



IBTEX No. 36 of 2019

February 16, 2019

USD 71.34 | EUR 80.58 | GBP 91.99 | JPY 0.65

| Cotton Market (15/02/2019) | | |
|---|------------------|--------------------|
| Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm | | |
| Rs./Bale | Rs./Candy | USD Cent/lb |
| 19904 | 41600 | 74.40 |
| Domestic Futures Price (Ex. Warehouse Rajkot), February | | |
| Rs./Bale | Rs./Candy | USD Cent/lb |
| 20160 | 42134 | 75.36 |
| International Futures Price | | |
| NY ICE USD Cents/lb (March 2019) | | 70.13 |
| ZCE Cotton: Yuan/MT (May 2019) | | 15,025 |
| ZCE Cotton: USD Cents/lb | | 100.64 |
| Cotlook A Index – Physical | | 79.65 |
| <p>Cotton Guide: The nearby ICE futures settled between +27 and +33 points. The focus has now shifted to the ICE May futures which settled at 71.71 cents/lb with a positive change of +31 points. The high figure for ICE May was 71.95 cents/lb whereas the low figure was 69.53 cents/lb, settling higher with the help of the bulls. Resistance was met after the release of the US export sales report.</p> <p>For the week ending January 3, the US export sales for upland cotton during the current 2018/19 crop year amounted to 299,800 running bales whereas sales for the 2019/20 crop year amounted to 19,400 running bales. On the other hand, US export shipments were reported at 181,100 running bales.</p> | | |

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On the other hand the MCX contracts ended almost neutral with figures of +10 and +20. The most active MCX February contract ended at 20,160 Rs/bale with a positive change of +10 Rs. The MCX March contract ended with positive changes of 20,450 Rs/Bale with a positive change of +20 Rs, whereas the MCX April contract ended with positive change of +20 Rs.

Till February 8, according to the Cotton Corporation of India (CCI), total arrivals from the 2018/19 crop amounted to the lint equivalent of 17,884,140 bales (of 170 kilos)(source cotlook). This represents an increase of 1,573,930 bales since January 31, and suggests that the pace of arrivals may now be slowing (the previous week's increase was 2,078,253 bales).

Today's arrivals are estimated to be at around 160,000 lint equivalent bales (private estimates). Shankar 6 was able to exchange hands at Rs 41,600 per candy. Cotlook Index A has been adjusted to 79.65 cents/lb with a positive change of +0.25 cents.

Today is the last day of the US China trade talks ahead of the tariff deadline on March 1, 2019. Market participants are still in the fear that the results could go either way i.e. a trade deal or a no deal with the third option also emerging - of extending the tariff deadline.

On the other hand the cotton futures are showing a bit of modest increase with higher oil prices and weakening dollar. The dollar index was down 0.2 percent. We expect the market to still show signs of consolidation with a bias towards the bears.

On the technical front, price is moving towards the 100% Fibonacci extension as it failed to hold the crucial support at 70.60-70.00 zones.

The RSI in daily charts continued to trade below 50 at 31 suggesting momentum is still missing for price to move above the 21 day EMA at 71.80 . In the near term strong supports exists around 69.00-68.80, followed by 68.00 levels in March futures.

Likewise crucial resistance seen around 70.90,71.80, followed by 74.60 levels. For the day price is expected to consolidate in the range of 69.20-70.90 range with downside bias. Only a close below 69.60 would push price further towards 69, 68.80 levels. In the domestic markets trading range for Feb futures contract will be 20050-20300 Rs/Bale.

Currency Guide

Indian rupee may trade with a weaker bias against the US dollar. Weighing on rupee is higher crude oil price and choppiness in global equity market. Brent crude has topped \$65 per barrel supported by Saudi Arabia and Russia's pledge to deepen production cuts. Asian equity markets trade mixed to negative amid disappointing US retail sales and Chinese inflation data and uncertainty about US-China trade talks. US-China trade talks are continuing today however news sources reported that both sides remained deadlocked on key issues.

Concerns about Brexit also rose after Prime Minister Theresa May lost another round of Brexit voting in Parliament. Rupee may also be affected by outlook for Indian economy in the wake of the terror attack on Indian security forces in Kashmir. As per reports, at least 40 Indian personnel died and many more were injured in an assault on their convoy in the Indian-controlled district of Pulwama.

The US dollar index trades little changed near 97 levels holding on to its recent gains however the upside will be limited by disappointing US economic data and Fed's dovish stance. Fed Governor Lael Brainard said she favors ending the process of shrinking the US central bank's balance sheet in 2019. Rupee may remain under pressure amid higher crude price and choppy equity markets. USDINR may trade in a range of 70.75-71.4 and bias may be on the upside.

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INTERNATIONAL NEWS

U.S., China to Continue Trade Talks Ahead of Scheduled Tariff Increase

The U.S. and China saw “progress” in recent trade talks in Beijing but “much work remains,” according to a Feb. 15 White House statement. Talks will continue in Washington during the week of Feb. 18 as the two sides seek to avoid a scheduled March 2 increase in U.S. tariffs on \$200 billion worth of imports from China from 10 percent to 25 percent.

According to the statement, the U.S. continues to focus on structural issues such as forced technology transfer, intellectual property rights, cyber theft, agriculture, services, non-tariff barriers, and currency.

The two sides also discussed China’s purchases of U.S. goods and services, which could reduce the U.S. trade deficit with China. However, the two sides are reportedly still working to develop a memorandum of understanding, which the statement indicates would set forth any commitments made.

The White House said the discussions were “detailed and intensive” but offered no additional information. According to press sources, the talks saw China promise to notify its central and local government subsidies to the World Trade Organization and eliminate those that violate WTO rules.

However, a Politico article states that Beijing appears to be resisting other U.S. demands during ministerial level talks, including additional access to the Chinese market and a provision that would allow the U.S. to reimpose tariffs if China backtracks on any commitments it makes.

Instead, officials appear to be holding out for an expected meeting between the presidents of the two countries that they believe offers “the best hope of reaching a trade agreement that would promise large Chinese purchases of US exports but avoid difficult structural reforms.” Nevertheless, President Trump continues to emphasize his demands for a “real deal.”

Source: strtrade.com- Feb 16, 2019

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Time Is Now to Ratify USMCA, Shore Up North American Trade

The president stood firm in his commitment to revitalizing free trade in his State of the Union address, calling for the timely passage of the United States-Mexico-Canada Agreement. Free and open international trade is a cornerstone principle of economics and a recipe for prosperity, facilitating global competitiveness and opening access for consumers to high-quality goods at the lowest-possible prices.

Time certainly is of the essence when it comes to the USMCA. Recently, Iowa senator and Senate Finance Committee Chairman Chuck Grassley (R) called for withdrawing from the North American Free Trade Agreement to spur ratification of the USMCA. Although Grassley quickly walked his proposal back, if the withdrawal from NAFTA were to happen without USMCA ratification, reciprocal trade provisions benefitting North American businesses would disappear entirely. The absence of existing provisions would handicap energy trade across North American borders, cripple national economies and threaten oil and gas production and refining, among many other consequences.

Just how costly could a total loss of NAFTA be? Consider that, today, businesses and consumers in the three North American nations pay very low or no taxes on goods that cross borders. Without a ratified trade deal in place, tariffs on some goods could rise to as high as 150 percent, causing prices to spike and company profits to erode.

In fact, should tariffs revert to each country's respective World Trade Organization average levels, goods exported from the United States could face mean tariffs of 4.2 percent in Canada and 7.1 percent in Mexico. That would be a significant blow, considering that in 2017 alone, U.S. companies sold Mexico and Canada nearly \$80 billion worth of goods, accounting for a third of all U.S. exports.

Failure to shore up North American trade by ratifying the USMCA will hit a number of economic sectors particularly hard. Chief among those sectors is energy. The United States, Canada and Mexico have benefited considerably from open cross-border flows of oil and gas.

Today, the United States is a net importer of natural gas from Canada, although at declining rates, and we are a net exporter of natural gas to Mexico. The top-two global destinations for U.S. petroleum product exports are our North American trading partners; together, Mexico and Canada buy more than a million-and-a-half barrels per day from U.S. oil producers.

Mexico, particularly, is a thriving market for U.S. natural gas, buying more than a trillion cubic feet per year shipped via pipelines and liquefied natural gas tankers. A seamless border also allows electricity grid managers across North America to improve supply reliability and efficiency by calling on power generation assets across borders.

The stakes are high for other sectors, as well, including agriculture and apparel. Canada and Mexico nowadays are the first- and third-largest markets for U.S. food, respectively, making up 28 percent of total U.S. total agricultural exports in 2017. With agricultural exports to those two nations growing by 450 percent since 1994, agricultural trade across North America now sustains more than 325,000 American jobs.

When it comes to clothing, American textile producers exported goods worth more than \$11 billion to Canada and Mexico in 2016. Those exports are poised to increase because of the inclusion of e-commerce clauses in the USMCA, which would create additional jobs and economic benefits here at home. However, should tariffs revert to World Trade Organization average levels across North America, U.S. textile exports to Canada and Mexico could be saddled with tariffs as high as 20 percent.

Lawmakers should heed the request of the president to ratify the USMCA trade pact as soon as possible so that American businesses can thrive under secure trade protections in 2019. Congress this year should address, and ultimately ratify, the USMCA, creating a freer and more certain North American trade landscape and plotting a course for the U.S. economy's continued growth.

Without trade protections for domestic businesses, supply chains will suffer, not just in 2019, but in years to come. Congress must ride the momentum of the State of the Union address and work to protect North American supply chains so that the domestic economy can continue to grow and prosper under the Trump administration.

Source: independent.org- Feb 15, 2019

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Indonesia, Australia to sign CEPA in March

Indonesia will sign a comprehensive economic partnership agreement (CEPA) with Australia in March, according to trade minister Enggartiasto Lukita.

Both the nations agreed on a CEPA when Australian Prime Minister Scott Morrison visited Indonesia in August 2018. Lukita and his Australian counterpart Simon Birmingham had signed a joint declaration of CEPA then.

However, the signing of the CEPA was put on hold following Australia`s plan to move its embassy from Tel Aviv to Jerusalem, according to a news agency report. Trade between the two sides was worth \$8.3 billion last year, with Indonesia suffering a deficit of \$3.48 billion.

Source: fibre2fashion.com- Feb 16, 2019

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Revoking of duty free access is likely to force brands out of Cambodia

The European Union`s move to revoke Cambodia`s duty-free access could force major clothing brands out of the manufacturing hub and worsen conditions for workers. Cambodia has six months to convince its biggest export market that it has arrested a backslide on human rights and democracy.

If it fails, the EU will strike it from the Everything But Arms (EBA) trade scheme, which could trigger a chain of events that advocates fear will rob them of their strongest leverage point in the fight for improved working conditions.

About 700,000 people - mostly women - work in Cambodia`s garment industry, which accounts for the lion`s share of the country`s \$5.8 billion worth of exports to the EU each year.

The industry is beset by forced overtime, unsafe working conditions and the obstruction of unionisation. But in recent years, worker's plight has been pushed into the spotlight, with advocacy groups running campaigns that have forced brands to clean up supply chains in a race to retain their share of an increasingly aware consumer market.

Source: fashionatingworld.com- Feb 15, 2019

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Indonesia aims to be among world's top five textile industries

The Indonesian textile and textile products industry is targeted to enter the ranks of the world's top five by 2030, where the industry is being prioritised for implementing the fourth industrial revolution. This sector continues to rise, especially through its export achievements. The government has given full support to domestic producers especially in the sarong industry.

The Ministry of Industry will develop the potential of sarongs as a new lifestyle for the people of Indonesia. In March 2019 a sarong festival will be held. The Minister of Industry believes the domestic textile industry is capable of being competitive globally because it has high competitiveness. This is encouraged because the industrial structure has been integrated from upstream to downstream and its products are also known to have good quality in the international market.

Several strategic steps have been prepared so that the textile industry can enter the digital era. For example, for the next 3-5 years, the Ministry of Industry will focus on boosting the ability in upstream sector to increase synthetic fiber production.

Efforts are being made, among others, to collaborate or attract investment in fiber-producing companies. It will also encourage the use of digital technologies such as 3D printing, automation, and internet of things. This transformation is believed to optimize efficiency and productivity.

Source: fashionatingworld.com- Feb 15, 2019

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European Parliament approves agreements with Singapore

The European Parliament recently approved the trade and investment agreements and the Partnership and Cooperation Agreement between the European Union (EU) and Singapore. This marks an important step towards their entry into force, boosting the EU ties with Singapore and leading to an increased presence in the fast-growing Southeast Asian region.

This is the EU's first bilateral trade agreement with a Southeast Asian country that will create new opportunities for European producers, workers, farmers and consumers, an EU press release quoted President of the European Commission Jean-Claude Juncker as saying.

EU commissioner for trade Cecilia Malmström said the agreements will benefit small as well as big companies on both sides and include a strong commitment to human and labour rights and to protecting the environment.

Under the trade agreement, Singapore will remove all remaining tariffs on EU products and will commit to keep unchanged the current duty-free access for all other EU products. It also provides new opportunities for EU services' providers, among others in sectors such as telecommunications, environmental services, engineering, computing and maritime transport.

Singapore also agreed to remove obstacles to trade besides tariffs in key sectors, for instance by recognising the EU's safety tests for cars and many electronic appliances or accepting labels that EU companies use for textiles. The investment protection agreement will ensure a high level of investment protection, while safeguarding both sides' rights to regulate and pursue public policy objectives like the protection of public health, safety and the environment.

The agreement will replace 12 bilateral investment treaties existing between EU members and Singapore putting in place a modern common investment protection framework with a well-balanced Investment court system for resolving investment disputes.

Singapore is by far the EU's largest trading partner in the Southeast Asian region, with a total bilateral trade in goods of over €53 billion and €51 billion-worth of trade in services. Over 10,000 EU companies are established in Singapore and use it as a hub to serve the whole Pacific region.

Singapore is also the number one location for European investment in Asia, with investment between the two growing rapidly in recent years: combined bilateral investment stocks reached €344 billion in 2017.

Source: fibre2fashion.com- Feb 15, 2019

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Myanmar firms urged to join international events

With the potential to produce quality products, local businesses in Myanmar should not be content with the domestic market only and should find proper ways to export to the overseas markets, according to a market expert.

Thet Su Hlaing, official representative of Messe Frankfurt Exhibition GmbH for Myanmar, said in an interview that a lot of Myanmar companies have the capacity to expand overseas but are still reluctant to do so due to a lack of self-confidence.

“We have found out through our extensive study on this market that a great number of local businesses are able to export quality products that meet international standards, but they are quite satisfied with their market shares domestically,” she said.

“As a representative of Messe Frankfurt, we are now working tirelessly to encourage them to expand their businesses beyond Myanmar. We strongly believe they can do it, so we are pushing for that.”

Thet Su Hlaing considers consumer goods industry, furniture and craftsmanship, automobile, textile and garment as the most promising sectors for export to the international markets.

She sees a bright outlook for Myanmar products in Europe and South Asian countries including China, Hong Kong and Japan.

Her company Su Shwe Nadi Trading Co has been actively working with accredited business organisations in respective industries to motivate Myanmar companies to search for overseas opportunities.

“Now it is time to be part of the global community. It is time to get out of a small pie and look to a broader market. Myanmar companies deserve to ensure a bigger share of the pie in the international market, so they must be export-oriented,” she said.

Thet Su Hlaing urged local companies to form an alliance with potential partners and gather at international trade fairs to market their products in other countries.

“Collective effort is the key to success in the expansion of business. We are encouraging Myanmar companies to collectively go abroad to seize our golden opportunities as many as we can,” she said.

As the first step of expanding overseas, Myanmar companies should join international events as trade visitors in the first year, before showcasing their innovative products as exhibitors at international trade fairs where buyers across the world gather.

“As part of our culture, Myanmar people prefer doing things individually. But, according to my experience, it is much better to be united as a big team when it comes to overseas expansion,” she said.

“Our aim is to gather local manufacturers and go to international events together so that they will draw more attention and arouse buyers’ interest. Collectively, they can showcase their products at a specific pavilion for Myanmar. It is much better than an individual presence which is likely to be less noticeable.”

She added that the Myanmar pavilion at a major trade fair like the Ambiente19 which ended on Tuesday would also lead to the nation’s dignity, as it provides tangible evidence that Myanmar could produce quality products, like its neighbouring countries.

“Myanmar companies need to broaden their outlook and the government must support them to showcase their products at international events. Then, they will find new markets and unleash their potential,” she said.

Source: elevenmyanmar.com- Feb 15, 2019

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Bangladesh starts preferential trade talks with Indonesia for apparel, leather

Bangladesh has begun preferential trade talks with Indonesia to increase export of apparel, leather and other items to the South Asian country.

There is huge potential of Bangladesh's apparel items, leather and leather goods, and medicine in Indonesian market. The country plans to sign a preferential trade agreement (PTA) with Indonesia.

Compared to other export destinations, Bangladesh's prized export product apparel, that occupies 83 per cent of its export basket, performs poorly in Indonesia. However, the rise seen so far during July-December is very encouraging.

According to Export Promotion Bureau, during fiscal 2017-18, Bangladesh exported goods worth \$4.25 million to Indonesia. Apparel exports accounted for nearly half of the total export receipt fetching \$1.8 million.

During the first half of the fiscal, total exports to Indonesia has crossed \$28.7 million.

Half of the total exports to Indonesia –\$14.2 million – was from the apparel sector with \$8 million in knitwear and \$6.2 million in woven.

Among other major export items to Indonesia are vegetable textile fibres, paper yarn and woven fabrics of paper yarn, home textiles and jute-related products.

Source: fashionatingworld.com- Feb 14, 2019

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Bangladesh: Rise of non-traditional markets fuels apparel exports

As per Export Promotion Bureau (EPB) data, in the July-December period of the current FY2018-19, Bangladesh's apparel shipments to new export destinations like Australia, Brazil, Chile, China, India, Japan, Korea, Mexico, Russia, South Africa and Turkey posted a robust growth of 36.21 per cent in the first half of the current fiscal year, riding mainly on enhanced cash incentive and initiatives of exporters to diversify their markets.

For the first half of FY2018-19, apparel exports to Japan stood at \$547 million, the highest in non-traditional export destination category, up by 50.62 per cent from \$363.31 million in the same period of FY2017-18.

Apparel exports to Australia were the second-highest with a growth of 18.46% to \$360 million in FY2018-19 from \$304.24 million in FY2017-18. India was the third largest market for apparel products from Bangladesh during the period, fetching \$270 million, up by 143.30% compared to \$111.33 million in the same period of FY2017-18.

Trade experts and industry stakeholders cited policy support measures from the government and increased cash incentives against export to non-traditional markets as the main drivers for the sharp rise in export earnings from new export destinations.

As Mohammad Hatem, Managing Director, MB Knit Fashion revealed apparel exporters now enjoy 4 per cent cash incentives against export to non-traditional markets, which encourages them to explore new destinations for their products. Additionally, these incentives allow apparel makers to practice competitive pricing in the global market.

Bangladesh's government raised cash incentives against export to non-traditional markets to 4 per cent this fiscal year from 3 per cent in FY2017-18, with an aim to boost exports to new markets.

Exhibitions help brands establish contacts

Shahidullah Azim, Former Vice President of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) Rise of non traditional markets fuels apparel exports 002 points out manufacturers are now

participating in several expos to establish contacts with buyers from non-traditional markets. This is impacting the growth export earnings from new export destinations. In the next few months, export earnings from non-traditional markets are likely to rise as China and India are importing clothing products for local consumption and global retailers are opening new outlets in India.

Forming associations for bilateral agreements

The improvement in safety standards in Bangladesh's ready-made garment (RMG) factories, and buyers' relocating their sourcing destinations has also caused export earnings to increase. To retain this growth momentum, Bangladesh has to identify buyers' priorities and design a strategy to develop its product basket to cater to buyers requirements.

Exporters Association of Bangladesh (EAB) believes exports to new destinations to be a reflection of buyers' confidence, which has been boosted by improved safety standards in the industry. The association urged the government to work for more bilateral negotiations and trade agreements to avail duty-free access to markets with high tariffs.

Knitwear leads, policy measures and cash incentives drive growth of EU

Likewise, the European Union also indicates that earnings from apparel products from non-traditional countries reached \$2.90 billion, up from \$2.12 billion in the previous fiscal year (FY2017-18).

Of the total amount, knitwear products earned \$1.44 billion, which was 29.52 per cent higher than \$1.11 billion in the corresponding period of FY2017-18. Woven goods fetched \$1.45 billion, up by 43.58% from \$1.01 billion in the first half of the previous fiscal year. Total apparel exports of the country saw a 15.65 per cent growth to \$17.08 billion in the same period of the current fiscal year.

Source: fashionatingworld.com- Feb 15, 2019

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Pakistan's exports to India too low for MFN withdrawal to hurt

Some impact to be felt in cement market in north India

India's decision on Friday to withdraw the "most favoured nation" status from Pakistan is unlikely to cause any major tremors in either country as the total trade between the hostile neighbours had stood at just \$2.4 billion in 2017-18, accounting for a mere 0.31 per cent of India's total trade with the world and just about 3.2 per cent of Pakistan's global trade.

India's grant of MFN status to Pakistan in 1996 simply allowed Pakistani exporters to sell to India on the same terms as all other signatories of the World Trade Organisation. It did not give the neighbour any preferential treatment.

"The withdrawal today is a strong signal but also a symbolic one as the two nations don't really trade with each other much," said Prof. Biswajit Dhar of the Centre for Economic Studies and Planning, Jawaharlal Nehru University.

"Usually once granted, an MFN status is not withdrawn, that is why we say it's a strong signal... but India can always say this is a reciprocal step since Pakistan never returned the favour to us."

All WTO signatories are duty-bound to give other signatory nations equal treatment while levying import duty or allowing entry of goods, under the MFN norm.

Despite signing the WTO agreement, Pakistan has for two-and-a-half decades dithered on granting India MFN status, partly because local industry protested fearing loss of their market.

But observers say it was also because the literal translation of most-favoured nation into Urdu as "sabse pasandida mulk" gave ordinary Pakistanis the impression that this was a major giveaway to India.

Consequently, Pakistan maintains a negative list of 1,209 products that cannot be imported from India. It also imposes high tariff on those goods and services that are allowed entry. Banned goods from India include

textiles, garments, pharmaceuticals, plastic and polymer, cars, trucks and auto parts.

Still, the total trade between the neighbours increased by 6 per cent in 2017-18 to \$2.4 billion, with India selling \$1.9 billion worth of goods to its neighbour and Pakistan selling about \$500 million worth of goods to India. Trade through third countries — usually the UAE and Singapore — is estimated to be worth about another \$5-10 billion.

“The revoking of the MFN status in trade terms will have a marginal impact as the volume of trade is very low. For Pakistan, the quantum of export to India is just 1.5 per cent of its total exports to the world,” Prof Nisha Taneja of the Indian Council for Research on International Economic Relations said.

The main items India imports are fresh fruits, cement, petroleum products, bulk minerals and ores and finished leather. The major exports to Pakistan include raw cotton, cotton yarn, chemicals, plastics, manmade yarn and dyes.

“The MFN withdrawal could have implications mainly for cement imported from Pakistan,” Taneja said. Industry sources said Pakistani cement sold mostly in northern India is almost 10-15 per cent cheaper than Indian cement and the revoking of MFN status may help domestic industry “marginally”.

Data from the Directorate General of Foreign Trade showed that the total import of cement during 2017-18 was 16.82 lakh metric tonnes. Out of this, industry sources say, 76 per cent — around 12.72 lakh tonnes — was from Pakistan.

“Pakistan could react to our withdrawal of MFN status by imposing barriers to Indian exports, which they have done in the past in times of tension... this would not really reduce the trade but simply push some of it underground by routing the trade through third countries,” said Dhar.

Source: telegraphindia.com- Feb 15, 2019

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NATIONAL NEWS

Exports rise 3.7% in January; trade deficit widens to \$14.7 billion

Imports also remained almost flat, growing by just 0.01% in January

Although at a three-month high, exports rose barely 3.74 per cent in January as major foreign exchange earners such as engineering goods and refinery products either registered subdued growth or contraction in their outbound shipments.

This is because of a slowdown in global growth, which has been hit by a trade war between the two economic giants — US and China.

Exports have remained lacklustre in the previous two months as well — growing by 0.80 per cent in November and 0.30 per cent in December.

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The muted growth could be gauged from the fact that exports had increased by over 17 per cent in October. Exports rose 9.52 per cent in the first nine months of the current financial year to \$271.8 billion. Though there was no official target, government officials were hopeful of hitting the \$350-billion mark this financial year. That looks impossible now but last year's figure of \$303.5 billion could be surpassed.

Likewise, imports also remained almost flat, growing by just 0.01 per cent in January. The only solace here was that inbound shipments had slightly recovered from a decline of 2.44 per cent in December. As such, trade deficit rose to \$14.73 billion in January from \$13.08 billion in December, which was the lowest in the current financial year so far. However, it was lower than November's figure — \$16.67 billion.

“Spin off effect due to a global tariff war has continuously been impacting the country's trade, both imports and exports,” said Federation of Indian Export Organisations (FIEO) president Ganesh Kumar Gupta.

He urged the government to tap opportunities created by the trade war by getting credit flow augmented, increasing tax deduction for R&D and raising budgetary support for marketing and export infrastructure.

Declining oil prices helped India save foreign exchange through decline in imports, but it also marred the chances of earning the very same dollars through exports.

In fact, the latter was much more affected by softening oil prices. Exports of refined products declined 19 per cent, while import of crude and related products declined 3.59 per cent. If we take away petroleum products, imports in fact rose 1.43 per cent in January.

Gold imports rose by whopping 38.16 per cent in the month. Non-oil non-gold imports contracted 0.76 per cent in January against a decline of nearly two per cent in December. These had fallen five per cent in November. This implied that domestic demand for imported goods is on a downward swing and this may have repercussions for industrial growth.

The index of industrial production (IIP) struggled to rise to 2.4 per cent in December from 0.3 per cent in November. This was the second month in a row that the factory production expansion was below 5 per cent. Similarly, non-petroleum and non gems and jewellery exports rose 8.17 per cent in January.

As many as 22 out of the 30 major product groups saw a rise in exports in January. However, many saw just marginal growth. For instance, engineering goods, which earned one-fourth of foreign exchange through exports, rose just 1.07 per cent.

However, drugs and pharmaceuticals saw 15.2 per cent rise in exports, while organic and inorganic chemicals grew 15.56 per cent.

Besides petroleum, transport equipment, pearls, precious and semi-precious stones as well as vegetable oils saw huge decline in imports by 21.43 per cent, 36.51 per cent and 19.8 per cent, respectively.

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

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Flow of credit, caution listing, GST refunds a concern for exports: Industry tells govt

FIEO President Ganesh Kumar Gupta said global trade has entered a tough phase in the second half of 2018

Industry body CII also emphasised that it is critical to address issues related to trade financing, incentives and logistics, to help exporters become globally competitive.

Industry on Friday raised concerns on the flow of credit to export sector, exports to countries under US sanctions like Iran, caution listing by the Reserve Bank of India, delay in uploading of eBRC by banks and the US' likely withdrawal of benefits to Indian exports, at the Board of Trade meeting chaired by commerce and industry minister Suresh Prabhu.

Delayed input tax credit refund, denial of GST on availing higher duty drawback, higher price of steel in domestic market, retrospective effect of pre import conditions and availability of incentives for exports to neighbouring countries were the other issues impacting exports, they highlighted.

“The issues raised by the trade were addressed by the senior officials and will be taken up in the forthcoming meeting of Committee of Exports and GST council,” commerce and industry ministry said in a statement.

Federation of Indian Export Organisations (FIEO) President Ganesh Kumar Gupta said global trade has entered a tough phase in the second half of 2018 and is expected to slow further in 2019.

He suggested the government to introduce a scheme for promoting branded exports, enhancing budget for organising trade fairs and improving infrastructure NSE 0.34 %.

EEPC, the apex body of engineering exporters has suggested the government to put in place a mechanism wherein at MSMEs can get steel at international prices.

Industry body CII also emphasised that it is critical to address issues related to trade financing, incentives and logistics, to help exporters become globally competitive.

Source: economictimes.com- Feb 15, 2019

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Exports grow 3.74% to \$26.36 billion in Jan, trade deficit widens to \$15.67 b

Slowing down of global trade weighs on performance, say exporters

Goods exports in January clocked a lacklustre growth of 3.74 per cent (year on year) to \$26.36 billion as exports of key items such as petroleum, engineering goods and leather slowed down.

Trade deficit widened marginally to \$15.67 billion in January compared to \$14.73 billion in January 2018 as imports during the month remained almost static at \$41.1 billion, according to advance estimates released by the Commerce Department on Friday.

“Global trade growth is slowing down and global economies, including China and the South-East Asian nations, are facing contraction in manufacturing worsening the fragile global situation.

Almost all the sectors during the month have shown nominal growth. However, petroleum was one sector that showed higher negative growth pulling down overall exports for the month by about 3 per cent,” said Ganesh Kumar Gupta, President, FIEO.

Total exports for the period April-January 2018-19 were at \$271.80 billion, 9.52 per cent higher than exports in the comparable period last fiscal.

Total imports in the same period was 11.27 per cent higher at \$427.73 billion widening the trade deficit to \$155.93 billion from \$136.25 billion in the first 10 months of the previous fiscal.

The government hopes to export goods worth \$330 billion in 2018-19, which will be the highest for India. Sectors which posted a healthy export growth in January include drugs and pharmaceuticals, ready-made garments, gems and jewellery and electronic goods.

Petroleum products, which contribute significantly to India's export basket, however, posted a dip of 19.2 per cent to \$3.2 billion. Imports which posted a decline in January were from sectors including petroleum products, transport equipment and pearls, precious and semi-precious stones. Gold imports increased 38 per cent during the month to \$2.31 billion.

FIEO reiterated its demand for support in the form of augmenting the flow of credit, granting higher tax deduction for R&D and extension of better fiscal support.

Source: thehindubusinessline.com- Feb 15, 2019

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India cotton import deal slows on fall in domestic prices

Cotton import deals have slowed this month as a fall in domestic rates has priced out overseas shipments, trade officials said.

Earlier this week, cotton futures on the Multi Commodity Exchange of India had slumped to an 11-month low.

Since start of the season on Oct 1, traders in the country have contracted imports of 0.9-1.0 mln bales (1 bale = 170 kg) of cotton, traders said.

Of the total contracts signed, 400,000 bales have reached Indian shores so far, said an official with Vardhaman Group, a major textiles company.

Import deals are expected to rise when prices on ICE fall to 70.0-70.5 cent a pound. At 70.0-70.5 cent a pound, the landed price becomes cheaper than the minimum support price in India, which usually is a floor for domestic prices, an official with a leading cotton trade house said.

Today, the May contract on ICE was at 71.56 cents a pound.

"Imports are currently muted as Indian spinning mills await for clarity on market trend in the wake of uncertainties over the US-China trade talks and currency moves," said Nishant Asher, partner of Coimbatore-based R.S. Asher and Co.

In January, import deals had surged as an appreciation in rupee against the greenback and softening of overseas prices made imports viable.

However, now imports also are subdued as the arrival season is at its peak and there is sufficient supply in the market, said J. Thulasidharan, president of Indian Cotton Federation.

Irrespective of the crop size, India annually imports around 1.5 mln bales comprising 500,000 bales of extra long staple cotton from the US, Africa or Australia as it is not produced locally.

Source: cogencis.com- Feb 15, 2019

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NIFT to study and forecast Indian fashion trends

Union Minister Smriti Irani opens first-of-its-kind centre

The National Institute of Fashion Technology has set up a centre for trend forecasting. The centre was the first of its kind in the country, said Union Minister of Textiles Smriti Irani on Thursday.

The centre will function from the Students' Multi-Activity Centre that she commissioned in the city along with a hostel for women students.

According to NIFT Director-General Sarada Muraleedharan, the aim of the centre was to find Indian trends, which rarely matched western fashion trends. Not only textiles and apparel, but furnishing, paints and upholstery trends in India too were very different and western fashion designers were unable to find a suitable market for their products.

Artificial intelligence

The centre will use data generated from the industry, retailers and its own alumni and analyse them using artificial intelligence platform to identify trends across the country.

Unlike the West which has classified its fashion according to the seasons, in India it is possible that trends coincide with festivals, fashion technologists believe.

State Textiles Minister O.S. Manian said the buildings had come up at a cost of ₹36 crore.

He said it was former Chief Minister Jayalalithaa who had enabled the setting up of NIFT in 1995. She had also sanctioned land for the new buildings. He urged the students to be responsible to society.

Institute director Anitha Manoharan said the hostel would accommodate 400 students and include facilities such as mess, stationery shop, laundry and a beauty salon for the residents.

Source: thehindu.com- Feb 15, 2019

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Here's what Pakistan stands to lose as India withdraws MFN status after Pulwama attack

As hostility with Pakistan deepens over Kashmir issue leading to India withdrawing the Most Favoured Nation status from Pakistan after Pulwama terror attack, the question is how will this move affect the economy of both the countries.

The MFN status was accorded to Pakistan under WTO's General Agreement on Tariffs and Trade (GATT), to which both India and Pakistan are a signatory. The principal states that each of the WTO member countries should "treat all the other members equally as 'most-favoured' trading partners".

MFN is highly desirable between trading partners because it allows each country the greatest access into the other's domestic markets either with minimum, or without any hindrance of tariffs or quotas. It must be noted that Pakistan has not granted the MFN status to India yet.

The withdrawal of the MFN status to Pakistan implies that now India can raise the custom duty to any level, on any goods coming from Pakistan.

The total India-Pakistan trade has increased marginally to USD 2.41 billion in 2017-18 from USD 2.27 billion in 2016-17. India imported goods worth USD 488.5 million in 2017-18 from Pakistan and exported goods worth USD 1.92 billion in that fiscal, said a recent PTI report.

India mainly exports cotton, dyes, chemicals, vegetables and iron and steel; while it imports fruits, cement, leather, chemicals and spices from Pakistan.

The immediate impact of such a move would be a sharp increase in taxes on goods coming from Pakistan to India, which may decrease Pakistan's exports to India, said Defence Commentator Shashi Asthana to Financial Express Online.

The move can also slightly harm India; however, India, being a big economy can absorb the losses, Asthana said. On the other hand, Pakistan's economy is fragile and therefore may suffer more economically, he said.

Pointing out that India has already tried military and diplomatic responses towards Pakistan sponsored terrorism, Shashi Asthana recommended to now use the economic response for raising economic cost for Pakistan.

He further suggested to invest more in capacity building by procuring better arms and equipment and beat Pakistan in arms race. This would further raise economic cost for Pakistan, he said.

Source: financialexpress.com- Feb 15, 2019

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Drip Capital apprises SME exporters in Surat about alternative working capital solutions

Trade finance firm Drip Capital apprised the SME exporters in Surat about the alternative working capital solutions like invoice factoring process.

They had organized a seminar on 'Interactive sessions on Export Factoring: Easy access to unsecured finance for SME Exporters', in association with Federation of Indian Export Organizations (FIEO).

According to Drip Capital release “SMEs account for 40% of India’s total export volumes but are some of the most under served when it comes to working capital provisions. With Demands for collateral, long processing times, heavy paperwork burden, and other such factors contribute towards making working capital highly inaccessible for SMEs. Institutions like factoring firms and NBFCs offer alternative financing solutions.”

However, it said that many SME exporters are unaware of these offerings and need to be educated about the same. One of the easiest such alternative methods is invoice factoring.

Presented by Abhishek Sampat, Director, Business Development, Drip Capital, the event was graced by by Abhimaniu Sharma, Dy. DGFT, Surat, D. R. Patel, General Manager, District Industries Center, Government of Gujarat and Jayprakash Goel, Head, FIEO Gujarat and SME exporters’ community from Surat.

Explaining invoice factoring process, Sampat said “At its most basic, invoice factoring is a process of procuring finance by selling the invoices of your transactions to a third party known as the factor. Based on your transaction history and other parameters, the factor gives the seller (the exporter) a credit line which they can then use to finance further transactions to other buyers (importers).”

He asserted that in most cases, the seller gets 80% of their invoice value upfront from the factor (often without the need for collateral), and the remaining 20% minus the factor’s fees and interest -- after the buyer transfers the value of the invoice to the factor.

He said “With over 800 cloth wholesalers in Surat, the annual turnover of the city in terms of textile business is approximately Rs 500 crores. Surat is also a major hub of diamond cutting and polishing. Around the world, 8 out of 10 diamonds in the market were cut and polished in Surat, and this industry contributes US\$10 billion to India’s annual exports.

These factors combine to make a bustling hub of the SME exporter ecosystem. However, many of these SMEs face severe issues with managing their working capital because of a lack of adequate financing options, Sampat pointed.

In order to solve this problem, Drip Capital provides collateral-free post-shipment finance to Indian exporters with instant approvals and minimal documentation.

Renowned as the textile hub of India, Surat is famous for its cotton mills and Zari Craft. The city has more than 381 dyeing and printing mills and 41,000 power loom units. As the largest manufacturer of clothes in India, Surat produces 9 million metres of fabric annually, accounting for 60% of the total polyester cloth production across India. The key focus of the city and state administration now is to increase the textile exports to other parts of the world.

Drip Capital is a US-based trade finance firm, providing collateral-free post-shipment finance to SME exporters with instant approvals and minimal documentation

Source: knnindia.co.in- Feb 15, 2019

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BSE cotton futures to take-off from Monday

The country's oldest exchange, BSE Limited, is set to launch cotton derivatives contract on Monday (February 18), with a lot size of 25 bales making it the second product in the exchange's agri-commodity derivatives segment.

BSE, in association with the apex cotton trade body Cotton Association of India (CAI), is also offering a waiver in the transaction charges for the initial year.

More participation

This is aimed at attracting participation from the stakeholders such as cotton traders, hedgers, weavers, ginners and farmers. "On Monday, we are launching the March Contract for cotton with a lot size of 25 bales (each of 170 kg) and delivery unit will be 100 bales," said Sameer Patil, Head Business Development, BSE.

The launch will be attended by sector leaders such as Atul Ganatra, President, CAI ; Pasha Patel, Chairman of Maharashtra CACP, among other stakeholders.

Last September, BSE and CAI had inked a memorandum of understanding (MoU) for developing a “vibrant and user-friendly cotton exchange to cater to the hedging needs of the entire cotton value chain in India.”

Source: thehindubusinessline.com- Feb 15, 2019

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