore per annum. Further, the scheme offers subsidy in power tariff of up to Rs 3 per unit for weaving, and Rs 2 per unit for other eligible segments with a validity of five years.

"The assistance scheme for textile value chain is meant for new units being set up in Gujarat. However, there is nothing for the existing scheme. On the basis of the subsidy, the newer units would be more cost-effective, and compete with us on price difference.

Already, the existing textile industry in Gujarat is struggling because of multiple reasons. Hence, we are going to ask the state government for some relief against the new scheme," said Jitu Vakharia, president of South Gujarat Textile Processors' Association (SGTPA).

Already, around 30 textile processing units have been shut in recent months, with the remaining 320 odd units functioning at only 70 per cent of the original capacity. Surat, the biggest textile market in the state, alone has seen daily production fall from 40 million metre per day to 25 million metre per day.

According to industry sources, based on the subsidy under the new scheme, newer units could carry a 15-20 per cent production cost advantage over the existing ones.

"Any such policy is for new investment, but this aggravates the scenario for the existing units. Earlier, we were facing competition from outside, but now the competition will be closer home.

It is only now that the industry is reviving in terms of growing demand in the last fortnight or so. The move could pull us back unless similar benefits are provided for the existing units," said Ashish Gujarati, president of the Pandesara Weavers' Association.

Apparently, the scheme also offers assistance covering all existing units which are compliant with the government's energy, water and environment conservation norms, and have been in operation for more than three years.

The scheme provides 20 per cent assistance on the cost of machinery with a ceiling of Rs 30 lakh, and 50 per cent assistance for audit fees with a limit of Rs 1 lakh. The benefits can be availed once in two years during the operative period of the scheme.

Further, a one-time financial assistance of up to 50 per cent of cost, with a limit of Rs 25 lakh, is provided for technology upgrade and modernisation in textile value chain. The scheme provides assistance of up to 25 per cent of capital expenditure on common facilities and infrastructure, with a limit of Rs 15 crore for setting up textile parks.

Source: business-standard.com - Jan 15, 2019

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Uzbekistan eyes to emerge as India's gateway to Central Asia

In Uzbekistan, 18 free economic zones (FEZ) have been established with a 30-year operational life and the possibility of a subsequent extension. Seven of them have a pharmaceutical focus.

Uzbekistan President Shavkat Mirziyoyev will attend Vibrant Gujarat international investment summit as a key guest of the Prime Minister Narendra Modi on January 18-20 , with an eye to upgrade ties to a new level opening a new chapter in India's Central Asia outreach.

This visit comes days after the maiden India-Central Asia and Afghan meet in Samarkand, Uzbekistan last Sunday.

This is the second visit of Mirziyoyev to India during the last four months. State visit of Uzbekistan's President in October 2018 opened a new chapter in Uzbek-India relations, including wider trade and investment cooperation.

Participation of Uzbekistan in Vibrant Gujarat summit includes government and business level meetings, trade show exhibition, country seminar and the first meeting of Uzbekistan-India Business Council.

As Uzbekistan is opening up as an investment destination,Indian businessmen look at the country as a hub for further expansion within the resource rich region. Economic liberalization, rapid political reforms and encouragement of FDI make Uzbekistan an inviting destination for business and investment. Indian companies are exploring investment opportunities in the pharmaceutical , textile , education, IT, tourism and other sectors in Uzbekistan.

To attract investments in the pharmaceutical sector, an Uzbek Indian Free Pharmaceutical Zone is being developed in the Andijan region. This project was among 17 agreements that were signed during the Uzbek president's State visit to India.

A direct flight between Tashkent and Mumbai, launched last year, also facilitate s business between western India and Central Asia. Tourists flow from India to Uzbekistan increased 30% for the last year.

High level delegation of Uzbekistan at Gujarat summit includes heads of Investment Committee, Trade Committee, Chamber of C ommerce, Ministry of Foreign Affairs as well as more than 60 business owners, CEOs of biggest national and private companies of Uzbekistan.

Country pavilion of Uzbekistan at Gujarat Trade Show will expose large spectrum of industries including automobile, metallurgy, pharmaceutical, construction, IT, banking, textile and leather, machinery, food processing, tourism, education and others.

The country seminar of Uzbekistan will take place on the second day of Vibrant Gujarat forum on January 18, 2019. Special focus will be made on Uzbek Indian Free Pharmaceutical Zone in Andijan region of Uzbekistan . Andijan and Gujarat are developing mutual cooperation within a partnership memorandum.

Uzbekistan-India Business council will also held its first meeting during the Gujarat summit. The launch of Business Council was announced during the State v isit of Uzbekistan president to India in October 2018.

The council facilitate s initiatives pertaining to the promotion of trade and investment, business alliances and possibilities of direct collaboration between companies from both the countries in sectors such as agriculture and agro-processing, health-care, education, textile and apparel, chemicals and pharmaceutical, leather, auto and engineering, energy, gems and jewelry, tourism, amongst others .

The Government of Uzbekistan is working with foreign investment banks and other international financial institutions to realise the vast economic and social reforms. President Mirziyoyev recently signed an ‘Innovative Development Strategy for 2019-2021 and the Road Map for its implementation’.

The strategy aims at ‘the development of human capital as the main factor enhancing Uzbekistan’s competitiveness and innovation.’ By implementing this, Uzbekistan plans to join the ranks of 50 advanced countries in the Global Innovation Index by 2030.Dynamics of current development of Uzbekistan is highly acknowledged internationally.

The Doing Business 2018 report ranks Uzbekistan 74th among 190 countries. The country has moved 13 places up in and was also included in the 'Top 10 improvers', based on reforms undertaken.

Uzbekistan provides most favored nation (MFN) status to 45 countries, including India.Friendly investment environment is based on a reliable legal frame and wide range of guarantees and benefits for investors, including tax incentives, providing land and buildings on attractive terms.

In Uzbekistan, 18 free economic zones (FEZ) have been established with a 30-year operational life and the possibility of a subsequent extension. Seven of them have a pharmaceutical focus.

Source: economictimes.com - Jan 15, 2019

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Govt launches initiative to enable women entrepreneurs to sell items on GeM

GeM is an online platform of the ministry for procurement of goods and services by government departments, public sector units, and other agencies

The commerce ministry Monday said Government eMarketplace (GeM) has launched an initiative to enable women entrepreneurs and self-help groups to sell different products at the platform.

GeM is an online platform of the ministry for procurement of goods and services by government departments, public sector units, and other agencies.

The initiative - Womaniya on GeM - seeks to develop women entrepreneurship on the margins of society to achieve gender-inclusive economic growth, it said in a statement.

The initiative would enable women entrepreneurs and women self-help groups to sell handicrafts and handloom, jute and coir products, home décor and office furnishings, directly to various government ministries, departments and institutions, it said.

"Womaniya homepage [https://gem.gov.in/womaniya] will inform procurement officers in various government ministries, departments and CPSEs about the drive to promote procurement of common use goods and services from women entrepreneurs," it added.

So far, 1,80,862 sellers and service providers are registered with the portal to sell 7,31,431 products and services.

Source: livemint.com - Jan 14, 2019

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