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IBTEX No. 12 of 2020 January 16, 2020

US 70.86| EUR 79.02 | GBP 92.46| JPY 0.64

Cotton Market (Jan 15, 2020)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19378	40500	**72.78**
Domestic Futures Price (Ex. Warehouse Rajkot), January		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19930	41654	**74.86**

International Futures Price	
NY ICE USD Cents/lb (March 2020)	71.38
ZCE Cotton: Yuan/MT (May 2020)	14,240
ZCE Cotton: USD Cents/lb	93.82
Cotlook A Index – Physical	**82.20**

Cotton Guide- The volumes were again in the 30K range at 37,641 contracts. On the other hand, the TOI – Total Open Interest is on a continuous movement towards north and the last figure seen was at 247,730 contracts which is an increase of 2,693 as compared to the previous figure.

This TOI is considered to be the highest since November. While breaking things up, the March 2020 OI decreased by 541 contracts to 126,507, the May 2020 OI increased by 1,132 to 53,834 contracts and the July 2020 OI increased from 1,278 contracts to 33,274 contracts.

The MCX contract on the other hand, remained volatile yesterday. The future prices settled downward, at 19,930 Rs per Bale at -40 Rs for the MCX Jan contract. The February contract settled at 20,220 Rs per Bale with a change of -30 Rs. The volumes were seen at 1,646 contracts.

The Cotlook Index A has been updated at 80.20 cents per pound with a change of +30 points. The prices of Shankar 6 are at 40,500 Rs per candy which is revised down by 200 Rs. Indian prices still remain the cheapest in the world, attracting enquiries majorly from China and Bangladesh. Chinese buyers are purchasing huge quantities from India [500 MT and above].

Cotlook Index A	80.20
Indian Medium Grade	76.00
Brazilian	81.00
Memphis/Orleans/Texas	81.00
Memphis/Eastern	81.50
Ivory Coast BEMA	81.50

Table 1: Cotlook Indices in cents per pound, Source Cotlook

On the Fundamental front, we presume prices will move forward for Both the ICE and MCX contracts. Also, today with the official signing of the trade deal, it will be interesting to observe, the price movements after today. Will China honour the agreement, is a matter of concern. Also, with the Chinese New Year approaching, we can expect a sideway trend from now on in the short term. But the overall long term trend is presumed to remain positive.

On the technical front, In daily chart, ICE Cotton March price moved higher as it breached the psychological mark of 70, in last week. Price also breached 76.4% Fibonacci extension level at 70.94 and most likely approaching the 100% Fibonacci extension at 73.18. As per the daily charts price is moving in the upward sloping channel after breakout of the bullish inverted HNS pattern.

For near term support exists around 5 day EMA at 71.08 followed by 9 day EMA at 70.63. The momentum indicator RSI at 72, suggesting firmness in the trend, implies rally in price. The immediate resistance for the price is at (73.18) 100% Fibonacci extension level. Thus for the day we expect price to trade in the range of 70.60-73.18 with a sideways bias. In MCX Jan Cotton, we expect the price to trade within the range of 19820-20200 with a sideways bias.

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

US Signing of Phase One Trade Deal Brings Little Tariff Relief for Retail

The U.S. and China officially signed phase one of what's expected to be a broader trade deal, though American brands and retailers won't see the tariff relief they had hoped for

As part of the initial trade deal, which was announced on Dec. 13, President Trump cancelled the list 4B batch of tariffs that would have followed two days later, halved the tariff rate on list 4A goods to 7.5 percent, but retained 25 percent tariffs on tranche 3 goods, including thread, yarns, textiles handbags and some apparel.

In large part, despite the festive mood from the White House surrounding the signing Wednesday, the phase one agreement does little to brighten prospects for retailers still reeling from last year's uncertainty.

"This deal provides the apparel and footwear industry with very limited tariff relief following the biggest tariff increase since the Great Depression," Steve Lamar, president and CEO of the American Apparel & Footwear Association, said Wednesday.

"All of our products that have been hurt by this trade war will continue to be hit—including 92 percent of the apparel, 53 percent of the footwear, 68 percent of the home textiles, and all of the travel goods and accessories that are imported from China, which is the primary source of these products."

The National Retail Federation, the largest U.S. trade group for the industry, called for President Trump to do more on the tariff front.

"NRF strongly supports the administration's efforts to address China's unfair trading practices but we hope this is the first step toward eliminating all of the tariffs imposed over the past two years," said NRF president and CEO Matthew Shay, who was present at the White House signing. "The trade war won't be over until all of these tariffs are gone. We are glad to see the phase one deal signed, and resolution of phase two can't come soon enough."

What the phase one deal does do is begin to address China's so dubbed unfair trade practices—which Trump called "easy pickins'" and "pillage" during a White House conference Wednesday—focusing on remedies for its intellectual property practices and greater protection for U.S. trade secrets. What it likely won't do is improve U.S. manufacturing as much as the president had hoped.

"The deal does little to help American manufacturers in our industry. Not only does this deal leave in place tariffs on key imports of materials and machinery used to make clothing, footwear and textiles in the U.S., but it also allows China to keep in place huge retaliatory tariffs on American exports of cotton, hides, leather, textiles, shoes and clothing," Lamar said.

Trump, however, said the phase one deal "will also see China greatly expand imports to the United States," and that the world's second-largest economy will pour as much as $75 billion into U.S. manufacturing.

"Farmers are going to be so happy," the president said, because, as part of the new deal, he expects China will spend between $200 billion and $500 billion on agriculture over the next two years. Farmers for Free Trade association spokesperson Michelle Erickson-Jones, disagreed with the president's sentiment, however.

"This deal does not end retaliatory tariffs on American farm exports, makes American farmers increasingly reliant on Chinese state-controlled purchases and doesn't address the big structural changes the trade war was predicated on achieving," she said in a statement Wednesday. "The promises of lofty purchases are encouraging but farmers like me will believe it when we see it."

For the National Council of Textile Organizations (NCTO), which has largely been in support of tariffs on China-made goods as they should have contributed to reinvigorating the domestic market, there's doubt about the method behind the phase one deal and the tariff breaks it does afford.

"We question the last-in, first-out approach to the tariff reductions," NCTO president and CEO Kim Glas said Wednesday. "In our sector, this means that the penalty 301 tariffs on finished apparel and sewn products—the areas where tariffs have the most potential to effect reforms in China while bolstering the Western Hemisphere supply chain—are cut in half while U.S.

manufacturers continue to face full tariffs on certain inputs and equipment not available domestically."

There was little said about phase two of the trade deal, and there has been some doubt as to whether things will in fact progress from here.

The Footwear Retailers and Distributors of America (FDRA) trade group is, however, hopeful the signing of the initial deal will bode better for business in 2020.

"We are pleased to see the first round of negotiations coming to a close in the signing of the Phase One agreement today," FDRA president and CEO Matt Priest said.

"While it does not remove all the punitive tariffs the Trump Administration has levied against American companies and consumers, it will provide a little more certainty as we start the new year, which is key to job growth and retail price stability for shoe consumers."

"Even with the removal of some of these duties, footwear tariffs will still average 12.2 percent with up to 67.5 percent on certain kids' shoes," he added. "A dynamic U.S. trade policy would not just reduce tariffs back to pre-Trump Administration rates but would actually trim them further to spur economic growth and consumer buying power.

"This is a story we are preparing to tell policymakers in Washington, D.C.," Priest said, "as we go back on the offensive in 2020."

Source: sourcingjournal.com - Jan 15, 2020

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USA: The Trade Deal Is Signed and Cotton Prices Are Climbing. Coincidence?

Wednesday's signing of the Phase One trade deal between the U.S. and China might mean the easing of both tensions and the threat of future tariffs, but it also likely to spell higher cotton prices, according to Cotton Incorporated.

Since early September, the New York futures contracts for March increased 12 cents percent, or around 20 percent, the organization said in its just-released monthly analysis of the cotton industry. In the last month, the New York March futures contract increased to 71 cents per pound from 65 cents.

The December futures contract, which reflects expectations after the 2020-21 harvest, has been consistently trading above 70 cents per pound since late December and is currently over 72 cents. U.S. spot cotton prices averaged 65.48 cents per pound for the week ended Jan. 9. That was up from 64.74 cents the prior week, but down from 68.16 cents a year ago.

The A Index, an average of global prices, rose to 79 cents per pound from 75 cents in the last month. The China Cotton Index climbed to 91 cents from 85 cents.

"The lows marked a few months ago coincided with the last round of escalation in the U.S.-China trade dispute," Cotton Inc. said. "The rapprochement that followed, leading to the anticipated signing of the Phase One agreement, coincided with rising cotton prices."

The deal signed on Wednesday between the two countries does call for increased U.S. exports of cotton to China in the next two years, but left the bulk of tariffs in place, with recutions expected to be addressed in a future Phase Two deal.

Tariffs on Chinese apparel led to sharp decreases in U.S. apparel imports from China, Cotton Inc. said. In volume terms, U.S. imports of cotton-dominant apparel from China between September and November were down 28 percent or 255 million square meter equivalents (SME) year-over-year, according to data from the Commerce Department's Office of Textiles & Apparel (OTEXA).

Declines in shipments from China have been accompanied by decreases in total U.S. apparel imports, Cotton Inc. noted. From September to November, U.S. cotton-dominant imports from all sourcing locations were down 9 percent, or 265 million SME, exceeding the decrease from China. The same pattern holds for apparel of all fibers, with the decrease in total volume (762 million SME) exceeding the decrease from China (753 million SME).

"One implication of these data is that other apparel exporters have not been able to capture the losses from China, resulting in a net loss in apparel demand," the report said. "With the decreases in U.S. apparel imports from the world exceeding the losses from China, another implication is that there are spillover effects. This could be a result of retailer concerns about pricing and profitability."

"Retailers sourced from China before the tariff increases for a reason, likely because they found it to be the most profitable choice for those particular products," Cotton Inc. added. "Tariffs have changed those calculations, creating new costs stemming from the search for alternate locations, while also pushing retailers away from what they had previously determined to be their best option."

Source: sourcingjournal.com- Jan 15, 2020

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Central Asia cotton consumption booms, exports falter: USDA

CENTRAL Asia cotton consumption is expanding significantly as countries implement political measures to curb exports and support value-added use, according to the latest 'Cotton: World Markets and Trade' report from the United States Department of Agriculture (USDA).

The region's share of world exports has dropped per annum since 2015/16 as 2019/20 shipments are projected to be less than half of the region's exports just four years earlier.

With stable production, major producing countries such as Uzbekistan, Turkmenistan, and Tajikistan have sought to secure greater domestic supplies for inward processing and downstream exports (e.g. cotton yarn, fabric, and garments).

Uzbekistan banned exports starting this month, a similar measure to Turkmenistan banning exports in 2018/19 (for a brief period); Tajikistan had also discussed following the same measure.

Uzbekistan comprises the bulk of production and use, with the 2019/20 forecast accounting for more than three-fourths of the region's total consumption.

Government funding and support for cotton "clusters" have encouraged foreign and domestic companies to implement a more fully integrated supply chain.

These companies are expected to improve efficiency of lint production via drip irrigation and machine harvesters (versus handpicked), expand spinning mills' operating capacity, and further develop fabric and garment manufacturing as they shift to exports of value-added cotton products versus unprocessed lint.

Expanded capacity is evident with record first quarter (Aug – Oct) cotton yarn exports for the respective period.

Greater government and foreign investment have also been evident in Tajikistan, as the government proposed to establish a full cycle of processing cotton by 2025.

The country has recently expanded spinning capacity with additional government and Chinese investment.

Turkmenistan, the region's second-largest producer, temporarily embargoed exports in 2018/19 (record low volume) to ensure adequate supplies for domestic consumers.

Challenges in regard to expanding exports of processed products include consistent and sufficient domestic crops, affordable electricity, reliable and timely transportation for exports, and mill access to financing.

Nonetheless, Central Asia's 2019/20 cotton consumption is forecast at a record, in contrast to lower consumption expected in China and anemic growth in Vietnam.

Future growth in Central Asia is expected due to significant political objectives in the region.

Source: USDA

Source: graincentral.com - Jan 15, 2020

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US retail imports settle down after tariff surge year: NRF

After a year of fluctuations driven by the uncertainty of the trade war with China, volume at the nation's major retail container ports is expected to return to its usual seasonal patterns during the first few months of 2020, according to the Global Port Tracker report released recently by the US National Retail Federation and Hackett Associates.

US ports covered by Global Port Tracker handled 1.67 million twenty-foot equivalent units (TEU) in November, the latest month for which after-the-fact numbers are available. That was down 11.2 per cent from October and down 7.5 year-over-year. TEU is one 20-foot-long cargo container or its equivalent.

With on-again, off-again progress on trade negotiations reported throughout the fall and other factors affecting shipping, an expected surge ahead of the cancelled December tariff increase did not materialise.

December was estimated at 1.7 million TEU, down 13.4 per cent from unusually high numbers seen in December 2018, when retailers had frontloaded imports ahead of a scheduled January 1, 2019, tariff increase that was ultimately postponed.

While numbers for the full year are not yet final, estimates indicate that 2019 came in at 21.6 million TEU, a 0.9 per cent decrease from 2018 but still the second-highest year on record. Imports during 2018 hit a record 21.8 million TEU, partly due to frontloading ahead of anticipated 2019 tariffs.

January is forecast at 1.8 million TEU, down 5 per cent from January 2019. February is forecast to be down 4.9 per cent year-over-year at 1.54 million TEU but March is expected to be up 5.2 per cent at 1.7 million TEU, with both swings tied to fluctuations in the Lunar New Year calendar and related factory shutdowns in Asia. April is forecast at 1.78 million TEU, up 2.1 per cent year-over-year, and May is forecast at 1.87 million TEU as summer merchandise arrives, up 1 per cent year-over-year.

“We’ll be more confident after we see the Phase One agreement signed, but right now 2020 looks like it should be back to what used to be normal,” NRF vice president for supply chain and customs policy Jonathan Gold said.

“We’ve been through a cycle of imports surging ahead of expected tariff increases—some of which got delayed, reduced or cancelled—and falling off again afterward. That’s not good for retailers trying to manage their inventory levels or trying to make long-term business plans. And tariffs are never good for consumers, businesses or the economy,” he said in a statement.

“It is not surprising that even the Federal Reserve suggests that the impact of the trade war has a negative impact on the U.S. economy,” Hackett Associates founder Ben Hackett said, citing recent government data on declines in industrial production and increases in inventory-to-sales ratios.

“This combination of reduced output counterbalanced by increased inventory underlies the uncertainties of the tariff wars,” he added.

Source: fibre2fashion.com - Jan 16, 2020

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The U.S. economy should hold up for most of 2020, but after that it could get dicey heading into 2021.

Rumblings of a possible upcoming recession first surfaced last year, and now there's a possibility that a slowdown could happen later this year. Ninety-seven percent of chief financial officers believe that a downturn–or some form of slowdown or recession–has already begun or will occur by the end of 2020.

That's up from 88 percent in the first quarter of 2019, according to the latest quarterly CFO survey from Deloitte. However, just 12 percent in the fourth quarter survey believe that a downturn has already commenced, and 14 percent say they already see signs of a downturn in their company's operations.

When it comes to macroeconomic expectations for 2020, the CFOs surveyed point to falling expectations for consumer and business spending, and two-thirds say performance beyond 2020 will depend substantially on upcoming U.S. elections.

"Compared to early 2019, companies appear to be taking more defensive actions related to downturn expectations–particularly around reducing spending and limiting or reducing headcount.

While CFOs expect some form of U.S. downturn by the end of 2020, the good news is that expectations of a full-blown recession have fall sharply since [first quarter 2019]," Sanford Cockrell III, national partner of Deloitte's U.S. Chief Financial Officer Program, said.

The survey also indicates that companies remain more focused on revenue growth (46 percent) than cost cutting (33 percent). Year-over-year expectations for revenue growth fell to 3.7 percent from 4.3 percent, representing a three-year low.

Capital spending growth inched up slightly to 3.7 percent from 3.6 percent, while hiring growth slid sharply to 1.1 percent from 1.6 percent, representing the second-lowest level in nearly six years.

On Friday, data from the U.S. labor department indicates the economy added a seasonally adjusted 145,000 jobs in December. At that number the unemployment rate remained at 3.5 percent, a 50-year low.

However, the number was lower than the 160,000 economists were expecting and far lower than the 256,000 jobs added in November, although the latter figure has been partly attributed to General Motors workers returning to work following at 40-day strike. For 2019, the monthly average was 176,000 jobs, versus the monthly addition of 223,000 in 2018.

The Conference Board believes that despite a gradual slowing of job growth, the labor market will continue to feel tight in 2020.

“Job creation was mainly concentrated in the services sector as well as in construction, while the decline of 12,000 jobs in manufacturing shows that this part of the economy is still weak. However, easing trade tensions between China and the U.S. may help to further improve business confidence in 2020,” Frank Steemers, The Conference Board’s associate economist, said.

He believes employment growth will “somewhat moderate” in 2020. There will be a further tightening of the labor market as the “working-age population is barely growing, and the labor force participation rates are only slowly increasing,” Steemers said.

That means blue-collar and manual services workers will have a harder time recruiting and retaining current employees, which could result in stronger wage acceleration. The average hourly earnings stagnated in 2019 at around 3.2 percent, and weakened this month to 2.9 percent. “Slower wage growth for highly educated management and professional workers has held back average wage growth for all workers,” the economist said.

The December reading of The Conference Board’s Consumer Confidence Index suggests that consumer spending isn’t likely to gain much momentum at this point in time.

Source: sourcingjournal.com - Jan 15, 2020

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'LVMH of China' faces disruption to its cotton supplies

Shandong Ruyi is facing serious disruption to its access to cotton supplies after the company, once hailed as the "LVMH of China", was placed on an industry blacklist that will halt much of its trading in the commodity with major global groups.

Details from a recent arbitration case with a Bangladeshi group, in which Shandong Ruyi was ordered to pay compensation but has not, have also shone a spotlight on the extent of the Chinese company's difficulties in paying off debts.

The Liverpool-based International Cotton Association added Shandong Ruyi this month to its list of companies that have failed to pay arbitration awards connected to corporate disputes.

That will bar association members, which include many of the cotton industry's largest traders such as Cargill and Louis Dreyfus, from trading with the Chinese textile group.

Shandong Ruyi is a major purchaser of cotton due to the clutch of global brands it bought in a $4bn shopping spree in recent years, including Paris-based SMCP, UK clothing maker Aquascutum and Savile Row tailor Gieves & Hawkes.

The move has the potential to freeze Shandong Ruyi's access to purchasing cotton from major suppliers and squeeze production at its brands, according to several people familiar with the cotton industry. An ICA spokesperson said the association could discipline members who continue to trade with companies on the blacklist.

Many Chinese groups that made costly overseas acquisitions in recent years have struggled to manage, and pay for, their new global empires.

Over a period of three years Shandong Ruyi agreed to more than 15 global acquisitions that eventually put it in control of a long list of name brands including the Carloway Mill, one of the last producers of handwoven Harris tweed on Scotland's Isle of Lewis. As a result, its total debt ballooned from Rmb15bn ($2.2bn) at the end of 2015 to Rmb28bn at the end of 2018.

According to an ICA document seen by the Financial Times, Bangladeshi textile group Valleycot Marketing bought 7,000 tonnes of Australian cotton from Shandong Ruyi between 2016 and 2017 but the Chinese company delivered only a portion of that order.

Valleycot initiated arbitration against Shandong Ruyi in February 2019 and was awarded about $1m in compensation, the documents showed. But the Chinese company has not paid even part of it.

“Since the publication of the award, Shandong Ruyi has expressed their inability to pay up even a fraction of the award due to their financial woes,” said Khondoker Shahriar, Valleycot chief executive.

Shandong Ruyi was founded as a textile manufacturer in northern China in the 1970s but began rapidly expanding into the world of fashion starting in 2015.

The accumulation of fashion assets earned it the moniker “the LVMH of China”, likening it to the Parisian group that takes its name from luxury brand Louis Vuitton, champagne house Moët et Chandon and cognac distiller Hennessy.

But over the past year it has faced problems paying for its trophy acquisitions. Last year, Shandong Ruyi was forced into restructuring and required a bailout from the local government in Jining city where it is based. It narrowly avoided a default on renminbi-denominated bonds last month.

Source: ft.com- Jan 15, 2020

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Vietnam's cotton imports dip

In 2019, Vietnam's exports of textiles and garments were up eight per cent year on year. However, cotton imports fell 7.4 per cent year on year, and fabric imports were up 3.9 per cent year on year.

In terms of origin, cotton imports were mainly from the US and Brazil in December 2019.

Cotton imports from US was around 36.9 per cent, up 6.5 per cent from the same period of 2018; Brazilian cotton share rose 18.9 per cent year on year; while cotton import proportion of Indian and Australian cotton declined by 7.4 per cent and 14 per cent to 6.1 per cent and 2.6 per cent respectively.

The lower shares of Indian cotton were mainly due to their high prices, and those of Australian cotton were attributed to the sharp output reduction and high prices.

Brazilian cotton attracted buying interest due to its higher output and cost performance.

For the whole of 2019, the major origins remained the US and Brazil. Import volumes of US cotton accounted for 59.8 per cent, up 12 per cent year on year, and Brazilian cotton share was up by 3.5 per cent to 15.2 per cent.

However, the share of Indian cotton and Australian cotton declined by 7.9 per cent and 7.6 per cent to 6.9 per cent and 3.3 per cent respectively.

Source: fashionatingworld.com- Jan 15, 2020

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Vietnam faces a dip in orders as buyers shift to cheaper countries

Vietnamese textile manufacturers are seeing orders decline as buyers are moving to other, cheaper developing countries. Orders have shifted to emerging countries in Africa, while competition with textile superpowers like China, India and Bangladesh is becoming increasingly fierce. Even China's orders are being transferred to countries with preferential tariff rates such as Bangladesh and Cambodia.

Many businesses do not have enough orders for 2020. Some have had a 20 per cent drop in orders from last year. Contracts for products have been monthly or quarterly rather than long term. Not only Vietnamese textile and garment producers, but also its fiber industry is facing increasing competition from foreign businesses and rivals in countries such as India, Thailand and Indonesia.

The US-China trade war and the new free trade agreements were expected to help Vietnam increase its textile exports but that has not really happened. The slowdown in global economy has affected consumer demand and Vietnamese enterprises have failed to adopt radical solutions to comply with FTAs' rules of origin.

Other difficulties being faced by Vietnam's textile industry include rising costs of raw materials from China and lower prices demanded by foreign buyers. Vietnam is losing its low labor cost edge over other countries.

Source: fashionatingworld.com- Jan 15, 2020

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NATIONAL NEWS

India's exports fall for fifth straight month in December

Imports fall 8.83 per cent, trade deficit shrinks to $11.25 billion

India's goods exports declined for the fifth straight month in December 2019 by 1.8 per cent (year-on-year) to $ 27.36 bn as key items such as petroleum, engineering goods and gems and jewellery continued to suffer due to low global demand.

Imports were down 8.83 per cent in December at $38.61 billion as all major items, including gold, witnessed a decline, as per figures released by the Commerce & Industry Ministry on Wednesday.

The sharper decline in imports helped bridge the trade deficit to $11.25 billion, compared to $14.49 billion in December 2018.

Total exports for the period April-December 2019-20 were at $239.29 billion, a fall of 1.96 per cent over the same period last year.

Total imports for the period April-December 2019-20 at $357.39 billion, was 8.97 per cent lower than imports in the comparable period.

FIEO President Sharad Kumar Saraf said that domestic issues including uncertainty over MEIS Scheme was a major cause of concern as exporters claim for over five months are still pending, which has completely wiped out their liquidity and was not allowing them to finalise new contracts.

"The problem of risky exporters have further compounded the liquidity problem as their GST and drawback claims have also been held up," he said.

Source: thehindubusinessline.com - Jan 15, 2020

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Apparel, made-ups exports get 1% ad hoc sop

The textile ministry has announced a special one-time additional ad hoc incentive of up to 1% of free on board (FoB) value for exports of apparel and made-ups.

The period for which exporters can make claims for the incentive is from March 7, 2019, to Dec 31, 2019, with the amount capped at Rs 600 crore.

New Delhi: The textile ministry has announced a special one-time additional ad hoc incentive of up to 1% of free on board (FoB) value for exports of apparel and made-ups.

As per the recommendations of the Expenditure Finance Committee (EFC), the incentive will be provided to offset the difference between the newly notified rebate on state and central taxes and levies (RoSTCL) and the previous rebate on state levies (RoSL) and the Merchandise Exports from India Scheme (MEIS, a ministry notification said.

Effective retrospectively, exporters of apparels and made-ups will be able to avail incentives up to 1% of the FoB value for each line in a shipping bill for those exports which have received lesser benefits under the RoSCTL as against the RoSL and MEIS.

The period for which exporters can make claims for the incentive is from March 7, 2019, to December 31, 2019, with the amount capped at Rs 600 crore.

While the notification has specified that claims are applicable for those exports that received MEIS at 4%, the RoSL provides for rebates anywhere between 1.2% to 3.9% for the exports in question.

Source: economictimes.com - Jan 15, 2020

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Government will put restrictions on imports of products under 'others' category: Piyush Goyal

Citing an analysis, he said one out of the four products being imported in India is under this category.

Concerned over rise in imports in the 'others' category, Commerce and Industry Minister Piyush Goyal on Wednesday asked those importers to seek HSN or tariff code within 30 days from the foreign trade office, failing which the government would impose strong restrictions on their inbound shipments.

In trade parlance, every product is categorised under an HSN code (Harmonised System of Nomenclature). It helps in systematic classification of goods across the globe.

Goyal said India is facing "big" problem in the country's imports of a category called "others" and in that category, all sorts of stuff is being imported into the country .

Citing an analysis, he said one out of the four products being imported in India is under this category.

Out of over USD 500 billion worth of imports in 2018-19, the 'others' category accounted for over USD 100 billion.

"I will follow the German model," he said adding he would wait for response from importers for next 30 days and thereafter, "I will restrict the import of any product which goes in the others category".

He said that importers will have to approach the ministry to take a special licence for that import without which "you cannot import any product in the others category".

He said this at the CII's National Standards Conclave.

"Today, I would like to give a final announcement that I appeal to everybody who is importing any product or services into the country, please categorise your product into a respective HSN code under which it falls," he said.

Goyal asked the importers to approach their nearest DGFT (Directorate General of Foreign Trade) immediately.

“We will start the process to create a separate HSN code if it is not fitting into any existing code or amend the existing code... Very soon, I shall be coming out with serious consequences. The consequences could be a higher duty on products which come under others category,” he added.

The minister urged the industry to convey this message to other stakeholders.

DGFT to bring a trade notice immediately

He also asked the DGFT to bring a trade notice immediately and “make it an absolute ultimatum either the import duty will be increased exorbitantly or a special duty imposed“.

This measure, he said, will help the government assess what is being imported into the country.

The minister added that no imports will be allowed without the HSN code into the country.

“Henceforth, there must be zero tolerance for substandard products and services from industry and consumers,” Goyal said.

He further stated that the government will support industry in every way to establish standards for Indian goods and services to meet international requirements so that brand India is recognised in the world.

On free-trade agreements, he said it is an unfortunate reality for India that the FTAs entered into with other nations have not led to the growth of India’s trade and businesses.

He elaborated on this point with the number of technical barriers to trade in countries like the US (8,000), Brazil (3,879), China (2,872) and India with only 439.

This points to the manner in which India and the rest of the world are looking at the concept of quality in products and services, Goyal added.

The commerce minister said the time has come to get out of the mind set of subsiding exports and adopt the mantra of quality goods.

He urged BIS, FSSAI and other departments that are mandated to set up and establish standards, to work in mission mode so that goods and services produced and imported in India meet international quality requirements.

Source: thehindubusinessline.com - Jan 15, 2020

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India has not closed doors on RCEP: Jaishankar

India has not closed its doors on the Regional Comprehensive Economic Partnership (RCEP) and will carry out a cost benefit analysis to evaluate its merit, External Affairs Minister S Jaishankar said on Wednesday.

In his address at the Raisina Dialogue, Jaishankar said India pulled out of the RCEP as the offer made by countries of the bloc did not match India's expectations.

"Where RCEP is concerned, we have to look at cost and benefit. We will evaluate RCEP on its economic and trade merit. We have not closed our mind to it," he said.

On whether India will join it, Jaishankar said the ball was in the court of the member countries of the RCEP.

After years of negotiations, India in November pulled out of the proposed RCEP over unresolved "core concerns" at a summit meeting of the participating countries in Bangkok.

India said the proposed pact in its current form would have adverse impact on lives and livelihoods of all Indians.

A number of RCEP member countries including Japan and Indonesia have given clear indications that efforts were on to make India join the mega trade deal which is likely to be signed in February.

In the RCEP summit in Bangkok, Prime Minister Narendra Modi conveyed India's decision not to join the deal, effectively wrecking its aim to create the world's largest free trade area.

The negotiations for the proposed free-trade agreement included 10 member countries of the Association of Southeast Asian Nations (Asean) and six of the bloc's dialogue partners -- China, Japan, South Korea, India, Australia and New Zealand.

Source: thehindubusinessline.com - Jan 15, 2020

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India plans to raise its fashion exports to 269 billion in 2025

The country will progressively increase its exports, according to Invest India, an agency tied to the Government.

India reaffirms itself as a fashion hub. Indian textile and fashion exports will reach 300 billion dollars between 2024 and 2025.

This figure will make India's global market share go from 5% to 15%, as published by the non-profit agency Invest India that maintains tie to the Government.

In 2018, the home textile and fashion industry sector generated 140 billion dollars, of this total, 100 billion dollars, were spent in the country itself and the 40 billion dollars remaining went to exportation.

Forecasts predict that in 2021 the sector sums a total of 223 billion dollars.

India is the world's largest producer of cotton and jute and the second largest producer of polyester, silk and fibers. Currently, both the textile and fashion industries contribute 2.3% to the total Gross Domestic Product (GDP) of the country.

Source: themds.com - Jan 15, 2020

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Govt may propose GST refunds on capital goods purchases to exporters

GST refunds on capital goods buys on cards

ABHISHEK WAGHMARE
New Delhi, 15 January

In a bid to alleviate exporters' concerns amid an economic slowdown, the government is likely to propose changes to the goods and services tax (GST) policy to allow for the refund on taxes paid on capital goods purchases to exporters.

Though this will need a resolution from the GST Council, the finance ministry may announce the proposal in the upcoming Union Budget, scheduled on February 1, *Business Standard* has learnt. This will help those businesses which prefer the Letter of Undertaking (LUT) route to export their products or services.

Currently, under the LUT route, exporters need not pay tax on their export bills, but they stand to lose refunds on taxes paid on capital goods

Currently, under the LUT route, they need not pay tax on their export bills, but they stand to lose refunds on taxes paid on capital goods. Taxes on all other inputs get refunded.

They will save amounts equivalent to the taxes paid on capital goods, and improved liquidity will help boost their exports. This is being seen as one step that might help arrest the slowdown to some extent, as exporters will be more willing for new capital expenditure.

Businesses which deal with an inverted duty structure — wherein the tax rate on what they produce and sell is lower than the tax rates they pay on inputs such as capital goods — stand to benefit the most if this decision goes past all the levels in the government. For example, a fabric manufacturer who pays 5 per cent on the finished product but pays 18 per cent on dyes and chemicals (inputs) ends up being unable to utilise the credit available in the system.

The alternative route available, wherein the exporter pays Integrated GST (IGST) upfront, gets credit on taxes paid on inputs, as well as the refund of the remainder, is not suitable for businesses facing inverted duty structure. They prefer the LUT route. The catch was in the initial months under GST, when exporters had chosen the LUT route mostly to save themselves from the online GST system.

Industry players and experts said the proposed move would benefit a section of exporters engaged in capital-intensive sectors to a great extent.

"Most of the exporters opted to export under LUT as the refund process was manual, but the size of the refunds denied in lieu of taxes on capital goods has grown to quite a substantial level now," Siddhartha Rajagopal, executive director at Cotton Textiles Export Promotion Council of India (Texprocil), told *Business Standard*.

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Source: business-standard.com - Jan 15, 2020

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WPI inflation for apparel up 0.1% in December 2019

India's annual rate of inflation, based on monthly wholesale price index (WPI), for December 2019, stood at 2.59 per cent over December 2018. The index for textiles dipped 0.2 per cent while for apparel it was up 0.1 per cent 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 2019 rose by 0.40 per cent to 122.8 from the previous month's level of 122.3, the data showed.

The index for manufactured products (weight 64.23 per cent) for December 2019 rose by 0.2 per cent to 118.0 from the previous month level of 117.8. The index for 'Manufacture of Wearing Apparel' sub-group rose by 0.1 per cent to 139.1 from 138.9 for the previous month due to higher price of leather garments including jackets (2.8 per cent), hosiery goods, others – cotton (1.1 per cent) and cardigans and pullovers, knitted (0.2 per cent). However, the price of shawls and scarves, knitted (1.1 per cent), trouser / pants made of cotton and / or man-made fibre (0.8 per cent) declined.

The index for 'Manufacture of Textiles' sub-group, on the other hand, declined by 0.2 per cent to 116.9 from 117.1 for the previous month due to lower price of woollen yarn (2 per cent), and other textiles (1 per cent).

The index for primary articles (weight 22.62 per cent) rose by 1.0 per cent to 148.8 from 147.3 for the previous month. The index for fuel and power (weight 13.15 per cent), however, remained unchanged at the previous month's level of 101.3. While prices of petroleum coke, furnace oil, and bitumen declined, prices of naphtha, LPG, petrol, and coking coal moved up.

Meanwhile, the all-India consumer price index (CPI) on base 2012=100 stood at 7.35 (provisional) in December 2019 compared to 5.54 (final) in November 2019 and 2.11 in December 2018, according to the Central Statistics Office, ministry of statistics and programme implementation.

Source: fibre2fashion.com - Jan 15, 2020

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Amazon to invest $1 billion in India: Jeff Bezos

To export $10 billion 'Make in India' goods by 2025

Amidst protests against the company and its business module, Amazon Founder and Chief Executive Officer, Jeff Bezos on Wednesday said his company will invest $1 billion in India and export $10 billion worth products from country by 2025.

"We are going to invest an incremental $1 billion on digitising small and medium businesses (SMBs). We are going to use our global footprint to export...$10 billion of 'Make in India' goods by the year 2025," he said at the inaugural session of Smbhav event.
Amazon Smbhav is a first-of-its-kind summit bringing micro, small and medium enterprises (MSME's) under one roof.

The company informed that over a million artisans, weavers and women entrepreneurs are already part of Amazon India and now going to get 10 million more such SMBs to be digitised by 2025 and export their products too.

"The goal is to get more people so that they can participate in prosperity for India," Bezos said adding that the announcement on more investment was because 'it's working and when something works, you should double down on it and that is what we are doing now'.

He said the kind of Indian goods have global acceptance has no comparison. To give an instance, he said the jacket he was wearing was from one of the SMBs he just met outside before the event.

On asked about future expectations from India, Bezos said, "I predict that the 21st century is going to be the Indian century...the dynamism, energy...everywhere I go here and meet people, they are interested in self improvement and growth. This century has something special and it is democracy. This is going to be the Indian century."

He also said that in this 21st century, the most important alliance will be between India and the US.

"It's the alliance between India and the United States -- the oldest democracy and the world's largest democracy," he added.

Source: thehindubusinessline.com - Jan 15, 2020

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Jeff Bezos bets on 'Indian century', gives MSMEs $1-billion push

Amazon.com Inc Founder and Chief Executive Officer Jeff Bezos said on Wednesday that his company would invest an additional $1 billion (about Rs 7,000 crore) to help bring small businesses online in India, and also committed to using the retail giant's "size, scope and scale" to export $10 billion of made-in-India goods by 2025.

Bezos' India visit — for the maiden edition of his firm's micro, small and medium enterprises (MSME)-focussed event, Amazon Smbhav — comes at a time when the Competition Commission of India (CCI) is probing his company, as well as Walmart-owned Flipkart, on complaints of deep discounting practices and tie-ups with preferred sellers.

Seeking to reach out to critics, Bezos, donning traditional Indian attire, said his company was committed to being a long-term partner of India.

"Actions speak louder than words," he added, addressing a packed house in New Delhi.

“We’re making this announcement now because it’s working…When something works, you should double down on it.

I want to make a prediction for you. I predict that the 21st century is going to be the Indian century. The dynamism, the energy… everywhere I go here, I meet people who are working in self-improvement and growth. This country has something special, democracy,” he said.

In this 21st century, the most important alliance is going to be the alliance between India and the US,” Bezos added. The firm aims to digitise 10 million MSMEs with the proposed investment.

In addition to providing training and enrolling MSMEs into its programmes, Amazon will help them work on cloud technology through specialised Amazon Web Services offerings at low costs. It will also establish 100 “digital haats’ in cities and villages throughout India.

Amazon has invested $5 billion in India in the past five years. The e-commerce platform also announced plans to support local neighbourhood shops and kiranas.

It will expand its Amazon Easy programme. The kirana shops will be able to set up kiosks to provide assistance to customers in choosing the right product, placing an order and earning commission on sales. It also plans to expand its ‘I Have Space’ programme.

Source: business-standard.com - Jan 15, 2020

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