

**IBTEX No. 100 of 2018**

**May 16, 2018**

USD 67.88 | EUR 80.31 | GBP 91.69 | JPY 0.62

<b>Cotton Market</b>		
<b>Spot Price ( Ex. Gin), 28.50-29 mm</b>		
<b>Rs./Bale</b>	<b>Rs./Candy</b>	<b>USD Cent/lb</b>
19792	41400	<b>78.44</b>
<b>Domestic Futures Price (Ex. Gin), May</b>		
<b>Rs./Bale</b>	<b>Rs./Candy</b>	<b>USD Cent/lb</b>
20620	43132	<b>81.72</b>
<b>International Futures Price</b>		
NY ICE USD Cents/lb ( July 2018)		83.76
ZCE Cotton: Yuan/MT ( May 2018)		15,660
ZCE Cotton: USD Cents/lb		<b>95.10</b>
<b>Cotlook A Index - Physical</b>		<b>94.35</b>
<p><b>Cotton guide:</b> Seven days past cotton price at ICE continued to trade down. We have been emphasizing upon the same in our daily report. For reference price fell from 88.08 to 83.50. On Tuesday the market closed the July contract at 83.76 cents marginally higher by only 7 points from previous close. The trading volumes were steady around 26K contracts. However, aggregate open interests have declined in last four days total 3,400 contracts. On Tuesday the OI dropped by 521 contracts and held at 283,001 contracts.</p> <p>Interestingly, this morning while writing the report at 9 AM IST, ICE future for July has advanced over 1% to trade at 84.60 cents per pound. The same is reflected on ZCE cotton which has surged over 3.5%. We are yet to find out a clear reasons to it however, the Asian stocks trading down, USD index holding steady while the US 10 year yield has come off the highs could be the factors for so much of movement in the early trading session.</p>		

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We could collate the idea with the price behavior that it has failed to go below 83.50 cents considerably hence a good rebound in the price and currently ICE cotton for July delivery is trading at 84.60. We think market may remain positive and the fresh range for the day would be 84 cents to 85.60 and breach of the 1st resistance would drive market to test 86+ cents per pound.

More on the news, Chinese State Reserve Auction daily turnover rate was 62.63 percent on Tuesday: 30,000.795 tons (137,794 bales) offered; versus 18,790.78 tons (86,306 bales) sold. The cumulative turnover rate is 55.14 percent (offered versus sold). For reference, cumulative positions since 12th March to until date are 3420145 bales and the estimated remaining reserves are around 20,721,978 bales.

On the domestic front, spot price continued to hold steady around Rs. 41600 however, future moved up a little by end of day to close the May contract at Rs. 20620 per bale up by Rs. 120 from previous close. We believe market may remain positive on today's trading session. The trading range for the day would be Rs. 20550 to Rs. 20800 per bale.

#### **Currency Guide:**

Indian rupee has opened 0.3% higher against US Dollar today as prices take breather after yesterday's 0.9% depreciation. The currency is also seeking support from upbeat trade data. India's merchandise exports during April rose by 5.17 per cent to \$25.91 billion. Non-petroleum and non-gems and jewellery exports, core exports in April 2018 rose by 11.73 per cent.

India's non-oil, non-gold, core imports, indicator of aggregate demand in the economy, remained flat in April. The gains may however be capped amid higher crude oil price, rising US bond yields and failure of BJP to gain a clear majority in the Karnataka state election. Despite mixed cues for the day we expect USDINR to trade in a range of 67.6-68.2 and bias may be on the downside.

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

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## INTERNATIONAL NEWS

### **If China Tariffs Take Effect, Here's When to Expect Them and For How Long They Will Hurt**

While some things in the apparel industry—like uptake in new and necessary technologies—may be moving haltingly, changes in trade, whether real or rumored, are happening often enough that it's left much of the industry spinning amid the uncertainty.

Speaking on the state of U.S.-China trade and relations at the Sourcing Journal Summit in Hong Kong last week, Sally Peng, Asia Pacific leader for trade law firm Sandler, Travis and Rosenberg, said right now her efforts are aimed squarely at tariffs and their potential impact to supply chains.

And for now, the focus is on the \$50 billion in tariffs the U.S. has introduced for China under Section 301, which hits at China's intellectual property missteps. Targeted tariff lines on that list of 1,300 products, include much of the machinery used in apparel and textile production.

The Office of the U.S. Trade Representative is in the midst of hearings this week to get input from impacted industries over the proposed \$50 billion in tariffs, and some leaders in the apparel space have made it clear to that the tariffs would impose both direct and indirect costs to the global supply chain, and send prices soaring.

But as far as Peng knows, a date has not been designated for when these tariffs might take effect, if they take effect at all.

“There's no clear or definite dates in sight at the moment,” Peng said. The short answer, she added, is “nobody knows.” But looking further at the possibilities, nothing can happen until USTR sees this week's comment period through and holds a hearing on May 23.

From there, USTR has 180 days to decide how it will handle the tariffs and how much of which products will be targeted. “You're not going to see the realization very soon. Plus, with the current environment, to say the least, there's a lot of trade negotiations going on and we may not see this for a long time.”

The timeline for tariffs taking effect aside, what the industry often fails to inquire about however, is how long an imposed 301 tariff can last. The answer, Peng said, is four years.

“Typically, it should be four years and within this four years, any item can change,” she explained, adding that if the tariffs take effect, it wouldn’t be a permanent imposition, but items in the industry could easily be added or removed, which itself leaves little in the way of certainty.

China has responded to the Section 301 tariffs with its own tariffs on 106 goods, including U.S. cotton, in retaliation, and before that, it responded with \$3 billion worth of tariffs on things like fruit and pork after the U.S. set steel and aluminum tariffs in place.

And though little more has been said about the \$100 billion in additional tariffs Trump alluded to in early April, it still hasn’t been taken off the table.

The U.S. and China have been in discussions in the last week, reportedly designed to quell their trade concerns, and according to people briefed on the talks, both sides are said to be nearing a deal that could see some of these tariffs set aside, The Wall Street Journal reported.

Last month the U.S. Commerce Department banned Chinese telecom company ZTE from importing American inputs for seven years over accusations of noncompliance with a ruling on sales to Iran. Now however, the U.S. appears to be considering relaxing that ruling on ZTE in exchange for China pulling back on its retaliation tariffs, easing up on some of the tariffs aimed at U.S. agriculture.

On Twitter Monday, President Trump said, “ZTE, the large Chinese phone company, buys a big percentage of individual parts from U.S. companies. This is also reflective of the larger trade deal we are negotiating with China and my personal relationship with President Xi.”

A follow up tweet Tuesday said, “Trade negotiations are continuing with China. They have been making hundreds of billions of dollars a year from the U.S., for many years. Stay tuned!”

No deal has so far been set, so all proposed tariffs remain a possibility.

Trade deficits have really been the thorn in Trump's side when it comes to global relations, a fact evidenced, according to Peng, by U.S. Treasury Secretary Steven Mnuchin leading the U.S. trade delegation in Beijing.

With this as the impetus, it means more key sourcing countries could be on the chopping block for trade or tariff changes.

“Based on an April report, India for the first time really is on the trade deficit watch, and also Vietnam has the trade deficit also spiked,” Peng said. “For our industry, we tend to try looking for a China plus strategy—we’re getting out of China, we’re getting into Vietnam, we’re getting into India, of course Bangladesh—and all these trade deficit issues are something that we should be on the lookout for.”

For now, with tariffs top of mind, companies should be on the lookout for what's to come from the first \$50 billion in tariffs and whether the administration will move forward with the additional \$100 billion. Though apparel, textiles and footwear haven't been directly targeted yet, they're not out of the running.

“Assuming the trade friction continues to get worse, in the next wave of products we will be on the list,” Peng said.

The best plan for preparing supply chains from the potential tariff lash?

According to Peng, there's little companies can really do.

“You've already diversified your supply chain. You already work with your vendors,” Peng admitted. “What currently we can do is not much.”

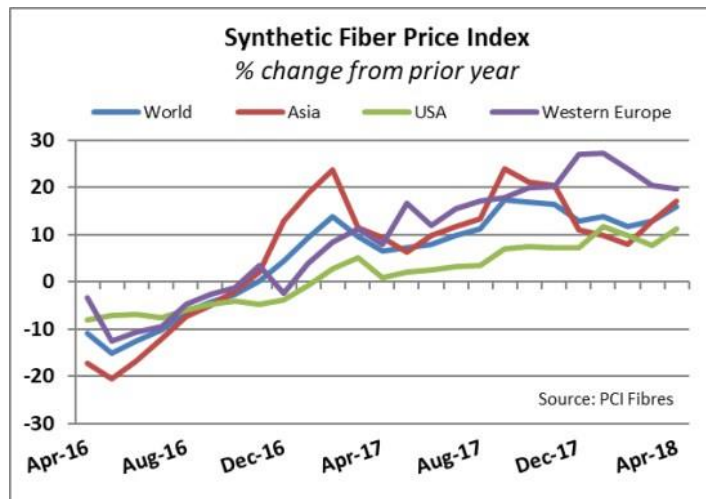
Source: sourcingjournal.com- May 15, 2018

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## Synthetic Fiber Prices Continue to Climb

Global synthetic fiber prices continued their upward climb during the first four months of 2018, increasing by 6.4% since the end of 2017, according to data from fiber consultancy PCI Wood Mackenzie.



This is on top of a 13 percent overall rise in 2017, more than triple 2016's rate of increase and the biggest annual gain since 2009.

The firm's Synthetic Fibers Index, which has risen every month this year so far, was buoyed by increased global demand for apparel and textiles and higher oil and intermediates costs.

intermediates costs.

Crude oil prices rose about 20 percent to \$66 per barrel in 2017, which together with strong demand for man-made fibers, have allowed producers of polyester and nylon intermediates and fibers to increase their prices.

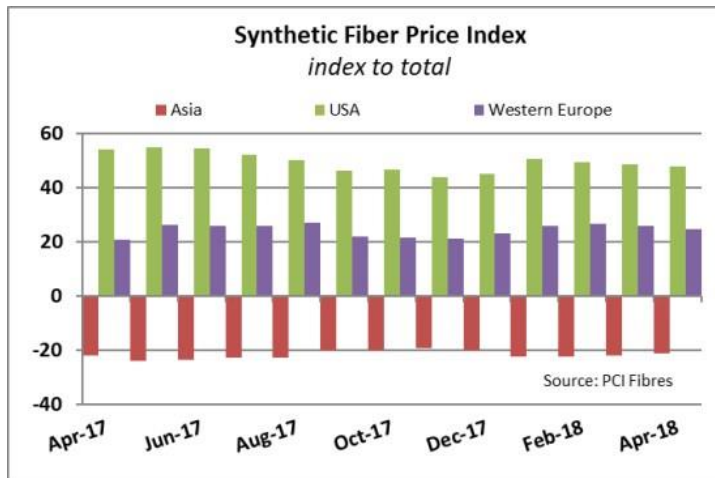
Although at the end of 2017 energy experts were forecasting that tight supplies would ease and oil prices would settle down somewhat in early 2018, that hasn't happened. Oil prices increased 13 percent in the first four months of the year, with Brent Crude above \$74 at the end of April.

In Asia, the world's largest fiber-producing region, synthetic fiber prices rose by 4.5% in the January-April period, with the index rising in each of the last three months.

Textile fiber sources report that polyester capacity utilization remains high in China due to strong demand, and in the U.S. due to trade protection.

Invista is building an innovation center in China in anticipation of being acquired by Shandong Ruyi's acquisition of its Lycra, Coolmax, and other brands and assets later this year.

Asian synthetic fiber prices remain more than 21 percent below the world average, down from 20 percent below as of the end of 2017.



The European synthetic fiber price index increased 7 percent year-to-date. European prices are more than 24 percent above the global average, helped by strong demand and capacity utilization for polyester filament and nylon.

Nylon ingredients have been tight worldwide due to several force majeure starting with the hurricane last fall and continuing through several cold weather events in the U.S. and Europe. More recently, labor strikes in Europe have also played a role. Viscose demand has reportedly weakened in the past couple of months.

The U.S. index rose 8.6% percent in the period, the most of any major producing region. U.S. synthetic prices remain almost 48 percent above the world average.

Trade protection has reportedly helped polyester staple prices, while acrylic demand in the U.S. is reportedly very soft.

During the first four months of the year, the gap between prices in the most expensive region (the U.S.) and the least expensive (Asia) widened a bit, a trend that is not expected to persist as the industry becomes increasingly global.

Source: sourcingjournal.com- May 15, 2018

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## **Denim regaining its lost charm globally with 6 % upward CAGR till 2023**

Denim industry, valued at more than \$57 billion, will experience an annual growth rate upward of 6 percent till 2023, according to the recent P&S Market Research report. The reason for this stupendous growth is the innovative and advanced status of manufacturers and buyers as they look for denim that does more while leaving a lesser impact on the environment. Lot many countries are making a growth headway into denim. Here's a look at them:

### **Bangladesh**

The Southeast Asian nation known largely for its low-cost manufacturing, Bangladesh contributed the third most denim imports to the US last year. In 2017, Bangladesh shipped \$508 million worth of denim apparel to the US, clocking growth of 10 percent from the past year. The strong growth rests on two pillars: highly competitive costs and innovation. The focus for Bangladesh has been sustainability.

Though lower cost than other countries, Bangladesh doesn't seem to withhold on machinery, employing the latest iterations of high-tech equipment to improve products and processes. More and more, circularity is coming into the conversation, too. According to manufacturers, Bangladesh will be looking to go green, using more eco-friendly materials, like organic and BCI cotton, looking into cleaner dyeing technologies, and turning to technical denim that does more while using less.

### **China**

Last year, China shipped \$922 million worth of denim apparel to the US, nearly 2 percent less than what it shipped in 2016, but the country still accounts for more than 25 percent of overall US denim imports. Ruyi Zhong, VP, Foshan Season Textile and Garment Co. based in Guangdong, highlighted that eco-fabric has become a big trend. His company develops 'Ecology Denim' collection, which is including pre- and post-consumer recycled cotton/poly, but it is the only player in the market using the post-consumer yarn for warp.

According to him, the Chinese Government will continue to execute the strict environment protection, therefore, only those good mills who have strong R&D, a high-quality control system and the ability to control costs will be able to survive. And those not able to meet the environment protection standard will be closed down. According to him, China's denim industry will transform to a better and more high-end level.

## **Mexico**

Mexico is known for high-quality fabrics and the convenience of speed to market when shipping to the US, which has been key for fast fashion brands looking for quicker turn denim. Mexico contributed \$793 million worth of denim apparel to the US last year. And though its share dropped more than 8 percent over 2016, Mexico still makes up nearly 22 percent of overall US denim imports. Roughly 40 percent of men's and boy's jeans in the US come from Mexico, where leaders like Levi Strauss & Co., VF Corp., Lee and Wrangler have supply chains set up. According to a report released by the United States Department of Agriculture last year, Mexico is the 7th largest exporter of denim worldwide, and it's held that spot for 15 years.

Alvyda Kupinas, design director, Kaltex America, informed that manufacturers in Mexico are using eco-friendly blends like Tencel Modal and Repreve recycled polyester with moisture management properties. Thrust has been on developing performance stretch denim with CoolMax, ToughMax, DualFx and bi-stretch denim with 360-degree comfort. When it comes to finishing, the focus has been on foam coating, ozone finishing, overdyeing, digital printing, and waterless and low energy laundry applications.

## **Italy**

Italy just gained its place into the top 20 list of those supplying denim to the US, supplying \$18 million worth of denim apparel in 2017, a nearly 10 percent dip from what the previous year. The country accounts for just half a percent of overall US denim imports. Alberto Candiani, a denim expert who runs leading Italian mill Candiani Denim, said that 'Clean denim', in terms of both look and content, has been among the latest developments coming out of Italy for denim.

Performance is a given factor to all stretch denim nowadays, so the focus is more on sustainable fibers, eco dyes and finishing. Taste, creativity, innovation, a finer aesthetic and hand feel have always been part of what sets the Italian denim industry apart from others. Cost has contributed at least in part to fewer Italian denim imports coming into the US, where an overwhelming majority of mass market retailers can't pay the prices for Made in Italy denim and ever expect to meet their already thin margins.

## **Pakistan**

The country is the fourth largest supplier of denim to the United States, and in 2017 the country shipped roughly \$214 worth of denim apparel to the US, a nearly 20 percent jump over what it shipped in 2016. Henry Wong, director – product development & marketing, North America at Pakistan's Artistic Fabric & Garment Industries (AFGI), said that suppliers in Pakistan are continually investing in innovation and sustainability.

AFGI is turning to old materials to make new ones, rather than depleting more of the world's resources sticking solely to virgin inputs. The company recently added a post-consumer waste tearing plant to its facilities, allowing it to transform old jeans into new fabrics entirely in house, which has served to reduce what would have otherwise ended up in landfill.

According to Wong, more and more, European retailers are sourcing from Pakistan to take full advantage of the speed, flexibility, and quality many producers here offer.

Source: fashionatingworld.com- May 15, 2018

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## What Do USDA's Old and New Crop Projections Mean?

On May 10, USDA released its monthly crop production and supply and demand estimates. Each year, the May report contains the first projections for the upcoming new crop year. Here is a summary of major points for both 2017 old crop and 2018 new crop.

### Old Crop (2017) Revisions/Updates

- The 2017 U.S. crop was revised down to 20.92 million bales – down 340,000 bales from the previous estimate.
- U.S. average yield was raised from 899 lbs per acre to 905 lbs, but acres harvested were reduced 249,000 acres.
- Exports for the 2017 crop year were raised 500,000 bales to 15.5 million bales.
- World use was projected at 120.74 million bales – 350,000 bales higher than the April estimate. But worth noting, this just gets us back to near the March estimate of 120.79.

### New Crop Situation

- The 2018 U.S. crop is projected at 19.5 million bales – 4½% less than last season.
- Among countries considered to be major exporters, production is forecast to increase only slightly.
- China's production is forecast the same as 2017.
- U.S. exports are projected at 15.5 million bales – the same as the 2017 crop year.
- World use is projected at 125.44 million bales – 4.7 million bales or 3.9% higher than this season.
- Compared to this season, use is projected to increase in China, India, Vietnam, Bangladesh, Turkey and Indonesia.
- Imports are projected to increase for mills in China, Indonesia, Bangladesh and Vietnam. Chinese imports are projected to increase from 5.1 million this season to 7 million next season.
- China is expected to further reduce stocks by 7.55 mill bales.

## Comments

Crop year export sales for 2017 currently total 17.1 million bales. Shipments total 10.98 million bales as of May 3. For the past four weeks, shipments have averaged 454,400 bales weekly. This compares to 487,000 bales for the previous four week period.

For the 2016 crop year at this date, shipments were 74% of the total for the year. Shipments are currently at 71% of the new 15.5 million bale projection. Shipments must average approximately 361,600 bales per week to meet USDA's projection.

The current pace of sales and shipments suggests that U.S. exports could eventually top 16 million bales. This would further reduce U.S. carry-in stocks to the 2018 crop year. This, combined with continued uncertainty about plantings and crop conditions, should provide support for December futures prices.

The U.S. crop projection of 19.5 million bales is spot on and was expected, based on March Prospective Plantings of 13.47 million acres and average yields and abandonment. The first estimate of actual acres planted will not be out until the end of June. Actual acres planted could be closer to 14 million.

Prices over the next month will continue to be controlled largely by crop conditions, demand and exports. West Texas has been dry, and so has the Southeast. Rainfall in amounts anywhere from an inch to over 3 inches is expected this week over the Southeast especially.

This much needed rainfall will come just in time for many producers. As of May 13, most states are ahead of normal in planting progress.

As far as the upcoming 2018 crop year is concerned, the May report seems to be supportive for now. Of course, the U.S. crop is TBD. Given all the tariff talk and threats, another year of exports at 15+ million bales is a good sign.

We can credit this to the forecast of demand growth and expanding markets like Vietnam and Bangladesh, where sales can help offset any loss of market in China. A recent article outlines the tariff issue and impacts on Georgia row crops.

If world demand/use for 2018 of 125.44 million bales is realized, this would be the highest level of use since the 2006 crop year and a record amount. Use would exceed production by 4.25 million bales, and 2018 would be the third year out of the last four that use has exceeded production.

It has been said all along that demand is the engine that drives the cotton train. Without demand/use, there is less need for cotton production and the infrastructure that supports it.

Thankfully, whatever the reasons are – and there are several of them – demand is back.

Technically and fundamentally, this market currently has plenty of support. Any price weakness that could develop should have support at several levels.

Prices have trended down and tested the water just below 80 cents. They have moved back above 80 cents – barely – and 85-cent talk is now rampant. But, the 80-cent area has not quite proven itself solid yet.

Could prices move higher? Yes. If I'm a grower, I want some of that. At the same time, if I'm less than 30-40% priced, I'd get to that level first at current prices rather than worrying about 85 cents.

Source: cottongrower.com- May 15, 2018

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## **ILO Says Green Economy Will Create 24 Million Jobs by 2030**

A new report from the International Labor Organization (ILO) predicts 24 million new jobs will be created globally by 2030 if the right policies to promote a greener economy are put in place.

The “World Employment and Social Outlook 2018: Greening with Jobs” report released Monday said though measures taken in the production and use of energy will lead to some 6 million job losses by 2030, action to limit global warming to 2 degrees Celsius will result in enough job creation—roughly 18 million jobs—to more than offset it.

The study said new jobs will be created by adopting sustainable energy practices, including changes in the energy mix, promoting the use of electric vehicles and improving the energy efficiency of buildings.

The apparel, textile and retail industries have taken effort in recent years in these areas, from better cotton farming practices and recycling of raw materials to water conservation methods, the use of electric vehicles, natural gas fuels in transportation, and overall energy efficiency programs.

The report noted that ecosystem services—air and water purification, soil renewal and fertilization, pest control, pollination and protection against extreme weather conditions—help farming, fishing, forestry and tourism activities that employ 1.2 billion workers around the world.

However, the ILO said projected increases in temperature will make heat stress, particularly in agriculture, more common, which could lead to exhaustion and stroke. The report calculates that heat stress will cause a 2 percent global loss in hours worked by 2030 due to related illnesses.

“The findings of our report underline that jobs rely heavily on a healthy environment and the services that it provides,” ILO deputy director-general Deborah Greenfield said. “The green economy can enable millions more people to overcome poverty and deliver improved livelihoods for this and future generations. This is a very positive message of opportunity in a world of complex choices.”

At the regional level, the report forecast net job creation in the Americas, Asia and the Pacific, and Europe, representing some 3 million, 14 million and 2 million jobs respectively, resulting from measures taken in the production and use of energy. In contrast, there could be net job losses of 0.48% in the Middle East and 0.04% in Africa if current trends continue, due to the dependence of these regions on fossil fuel and mining, respectively.

The report calls on countries to take swift action to train workers in the skills needed for the transition to a greener economy and provide them with social protection needed for transition to new jobs, contributes to preventing poverty and reduces the vulnerability of households and communities.

“Policy changes in these regions could offset the anticipated job losses or their negative impact,” Catherine Saget, the lead author of the report, said. “Low- and some middle- income countries still need support to develop data collection, and adopt and finance strategies toward a just transition to an environmentally sustainable economy and society that includes everyone from all groups of society.”

The report predicted that 2.5 million jobs will be created in renewables-based electricity, offsetting some 400,000 jobs lost in fossil fuel-based electricity generation.

Transitioning toward a circular economy, which includes things like recycling, repair, rent and remanufacture, replacing the traditional economic model of “extracting, making, using and disposing,” can create 6 million jobs with the right policies, the ILO said, but no gains will be seen without the right policies.

The report calls for synergies between social protection and environmental policies that support workers’ incomes and the transition to a greener economy. Policies that combine cash transfers, stronger social insurance and limits on the use of fossil fuels would lead to faster economic growth, stronger job creation and a fairer income distribution, as well as lower greenhouse gas emissions, the report contended.

“Social dialogue which allows employers and workers to participate in the political decision-making process alongside governments plays a key role in reconciling social and economic objectives with environmental concerns,” Saget added.



“There are cases in which such dialogue not only helped to reduce the environmental impact of policies but also avoided a negative impact on employment or working conditions.”

Source: sourcingjournal.com- May 14, 2018

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## **Turkey's textile exports increase**

Turkey's total textiles exports from the January-March 2018 period increased by 9.4 percent to reach \$2.7 billion, compared to the same period last year.

Around 28 EU countries accounted for approximately \$1.5 billion of Turkish exports during the period.

Italy, the country's largest textile market, increased by 10.9 per cent to reach \$246 million, while exports to Germany, the second largest market, increased by 14 per cent and amounted to approximately \$225 million.

Exports to Bulgaria declined by 10.1 per cent to reach \$154 million during the same period. In fourth and fifth position were USA and UK, where exports increased by 6.4 per cent to approximately \$142 million and 10.4 per cent to approximately \$109 million respectively.

Exports of woven fabrics increased by 12.1 per cent compared to the same period last year and were worth approximately \$664 million.

Yarn exports, which were the second most important group, were worth \$497 million, with synthetic filament yarns achieving \$201 million, 40.4 per cent of total yarn exports.

Source: fashionatingworld.com- May 15, 2018

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## **Turkish, British business ties enjoy recent bounce, rise in investments**

The strengthening political and economic ties between Turkey and the U.K. have reaped the benefits of expanding bilateral trade volume and increasing mutual investments.

President Recep Tayyip Erdoğan's three-day visit to the U.K., which was closely followed by the British business world and investors, has once more highlighted the strong bilateral ties and determination to further relations. The meetings with leaders and businesspeople demonstrated this fact. On Monday, Erdoğan met with executives of leading global companies and fund managers at a lunch in Bloomberg headquarters.

Deputy Prime Minister Mehmet Şimşek and Economy Minister Nihat Zeybekci also attended Erdoğan's meeting with investors.

Representatives from AXA, Credit Suisse, Bluebay Asset Management, Invesco, Goldman Sachs AM, Fidelity, LGIM, Morgan Stanley, Blackrock, Amundi, JP Morgan, ING, BAE Systems, Edentree, HSBC, Standard Chartered, European Bank for Reconstruction and Development (EBRD), Deutsche Bank, Aviva, Rabobank, Threadneedle, Vanguard, CitiGroup, Vitol, and Asthenius Capital were present at the meeting.

Supportive of Turkey's accession to the European Union, the U.K. is willing to sign a free trade agreement with Turkey since the country is going to leave the union.

The new relationship to be established with the U.K. might set a precedent for the modernizing talks of the customs union agreement with the EU.

Both the U.K. and Turkey aim to institute a new, updated and comprehensive commercial perspective that will protect mutual interests in their trade with the EU.

### **Second-largest destination for Turkey's exports**

Turkey's trade with the U.K. has accelerated to a great extent in recent years. Turkey's total exports to the U.K. rose from \$5.9 billion in 2009 to \$9.6 billion in 2017 with an increase of about 62 percent.

Right after Germany, the U.K. has become Turkey's second most important export market as of the end of last year.

Turkey's imports from Britain, on the other hand, rose from \$.3.5 billion to \$6.5 billion at the end of 2017, recording an increase of about 89 percent.

The total trade volume between the two countries already approached \$5 billion in the first three months of this year.

Turkey's exports, which stood at \$2.2 billion in the first three months of 2017, rose to \$2.6 billion in the same period this year. Thus, Turkey's total exports to the U.K. in the first quarter of this year recorded a 17 percent increase compared to the same period last year.

Meanwhile, Turkey's imports from the U.K. rose from \$1.3 billion in the first three months of 2017 to \$2.6 billion in the same peri

od of this year, achieving an increase of nearly 76 percent.

Exports to the U.K. consist of major items such as electric and non-electric machinery, motor vehicles and parts, iron and steel products, textiles and apparel, and gold and jewelry.

The biggest share in Turkey's exports items to the U.K. in all of 2017 belongs to motor vehicles for goods transport with 12.1 percent, followed by automobiles, station wagons and racing cars with 10.2 percent, and isolated wire, cable, electrical conductors and fiber optic cables with 4.9 percent.

On the other hand, diesel and semi-diesel have the largest share in Turkey's imports from the U.K. with 15 percent, followed by iron, steel and scraps with 14.2 percent, automobiles, station wagons, and racing cars with 10.4 percent.

Aiming to reap the economic benefits of strong political ties, the two countries aim to increase the bilateral trade volume to \$20 billion, a target set during British Prime Minister Theresa May's visit to Turkey in January 2017.

The strong increase in bilateral trade is seen as promising to reach that goal.

"I believe that the potential of the two countries is above this figure. To achieve this goal, investments and joint projects are especially important," Erdoğan said during his speech at the 7th Turkish-British Tatlıdil Forum. He added that the United Kingdom is among the countries with the most investments in Turkey, with close to \$10 billion in direct investments in the last 15 years.

In a bid to expand economic cooperation apart from increasing bilateral trade, the U.K. Export Finance Agency (UKEF) and its counterpart in Turkey, Eximbank, signed an agreement with the U.K. government increasing its support for the British companies trading with Turkey. The agreement between Eximbank and UKEF encourages Turkish and British contractors to jointly run infrastructure projects in third countries or jointly produce high-tech products to export to third markets.

Chris Gaunt, the chairman of the British Chamber of Commerce in Turkey (BCCT), said in a statement last week that the U.K. is doing three times more business with Turkey than they do with Brazil.

"On the other hand, we are doing more business with Turkey than India. Many businesspeople in Britain do not know this and they are shocked when we tell them," Gaunt said.

Based on Gaunt's statement, British investors, who know Turkey and its vicinity well, are expected to more closely evaluate the opportunities by focusing on Turkey once again following Erdoğan's visit to Britain.

Economy Minister Nihat Zeybekci also urged British and Turkish companies in London to evaluate the opportunities in third countries especially in the field of contracting, project development and financing.

"The U.K. thinks this is also the main agenda item for the overseas contracting industry. I believe that our companies and our countries will create an important synergy by combining their different features in this framework," Minister Zeybekci said.

Currently, more than 3,000 firms with U.K. capital operate in the country and the investment amount by British firms has neared \$9.9 billion from 2002 to February 2018, according to the data from the Economy Ministry.

The share of British investment makes up 6.7 percent of Turkey's total foreign direct investment basket.

Source: dailysabah.com- May 15, 2018

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### **Korean FDI in textiles increases**

According to the Central Bank Statistics, net inflow of FDI from South Korea in the textile and weaving sector surpassed \$100 million.

Korean companies invested \$103.05 million in Bangladeshi textile and weaving sector in 2017, which was \$100.83 million in 2016.

Total FDI in net terms from South Korea stood at \$179.80 million in the past year, which was \$151.33 million in 2016.

FDI stock from the country had reached \$1088.52 million up until 2017. Out of this total stock, around \$877.71 million went to the textile sector alone during the period under review.

Source: fashionatingworld.com- May 15, 2018

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## **GSP Plus has not helped Pakistan much**

Pakistan's progress in gaining advantage of the GSP Plus status has not been impressive.

The increase in exports to the EU during the first half of 2014 was about 12 per cent. There has not been much increase after that. In 2012-13 the growth was 12 per cent per annum.

Exports during the year 2013-14 increased by 28 per cent. Exports in 2014-15 decreased by 1.3 per cent, then marginally increased by 1.1 per cent in 2015-16.

During the years 2008-17, exports to the EU increased at a rate of about seven to eight per cent a year.

With the inclusion of Pakistan in the GSP Plus, it was expected that Pakistan's exports to the EU would increase by 20 per cent or more during the next few years.

Pakistan's exports to the EU are generally concentrated in six countries, the UK, Germany, Spain, Italy, Netherlands and Belgium. They have accounted for around 80 per cent of the total trade to the EU for the last ten years.

This shows that Pakistan was unable to diversify its exports to other countries. The product mix of exports has also remained the same.

Textile and textile products are the major export products and account for around 65 per cent of total exports, followed by food and beverages.

Source: fashionatingworld.com- May 15, 2018

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## **Pakistan: APTMA demands Rs 8 per kWh electricity tariff for Punjab's textile industry**

The All Pakistan Textile Mills Association (APTMA) Punjab Chairman Ali Pervaiz Malik has demanded Rs 8 per kWh electricity tariff for the textile industry in Punjab and uninterrupted electricity supply during Ramadan.

“The government should also continue with the relief of Rs3 per unit under the Prime Minister’s Textile Industry package as Punjab industry is unable to operate on over 100% energy price disparity viz other provinces.”

He was addressing a press conference after presiding the APTMA Punjab general body meeting by over 100 member mills from Lahore, Faisalabad and Multan attended Punjab office on Tuesday.

Member mills raised industry concerns relating to the energy supply and affordability. They said the mills would have to close down one and a half shift production, as labour would not be able to offer Sehri and Tarawi due to a total blackout in mills.

He said the Central Chairman APTMA Aamir Fayyaz and group leader APTMA will lead a delegation of 50 textile millers for meeting with Finance Minister in Islamabad wherein issue of energy supply and affordability would be presented.

“Textile units on independent feeders will be forced to lay off workers due to the suspension of one shift production in case the government carried with observing load shedding for industry in Ramazan,” he warned.

Ali Pervaiz concerned about the growing trade deficit , said that only way forward for the government is to enable exporting industry to generate exportable surplus and earn precious foreign exchange to overcome \$20 billion trade deficit for current year.

The export growth achieved in the recent past would reverse if the potential to produce of the industry is disturbed due to 10 to 12 hours industry load shedding, he added.

He continued further and stated that per unit cost of the mills relying upon system gas and RLNG would shoot up to Rs14 per unit as well.

“Therefore, both the mills relying either on independent feeders or captive power plants would have to become further uncompetitive,” he apprehended.

He demanded an immediate announcement of Rs3 per kWh Prime Minister relief package to bring down electricity tariff from Rs10.5 to Rs8 per kWh committed in various meetings held with the Government. The system gas quota of 28 percent be enhanced to 50 percent so that high price of RLNG be reduced.

“The APTMA leadership will protect its members from all types of discrimination, as the industry cannot pass on cross subsidy, inefficiencies and the financial cost of sales tax and duty drawbacks to its buyers in the international market.” said Gohar Ejaz.

He has expressed the hope that the Finance Minister Miftah Ismail will understand the crisis like situation of textile industry in Punjab and he will honour his commitment of bailing it out at every cost.

Speaking on the occasion, group leader APTMA Gohar Ejaz said Rs3.60 per kwh Tariff surcharges was unjustly imposed on the industry and urged upon the Chief Justice Pakistan to notice and proposed one country one price of energy formula all across Pakistan.

According to him, the Punjab industry cannot survive with 10 hours load shedding and high price of energy.

Source: dailytimes.com.pk- May 16, 2018

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## NATIONAL NEWS

### **Exports rise 5.17% to USD 25.9bn in Apr; trade deficit up at USD 13.7 bn**

India's exports rose by 5.17 per cent year-on-year to USD 25.9 billion in April on back of good show by sectors like engineering, pharmaceutical and chemicals, according to the commerce ministry data.

Imports during the month were valued at USD 39.6 billion, up 4.6 per cent over April 2017.

The gap between imports and exports or trade deficit was marginally higher at USD 13.7 billion during April 2018 compared to USD 13.24 billion in April 2017, the data showed.

Merchandise exports were in negative zone in March 2018.

Major commodity groups showing positive export growth in April on annual basis include engineering goods (17.63 per cent), chemicals (38.48 per cent), pharmaceuticals (13.56 per cent), yarn and handloom products (15.66 per cent) and plastic and linoleum (30.03 per cent).

Non-petroleum and non-gems and jewellery exports in April 2018 were valued at USD 19.8 billion as against USD 17.7 billion in April 2017, showing an increase of 11.73 per cent, according to the data released by the Commerce Ministry.

Oil imports were valued at USD 10.4 billion, up 41.45 per cent over April 2017.

"In this connection it is mentioned that the global Brent prices (\$/bbl) have increased by 35.20 per cent in April 2018 vis-à-vis April 2017 as per World Bank commodity price data," the ministry said.

Non-oil imports during April 2018 were estimated at USD 29.21 billion, which was 4.3 per cent lower than non-oil imports of USD 30.5 billion in April 2017.

Gold imports dipped by 33 per cent to USD 2.58 billion in April.

On trade in services, based on RBI data which comes with a lag of a month, the ministry said the outward shipments during March 2018 were valued at USD 16.8 billion registering a positive growth of 7.16 per cent.

The services imports were estimated at USD 10.2 billion , up 1.35 per cent over March 2017.

India recorded a trade surplus in services sector at USD 6.5 billion.

Exports had dipped by 0.66 per cent to USD 29.11 billion in March, even as foreign shipments increased by 9.78 per cent for the full 2017-18 fiscal.

Commenting on the data, President of exports' body FIEO Ganesh Kumar Gupta said that the exports data is not encouraging.

"Almost all the labour-intensive sectors of export including gems and jewellery, leather and leather products, RMG of all textiles, jute manufacturing including floor covering, carpets, handicrafts, agri products and many other sector of exports, dominated by MSMEs are in negative territory," he said.

Gupta said that domestic issues including access to credit, cost of credit especially for MSMEs and pending GST refund affecting exports should be seriously looked into as global challenges and increasing protectionism, has also added to the woes of the exporters.

Principal Economist with ICRA Aditi Nayar said the merchandise trade deficit increased modestly with a contraction in imports of gold and precious and semi precious stones, and electronic goods, allaying the impact of higher crude oil prices.

Nevertheless, the continued rise in the crude oil price in the ongoing month does not augur well for the upcoming print of the merchandise trade deficit, she said.

Source: businessworld.in- May 15, 2018

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## **Uzbekistan keen to collaborate with Indian textiles, IT firms**

### ***MoU with Union Textiles Ministry likely to be signed next week***

One of the world's largest cotton exporters, Uzbekistan is looking at Indian textiles companies for a possible collaboration. The former Soviet republic is likely to ink an agreement with the Union Textiles Ministry in this regard.

According to sources, a formal agreement on collaboration in the area of cotton and textiles sector may be inked between the two countries by next week. The country grows long-staple quality of cotton - equivalent to Egyptian cotton that matches the requirements of luxury garment brands.

On his two-day visit to Gujarat on May 14-15, Farhod Arziev, Ambassador of Uzbekistan to India, met State government and industry leaders from a variety of sectors, including textiles, information technology, hospitals, pharmaceuticals and tourism.

During his interaction with industry leaders at a meeting organised by FICCI on Tuesday, Arziev showcased the investment opportunities in this Central Asian country. He underlined the incentives being offered to the industry in the form of tax holidays, free land to joint ventures with Uzbek counterparts and cheap skilled workforce.

"Uzbekistan is a changed country now. They have 100 per cent convertible local currency, besides that, banks are supportive and quick to respond to the needs of trade and industry. The biggest advantage is the access to a huge market of former USSR or the CIS countries as there is a duty-free trade agreement with them," said Rajiv Vastupal, Chairman of FICCI-Gujarat State Council.

Vastupal further added that top business houses, including ZyduS hospitals, and Shalby hospitals, besides representatives from industries such as IT, tourism and pharmaceuticals sector attended the meeting with the Ambassador on Tuesday.

Earlier on Monday, the Ambassador had met Gujarat Chief Minister Vijay Rupani in Gandhinagar. He expressed keen interest for possible cooperation in the fields of pharmaceutical products, oil and natural gas, and mines, among others.

Rupani also invited Uzbekistan to be part of the coming Vibrant Summit in 2019, to which Arziev agreed and confirmed the participation of a high-level delegation.

However, industries raised concerns about the country being land-locked and far from a port thereby making it difficult for bulk goods industries to trade.

But according to Vastupal, Uzbekistan can offer a suitable eco-system to create back-office operations for Indian IT, telecom and tourism industries due to higher education level and cheap skilled labour.

Source: thehindubusinessline.com- May 16, 2018

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## **Surat's textile sector faces cost-push crisis as key input prices surge**

Surat textile weavers and processors have entered their third crisis in one-and-a-half years. In November 2016, high-value currency notes were withdrawn, paralysing Surat as its economy was largely cash-based involving small processors and migrant employees.

Last July, the industry was shut for long after the Goods and Service Tax was imposed, rendering a big blow to textile processors, whose cost increased sharply along with compliance burden.

As if this was not enough, polyester yarn prices increased 6-8 per cent in the past one month and 12-15 per cent in past 3 months.

Total cost increased along with other costs since January has been put at over 30 per cent.

This is happening at a time when fabric demand is low. Demand will revive only when the festival season begins a few months later. Due to an extra month in Gujarati calendar, festivals will start with a month delay.

Yesterday there was a meeting of all Surat power loom co-operatives and job workers involving hundreds and thousands of workers where they have proposed to reduce daily operating shifts from three to two.

Several employees are also proceeding on leave. Reducing shift means fall in production. A leading composite mill executive said that post GST, there was a fall in a third of Surat synthetic fabric production.

These industry associations/co-operatives have decided to work in two shifts of 6 hours or 8 hours, resulting in one third cut in production.

Ashish Gujarati, President Pandesara Weavers Co-op Society Ltd. Surat, said, "Surat textile industry has not been doing well since GST was imposed. Fabric production has seen a significant fall. Now rising yarn prices have forced us to cut production by reducing number of shifts we were working to save cost."

Most weavers' cooperatives and job works have together decided to cut one shift. If yarn is not weaved and fabric is not produced, job workers will not have that much processing work.

Dhiraj Shah, Managing Director for the Shalton Group explains that crude oil prices are rising consistently since many months. As a result, prices of petrochemicals like DMT, PTA, MEG etc are also rising. These are raw materials for producing polyester yarn largely used by Surat based power looms and hence said that, "at the time when slack demand season has begun, weavers have decided to cut production."

Power looms have another problem which according to a decision in yesterday's meeting will be represented to finance ministry. Synthetic fabric has 5 per cent GST but yarn attracts 12 per cent GST.

This means when selling fabrics, they will not be able to claim full GST paid of yarn and hence huge amount of unused tax credit will remain in their books. "we have decided to seek refund of the unused tax credit in our books from the finance ministry," said a person present in the meeting.

Source: business-standard.com- May 16, 2018

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## **Industry fears exports may continue to fall in April as major sectors lag**

March Outbound merchandise trade had contracted first time in 5 months

Industry fears a continuing contraction in April exports, figures for which are set to be released later in the day.

March exports had contracted by 0.66 per cent, registering a decline for the first time in five months. Leading up to that, the growth rate had slipped continuously, coming down to 4.48 per cent in February, from a peak of 30.5 per cent in November.

The fall is attributed most to contraction in major sectors such as refinery products, gems & jewellery and textiles, but managed to cross the \$300-billion target for the first time in two years in 2017-18. "Though the global scenario reflecting forecast for global trade by WTO in 2018 at 4.4 percent and may moderate to four per cent during 2019 shows encouraging scenario for global exports, however trade tensions may pose challenges for exports." Ganesh Kr Gupta, President of the Federation of Indian Exports Organization (FIEO) said.

"The pace of exports of gems and jewellery in April is expected to be muted as the sector continues to suffer from a availability of funding from banks in the aftermath of the Nirav Modi fraud", a senior functionary of the Gems and Jewellery Export Promotion Council (GJEPC) said.

Also, volatility in the refinery products segment, which contracted 13.22 per cent in March after a 27.44 per cent rise in February is set to continue.

Another sector which has continued to perform badly is textiles with apparels being hard hit. "At present, the Industry is going through a tough period with its competitiveness greatly eroded.

This is reflected in the unprecedented month on month decline in the apparel exports every month after October 2017," H K L Magu, Chairman, Apparel Export Promotion Council said.

The extension in MEIS scheme has given us a breather and sanction of our request to ensure that all embedded, non reimbursed central and state levies be refunded which will help in restoring the competitiveness of Indian exports, he added.

Moreover, the export growth has not been able to keep pace with import growth, which for the month of March, 2018 showed a growth of 7.15 percent against export growth of minus 0.66 per cent, leading the trade deficit for the fiscal to well surpass the billion-dollar mark.

"With the expansion in imports nearly twice as high as export growth in FY2018, the merchandise trade deficit widened by 44 per cent in the just-concluded fiscal. Icra expects the current account deficit to more than triple to \$47-50 billion (approx 1.9 per cent of GDP) in FY2018 from \$15 billion in FY2017," Aditi Nayar, Principal Economist at Icra said.

With the high 20.3 per cent growth in services exports being overshadowed by the sharp 40.2 per cent expansion in services imports, the services surplus declined to a four-month low \$5.6 billion in February 2018, she added.

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

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## **Labour starved mills in South India lean on North East for manpower**

### ***Tripura is first to respond, holds job fair along with textile body SIMA***

Textile firms in South India have started looking at the North-Eastern states to address labour shortages in their factories. The mills have said that the Tripura government is the first to respond and that the units would soon come out with a code of conduct for migrant workers.

Tamil Nadu accounts for nearly 45 per cent of the spinning capacity in the country, 70 per cent of the knitted garment manufacturing capacity and 22 per cent of weaving. Around six million people are directly employed by the sector.

The sector has been facing labour shortage the past ten years or so, due to exponential growth in manufacturing facilities.

In major clusters like Coimbatore, Tirupur, Dindigul, migrant workers account for anything between 30 per cent and 90 per cent of the workforce, depending on the mills.

P Nataraj, chairman, SIMA, said that with the increase in demand for migrant workers across the nation, the mills started facing high attrition. Therefore, SIMA has started direct recruitment on its formal placement cell for its members, and is sourcing human resources from Tripura for starters.

Nataraj added that the mills face numerous problems in sourcing, mobilising, recruiting and retaining migrant workers for a reasonable period. In order to overcome these issues, SIMA had written to the Labour and Employment Departments of various states upcountry including the North Eastern States.

The Government of Tripura immediately responded and came forward to extend all support for recruitment and organised an exclusive Job Fair with SIMA.

Around 4,000 unemployed youths, both male and female, attended the Job Fair from various districts of Tripura. The direct recruitment exercise would help the mills source the right candidates, Nataraj said.

He added that the Association would soon come out with a code of conduct for the employment of migrant workers as a proactive measure to meet all the legal and social requirements.

Source: business-standard.com- May 16, 2018

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## **Indian Government Partners with ImpactPPA to Power 50 Million Jobs**

ImpactPPA, today announced the company has been selected as the blockchain technology provider for a major economic development project in India. The government initiative, Bhartiya Harit Khadi Gramodaya Sansthan (BHKGS), which loosely translates to the “Indian Green Cotton Textile Village Development Organization,” aims to employ up to 50 million women from various states in India.

The project supported by the Honorable Minister Shri Giriraj Singh of the Ministry of Small and Medium Enterprises (MSME) will install looms for textile work in women’s homes starting in Khanwan Village of Bihar. ImpactPPA will manage the engagement of a strategic partner’s technology to power the entire project using renewable energy, and then integrate and manage the supply chain with ImpactPPA’s blockchain technology.

The program enables women to generate between 8,000 and 10,000 a month rupees from home, approximately 135 U.S. dollars. The MSME states that this will raise family income by 60 percent in some of the poorest villages of India where the minimum wage is less than 7000 rupees.

“It’s an honor to work with the government of India to deploy out technology solutions,” said Dan Bates, CEO of ImpactPPA.

“A project of this scope clearly demonstrates that the use of renewable energy and blockchain technology has reached the mainstream. This partnership perfectly aligns with our fundamental mission to help improve quality of life with energy as the engine for social good and greater economic justice.”

The first installations are expected to be completed in June with a ribbon-cutting ceremony inaugurating the project presided by Prime Minister of India Narendra Modi at the first textile processing facility in Khanawa where ImpactPPA is providing 100KW to power the plant and 2KW systems to begin deploying the solar powered looms for production. The Indian government plans to employ several million women through its initiative with ImpactPPA by the end of the year.

“Having worked with the government of India on various solutions and projects for social impact, this alliance is a game-changer,” said Aradhana Singh, CEO and Managing Director of Sarang Services Pvt. Ltd., the company serving as the local partner for this project in India “We are thrilled that ImpactPPA will be the provider of energy and blockchain technology and services for the project, bringing tangible economic growth opportunities while advocating women’s empowerment.”

ImpactPPA has created a model of deploying renewable energy systems in developing nations using blockchain technology. The ImpactPPA platform disrupts renewable energy financing to accelerate global clean energy production. Its tokenized model is designed to support communities in funding and deploying renewable energy solutions, untethering traditionally costly and inefficient structures for financing as well as managing the supply chain with blockchain technology.

Source: globenewswire.com- May 15, 2018

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