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USD 68.64| EUR 80.29 | GBP 90.91 | JPY 0.61

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
22828	47750	**88.87**

Domestic Futures Price (Ex. Gin), July

Rs./Bale	Rs./Candy	USD Cent/lb
22900	47901	**89.16**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	87.62
ZCE Cotton: Yuan/MT (Jan 2019)	15,980
ZCE Cotton: USD Cents/lb	**92.07**
Cotlook A Index – Physical	**95.6**

Cotton Guide: Cotton price traded relatively higher in the last week. The December future ICE cotton the globally referred contract ended the week at 87.84 cents per pound up by 339 points from previous week's close or 4+%. The same contract during the week had made a weekly high of 89.30+. We think the positive trend might continue in the short term for cotton and it might also break the recently made contract high of 94.82 cents. The other contracts also settled higher from price range of 236 to 334 points. The week gone by was good for cotton along with US equity markets but grains continued to trade weak.

The scenario has again turned positive in past two weeks ever since it made low of 81.80 cent supported with 100-day moving average. The money managers have increased their long positions. As per the latest released CFTC number, 1,975 net-long positions have increased to 77,274 contracts. This is the most net-long position in three weeks. Long-only positions increased 912 lots to 81,478 in the week ending Jul. 10. Short-only positions fell 1,063 lots to 4,204.

Overall we expect cotton price to trade positive and recommend buying. This morning ICE cotton is seen trading at 88 cents per pound. The USD/INR is hovering steady around 68.54. We think the market might remain positive and recommend buying on lower level. The trading range for MCX Cotton for the day would be Rs. 22800 to 23080 per bale. For detailed report pleaser get in touch with Kotak Commodities Research Desk.

Currency Guide:

Indian rupee trades little changed near 68.5 levels against the US dollar. Rupee is range bound amid mixed cues. Supporting rupee is recent correction in crude oil price. Brent crude trades near $75 per barrel on prospect of higher supply from US, Saudi Arabia and Russia. However, weighing on rupee is general strength in US dollar on optimism about US economy and Fed's monetary tightening outlook. Also weighing on rupee are reports that trade deficit widened the most in five years.

Government data on Friday showed trade deficit at $16.6 billion in June, well above Bloomberg forecast of $14.4 billion and higher than the $14.6 billion gap in May. The June trade deficit was the widest since the $19.1 billion gap reported in May 2013. Also weighing on rupee is weaker risk sentiment amid concerns about Chinese economy and trade war concerns. Rupee may remain under pressure on general weaker risk sentiment. USDINR may trade in a range of 68.4-68.7 and bias may be on the upside.

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

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INTERNATIONAL NEWS

China's June trade with North Korea down by half

China's customs agency says its imports from North Korea plunged 92.6 percent in June compared with a year ago under U.N. sanctions imposed to stop its nuclear and missile programs.

The customs agency said Friday exports of Chinese oil and other goods to the North fell 40.6 percent to 6.4 billion yuan ($960 million). Imports were 690 million yuan ($103 million).

The U.N. Security Council has steadily tightened trade sanctions as leader Kim Jong Un's government pressed ahead with nuclear and missile development in defiance of foreign pressure.

China accounts for nearly all of the isolated North's trade and energy supplies. Beijing has imposed limits on oil exports and banned purchases of North Korean textiles, seafood, minerals and other exports.

Source:abcnews.go.com - July 12, 2018

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Global: Trade wars and the textile industry

Multi-pronged* trade *wars have begun with the US administration announcing 25 per cent and 20 per cent tariffs on all steel and aluminium imports, respectively, followed by imposition of counter-tariffs by the European Union (EU), China and Canada on some US products. If these trade wars persist, it would necessitate a rework on sourcing and production strategies for* textile *and apparel companies in these countries.

Believe it or not, 'trade war' has become a common term this year. Unlike the usual military confrontation, trade wars are fought by taking measures to decrease the extent of trade with rival countries. However, trade wars have not appeared all of a sudden. The pitch for these was ready in 2016 during the electoral campaign by Republican presidential candidate Donald Trump.

The withdrawal of the United States from the 12-nation Trans-Pacific Partnership (TPP) within days of President Trump's inauguration on January 20, 2017, made it amply clear that the president would do what he has been uttering. President Trump felt that by being a signatory to the TPP, the United States is giving away lot of trade advantages to other 11 countries, while it is not getting benefit to the same extent in return.

Why trade wars

In 2017, the total US trade deficit was $566 billion. President Trump wants to reduce this deficit as it is detrimental to the US economy — the largest in terms of nominal gross domestic product (GDP). The second argument is that prolonged trade deficit reduces competitiveness of the US economy, leading to decline in expertise and competitiveness of the US companies, and thereby loss of jobs and decline in standard of living of its citizens.
The United States, given its political, military and economic clout, would not like to lose its status as the leading global economy to China, which is the world's largest economy by purchasing power parity, according to the International Monetary Fund (IMF). Interestingly, China accounts for 66 per cent of the total US trade deficit in goods.

Gradual escalation

To reduce the trade deficit, President Trump started taking steps one by one. He announced reworking of the North Atlantic Free Trade Agreement (NAFTA) with Canada and Mexico. Then, he imposed tariffs and quotas on imported solar panels and washing machines. In March this year, he announced that he would impose a 25 per cent tariff on steel imports and 10 per cent tariff on aluminium, which eventually came into effect from May 31.

President Trump's so-called 'protectionist' measures would primarily affect its main trading partners—China, Canada and Mexico. In terms of products, consumer products, including clothing, account for more than $400 billion of the deficit. Automobiles and parts come next with a deficit of over $200 billion. But higher tariffs may not be necessarily imposed on these two product categories.

US textile-apparel trade

The US textile and apparel trade is heavily one-sided with Chinese goods constituting around 36 per cent of all US textile and clothing imports, according to the Office of Textiles and Apparel (OTEXA), under the US department of commerce. But, when it comes to the raw material — cotton — it is the other way.

With $12 billion of textile and apparel exports, Vietnam is the second largest supplier accounting for more than 11.5 per cent of all textile and clothing imports made by the United States in 2017. India, Bangladesh and Mexico are the next three largest suppliers of textiles and garments with around 7 per cent, 5 per cent and 4.5 per cent share respectively.

While China is by far the leading supplier of textiles and clothing, surprisingly, US tariffs are higher on clothing imports from many other Asian countries compared to China. Garments from countries like Bangladesh, Cambodia, Sri Lanka, Pakistan and Vietnam attract higher duty in the United States compared to those from China, according to a recent study by US fact tank Pew Research Centre that analysed data from the US International Trade Commission (ITC).

Mexico, Canada, Japan, Germany and South Korea enjoy much lower US tariffs than China, the study said. Canada has 1.25 per cent share in US textile and apparel imports, according to OTEXA, whereas Japan, Germany and South Korea have less than 1 per cent share.

Initially, the United States did not include textile and apparel products in the list of imports on which it has raised tariffs. But, the latest list of goods on which it wants to impose 10 per cent tariffs under Section 301 on imports from China includes all textile raw materials, yarn and fabric. Hence, tariffs on finished textiles and apparel at a future date cannot be ruled out.

EU retaliation

As a retaliatory measure to the imposition of tariffs by the Trump administration, Europe has gone ahead and implemented a 25 per cent additional duty beginning June 22, 2018, on several American items, including t-shirts, singlets and other vests; shorts, trousers and breeches of cotton denim; synthetic fibres, industrial and occupational; and bedlinen of cotton.

EU commissioner for trade Cecilia Malmström termed the US step as "unilateral and unjustified decision". She said that the rules of international trade which were developed over the years cannot be violated without a reaction from the EU. "Our response is measured, proportionate and fully in line with WTO rules. Needless to say, if the US removes its tariffs, our measures will also be removed."

Quick response from China

Subsequent to imposition of tariffs on steel and aluminium products, US President Donald Trump on June 15 announced tariffs of 25 per cent on $50 billion worth imports from China that contain industrially significant technologies. This includes goods related to China's 'Made in China 2025' strategic plan to dominate the emerging high-technology industries that in Tump's words, "boost China's growth, but hurt the United States".

The United States began collecting duties on 818 Chinese imports valued at $34 billion on July 6.

Ignoring Trump's warning of additional tariffs if China engages in retaliatory measures, China's response was immediate with imposition of 'equal' tariffs on US products. "We will immediately launch tax measures of equal scale and equal strength," the Chinese commerce ministry said in a statement. The statement urged other countries to 'take collective action' against what it termed as 'outdated and backwards behaviour' of the United States.

Countermeasures by Canada

Canada imposed countermeasures (surtaxes) against C$16.6 billion in imports of steel, aluminium and other products from the United States beginning July 1. As per the full list of retaliatory tariffs released by Canada's department of finance, targeted consumer products include pillows, cushions and similar furnishings of cotton; quilts, eiderdowns, comforters and similar articles of textile material containing less than 85 per cent by weight of silk or silk waste; other bedding and similar articles.

Canadian countermeasures will remain in place until the United States eliminates trade-restrictive measures against Canadian steel and aluminium products, the department of finance said on its website.

India's steady reaction

Unlike the EU and China, which were quick to retaliate, India took time to respond to imposition of US tariffs on steel and aluminium. It submitted a (revised) list of 30 items to the World Trade Organisation (WTO) on which it proposes to raise customs duties by up to 50 per cent.

The duty hike by India would have an equivalent tariff implication for the United States, and would be effective from August 4, 2018, the finance ministry said in a notification. In fiscal 2016-17, India's exports to the United States totalled $42.21 billion, whereas it imported goods valued at $22.30 billion, thus creating a trade deficit of $19.91 billion for the latter.

Advantage US?

For the Americans, the outcome of the trade wars would largely depend on two factors—the duration of the trade wars and how entrepreneurs turn the situation to their advantage. As cost of imported goods go up, American products would benefit from comparative price advantage.

Cotton, the main raw material for textiles, is locally available in plenty and it is up to the entrepreneurs to make good of it by venturing into production of 'Made in USA' garments for the domestic market. The longer the duration, greater would be the scope for US companies to set up textile/apparel manufacturing units, serve the US market and create new employment opportunities in the process.

Meanwhile, US consumers might end up paying higher price for imported items.

Action-time for China?

For Chinese textile entrepreneurs, it is time for action. First, a prolonged trade war would mean US cotton would become costlier, requiring a change in raw material sourcing strategy. Chinese mills would be forced to increase imports from other cotton exporting countries like India, Brazil, Australia and Uzbekistan.

Second, entrepreneurs would have to accelerate the process of setting up manufacturing units in other countries like Vietnam and Ethiopia. Once this is done, higher tariffs on Chinese products would not affect exports of goods made by Chinese companies to the United States, unless these countries also get embroiled in trade wars with the United States by that time. However, this would lead to loss of jobs in China.

Strategy change by EU and Canada

Both the EU and Canada have already started collecting higher tariff on some US-made clothing items. This may lead to slight switch in sourcing of ready-to-wear apparel from the United States in favour of other countries.

Limited option for India

There is limited option for India as the United States continues to remain the largest market for its textiles and apparel. It would be beneficial for both the government and entrepreneurs to make all efforts to widen India's export market and reduce dependence on the United States. The earlier it is done, the better. But the task is not a cake-walk and might take years to yield desired results.

Source: fibre2fashion.com- July 13, 2018

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Vietnam: Facilitating the growth of textile and garment exports

NDO - Garment-textile export revenue reached over US$13.4 billion in the first six months of 2018, an annual increase of 13.8%. This is considered a good sign for the industry to realise its export target of US$34.5 billion by the end of the year.

Despite the abundant orders and job creation for millions of workers, the profitability of the industry has not matched its potential. In order to promptly reach the target, enterprises should promote production while improving productivity and the quality of products to increase their competitiveness in the market.

At the moment, most domestic enterprises have signed orders until the end of the third quarter, while some enterprises have even signed until the end of 2018. In particular, many companies had to increase working shifts in order to meet their deadlines. Chairman of the Board of Directors of Saigon Garment Manufacturing Trade Joint Stock Company (Garmex Saigon), Le Quang Hung, said that, due to the many export orders and tight production schedule until the end of the year, the company must mobilise all of its resources as well as increasing its working hours. The company set a target revenue of VND1,700 billion in 2018 but its revenue has already hit VND900 in the first six months, an annual increase of 20%.

According to Chairman of Hung Yen Garment Company (Hugaco), Nguyen Xuan Duong, the company has received orders until the end of September and is now signing export contracts for the next season. In the first six months of 2018, the business activity of the company and its member units have achieved positive results thanks to the process of production and investment expansion, and the foundation of modern equipment and machinery. Its member units recorded a growth rate from 5 to 7%, while several even increased by 10% over the same period last year. General Director of Phong Phu Corporation, Pham Xuan Trinh, said the corporation has completed its target of total revenue worth VND1.75 trillion in the past six months, and created jobs and a stable income for nearly 4,000 workers. Export revenue of the Corporation reached USD28.1 million.

Vietnam and the EU have completed the legal review process of the Vietnam-EU Free Trade Agreement (EVFTA), which is also considered a good sign for Vietnamese enterprises. In addition, many Vietnamese garment firms have maintained high growth in traditional markets this year, including the US, the Republic of Korea, the European Union and the member states of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). According to Vice President and General Secretary of the Vietnam Textile and Apparel Association (VITAS), Truong Van Cam, a series of recently-signed free trade agreements (FTAs) are expected to boost the sector. Since 2001, Vietnam has signed bilateral trade agreements with the US, Japan, China, the Republic of Korea, Australia, New Zealand and India, and joined the World Trade Organisation.

Although domestic enterprises have many advantages in attracting orders and expanding their market, their business efficiency is remains mediocre due to competitive pressure in human resources and export prices compared with other countries in the region and the world. Not only competing on price against their foreign rivals, domestic enterprises also have to deal with garment and textile enterprises with foreign direct investment at home. In addition, the sector is overly dependent on the importation of raw materials to meet its production quotas, which adds significantly to its production costs. Further exasperating the sector is the lack of highly trained workers and an uneven distribution of them in regions throughout the country.

In order to develop domestic material sources, it is imperative to strengthen the coordination between garment and textile businesses and production sectors in order to shift the resources of materials among businesses. The promotion of both foreign and domestic investment in garment and textile materials will facilitate an increase in the rate of localisation and increase the added value of products as well as reducing the import surplus. The State should devise much improved zoning plans to support the development of the dyeing and textile industry in order to produce high-quality raw materials in the country. Without good materials being produced in Vietnam, the garment and textile sector will not be able to satisfy the quality demands of Vietnamese and international consumers.

It is necessary for Vietnamese businesses to strengthen their ventures, links and investment in a chain; to apply modern equipment and machines; and improve the quality of workers, with the aim of diversify products to meet the demand for new products, and enhance productivity. Furthermore, state management agencies should also make relevant and timely policy adjustments in terms of transportation costs, unofficial customs costs, tax and administrative procedures, as well as ensuring favourable conditions regarding capital, planning and transport infrastructure.

Source: nhandan.org.vn- July 13, 2018

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The US is fighting one of the world's poorest countries over trade

Second-hand clothes donated by Americans have sparked a bitter trade dispute between the United States and one of the world's poorest countries. The obscure conflict is playing out in the apparel markets of Rwanda, where the government has increased import duties on used clothing from the United States from $0.25 to $2.50 per kilogram.

The tax hikes, which were imposed in 2016, are designed to encourage domestic clothing production in a country that still bears the scars of a horrific genocide 24 years ago. But they have provoked a backlash from the Trump administration.

Used clothes, many of which start as US charity donations, have long been a staple of wardrobes in Rwanda. Yet their abundance and popularity have stalled development in the local clothing industry.

Rwandan President Paul Kagame has said the duties are needed to boost local producers and prevent his country from being used as a "dumping ground" for used American clothes. He has proposed banning imports by 2019.

The restrictions have upset traders in the United States.

The Secondary Materials and Recycled Textiles Association, which represents companies that sell used and recycled clothing, filed a complaint with the US government in 2017 arguing that the trade barriers put thousands of American jobs at risk.

Following a review, the Office of the United States Trade Representative warned in March that it would suspend some benefits that Rwanda had under the African Growth and Opportunity Act (AGOA), which allows sub-Saharan African countries to export to the United States without facing tariffs. Rwanda would, for example, lose the right to export duty-free apparel to the United States.

"The President's determinations underscore his commitment to enforcing our trade laws and ensuring fairness in our trade relationships," Deputy U.S. Trade Representative C.J. Mahoney said in March.

Rwanda, which was given 60 days to roll back the restrictions, refused to budge.

Critics of the US decision say the government has overreacted to the tariffs on used clothing, which affect just $17 million in US exports a year and target a country where average annual income is around $700.

Rosa Whitaker, a former US trade official who worked on African issues under Presidents Bill Clinton and George W. Bush, said the Trump administration was acting out of a "warped sense of America-first."

"The Trump administration is making a symbolic statement rather than a substantive statement," she said. "I see America picking trade battles, but I was surprised we would have time to pick one with Rwanda. We are talking about such a small amount of trade."

Whitaker, who helped design AGOA, said the move goes against the original intent of the legislation.

"One of the whole points of the agreement was to help African countries to develop an apparel manufacturing base, because we understood that apparel is the first entry point into manufacturing," she said.

The Office of the United States Trade Representative did not respond to requests for comment.

In Rwanda, the government has pledged to help exporters affected by the trade spat by compensating them for new US taxes.

"We are put in a situation where we have to choose; you choose to be a recipient of used clothes ... or choose to grow our textile industries," Kagame told reporters in June. "As far as I am concerned, making the choice is simple."

Reaction to the dispute has been mixed in the markets of Kigali, the capital of Rwanda.

Elie Mazimpaka, who has been selling used clothing in Kigali for over a decade, said that at least half of the vendors at his market have left.

Customers are buying less used clothing, with many opting for Chinese products that are less expensive.

While Chinese products are new, some Rwandans said they prefer the unique style that secondhand clothes from the United States had offered.

Mazimpaka, 35, said that government plans to boost domestic production haven't yet been felt.

"Factories are part of a good plan but it's not yet delivering the products for poor communities," he told CNN as he sifted through a pile of dresses.

Despite the risk to his own job, Mazimpaka believes that government efforts to reduce used clothing imports are warranted.

Across a crowded table of denim jackets, high school football tops and push-up bras, Media Kamirwa, 25, agreed.

"America shouldn't use clothes to try to patronize Rwanda. We'd rather just stick to our plan, which is to get developed," she said.

Source: hartfordbusiness.com- July 12, 2018

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Canada Shines a Light on Global Fashion, Fabric and Textiles

Apparel Textile Sourcing Canada will take place in Toronto on Aug. 20 to 22.

Apparel Textile Sourcing Canada, a three-day event that showcases fashion, fabric and textile trends, will focus on international designers and manufacturers at its upcoming summer edition. ATSC, in its third year, anticipates more than 5,000 visitors across the industry, including apparel and fashion executives, influencers, designers, retailers, importers, wholesalers, merchandisers, buyers and suppliers. The event takes place in Toronto Aug. 20 to 22.

Spanning fashion and textile offerings from Switzerland, Spain, the U.S., the U.K., India, Turkey, Bangladesh, Pakistan and Nepal, the ATSC will include more than 500 international exhibits, three days of seminars and panels, and a fashion show on Aug. 21, highlighting designs from budding and established Canadian designers, such as Narces of Toronto. The event will offer a "Made in Ukraine" showcase that introduces eight Ukrainian designers and manufacturers, as well as its newest offering, the China Brand Show, which adds categories such as accessories, giftware, home electronics, footwear, luggage and housewares and general merchandise. And the ATSC will underscore "Canadian-made futuristic clothing," enabled to diagnose and treat health conditions, according to the firm. In addition, showgoers can pursue its on-site business matchmaking service, which is offered to help connect overseas suppliers and domestic attendees.

Jason Prescott, ceo of JP Communications, ATSC producer and North America's publisher of B2B trade platforms TopTenWholesale.com and Manufacturer.com, said, "This is a not-to-be missed event for anyone wanting to make connections and do business with fashion, apparel and textile contacts across the globe. Nowhere else in Canada can you find this kind of opportunity for international apparel networking and product displays under one roof, without having to travel overseas."

Prescott continued, "As an example, China's top 10 brands — being featured under the Brand China umbrella — have unique designs and innovations to offer and are eager to do business with Canadians. These are top, high-quality Chinese brands that are hugely popular in China and looking for Canadian representatives to import and distribute their products in a big way in this market — it's an unprecedented opportunity."

ATSC is headed by the China Chamber of Commerce for Import and Export of Textile and Apparel and the Bangladesh High Commission on behalf of the Export Promotion Bureau and the Bangladesh Garment and Manufacturers Export Association. The event is also supported by the Taiwan Textile Association, the Federation of Indian Chambers of Commerce and Industry, India's Apparel Export Promotion Council and TFO Canada, according to the organization.

Source: fibre2fashion.com- July 12, 2018

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South African Companies May Take on Trump Over Trade Tariffs

(Bloomberg) -- South African meat producers could consider litigation against the U.S. if it imposes new tariffs on aluminum-based exports such as vehicles, Trade and Industry Minister Rob Davies said.

Amid a threat of a global trade war, the U.S. and its African counterparts are discussing the African Growth and Opportunity Act, a preferential-trade program that enhances market access to the U.S. for about 40 sub-Saharan nations by eliminating import levies on more than 7,000 products ranging from textiles to manufactured items.

In 2016, South Africa retained preferential access for its farming goods to the world's biggest market after meeting benchmarks set by President Barack Obama to allow the import and sale of U.S. meat products. The nation is the largest non-oil-exporting beneficiary under AGOA and the bulk of its shipments under the accord are vehicles and car parts.

The government of Africa's most-industrialized economy is concerned that the U.S. is considering a new wave of tariffs that could be extended to the auto industry, which is one of the cornerstones of South African manufacturing. In June, the Trump administration imposed a 25 percent duty on steel and 10 percent levy on aluminum from the European Union, Canada and Mexico, after refusing their calls for permanent exemptions. The U.S. says the tariffs are needed to protect its industry and national security.

"We reminded our U.S. interlocutors that the concessions we made on the three meats -- poultry, pork and beef, as a quid pro quo -- are linked to our continued benefit from AGOA," said Davies by phone from the U.S. If the U.S. government spread its focus to South African-made cars, "there could well be a litigation that could challenge our continued offering of that facility to the United States, we made that clear," said Davies.

The U.S. government is performing the annual review of the AGOA program that has seven years before it expires. It was not clear what would replace it if that was not reviewed, said Davies.

Source: bloombergquint.com- July 14, 2018

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Textile item exporters in Turkey's Denizli target China

Exporters in Turkey's Denizli, which accounts for $1.5 billion of the country's $3.5-billion annual home textile exports, have shifted their attention to alternative markets, China being a key country. While Denizli exports primarily to the United States and Europe, its exports to China in 2017 was $11.73 million—a two-fold rise over the previous year.

A branding campaign called 'Turkish Towels' under the state-sponsored Turquality branding project is being carried out by the exporters, who have sponsored a number of international events, according to Turkish media reports.

Turkish towels and bathrobes are reported sold as luxury products in China carrying the image of European goods.

There is a plan to open a warehouse and hold promotional events in China so that Turkish towels and bathrobes can claim a larger share of the Chinese market.

The exporters are planning to participate in the annual Canton Import-Export Fair, according to Denizli Exporters' Association chairman Hüseyin Memisoglu.

Source: fibre2fashion.com- July 16, 2018

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NATIONAL NEWS

India's trade deficit widens to more than 5-year high in June

Though merchandise exports rose 17.57 percent year-on-year in June, the trade deficit widened to $16.6 billion from $14.62 billion in May. Oil imports rose 56.61 percent to $12.73 billion

NEW DELHI: India's trade deficit widened to its highest in more than five years in June, the trade ministry said on Friday, driven largely by a surge in oil prices and a weaker rupee.

Though merchandise exports rose 17.57 percent year-on-year in June, the trade deficit widened to $16.6 billion from $14.62 billion in May. Oil imports rose 56.61 percent to $12.73 billion.

The oil import bill of India, the world's third biggest crude importer, rose sharply with global oil prices amid concerns that U.S. sanctions against Iran would remove a substantial volume of crude oil from the world markets.

Washington, which had pulled out of the 2015 nuclear deal with Iran, is pushing countries to halt imports of Iranian oil from November.

India's trade balance is further bruised by a weakening Indian rupee that hit an all-time low against the dollar last month.

The depreciating rupee and a widening trade deficit pose a challenge for Prime Minister Narendra Modi, who is aiming to boost economic growth ahead of national elections, due early next year.

Late last month, Subhash Chandra Garg, the economic affairs secretary in the finance ministry, had said the trade deficit was expected to widen but the outlook was unclear. "We are not even certain what kind of a storm it is or even if it is a storm or whether it will turn out to be a storm," Garg said.

"Oil has played a spoilsport in both imports and exports. It has incrementally added $1.23 billion on imports and simultaneously a reduction in petroleum exports has been of $1.17 billion on month," said Shubhada Rao, chief economist at Yes Bank Ltd in Mumbai.

Merchandise exports last month rose to $27.7 billion from a year ago, while imports rose 21.31 percent year-on-year to $44.3 billion, the Ministry of Commerce and Industry said in a statement.

India's gold imports fell 2.8 percent year-on-year to $2.39 billion in June, the statement said.

Source: economictimes.indiatimes.com-July 14, 2018

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No GST levy on Foreign Cos' Liaison Office expenses AAR

Foreign companies having liaison offices in India will not have to cough up goods and servicesNSE -0.19 % tax (GST) on reimbursements of charges or expenses. A ruling by the Rajasthan Authority for Advance Rulings (AAR) has held that payment of salaries of employees and other working expenses are not services and not liable to tax.

The industry had earlier represented to the government and GST Council on the tax being levied on such payments.

Tax experts said this ruling has brought some cheer for the industry, but it needs to be incorporated in the law. Otherwise this issue will continue to be litigated, they said.

The Rajasthan AAR has in response to an application from Dutch furniture manufacturer Habufa Meubelen BV held that it is a mere liaison office that does not have any other source of income and is solely dependent on head office for expenses.

It observed that the head office and liaison office, in this case, cannot be treated as separate persons and, accordingly, there cannot be any flow of services between them as one cannot provide service to self.

Also, there is no consideration for any service, being charged by the liaison office. The company had sought a ruling on whether reimbursements of salaries, rent, security, electricity by the parent will face GST.

Similar issue had arisen under the erstwhile service tax regime. However, the definition of 'service' under the service tax law covered only those services which were provided by one person to another.

A liaison office being part of the head office was never treated as another person and hence any supplies made by them to the head office were excluded from the ambit of service tax.

But, authorities, despite a Supreme Court judgement, continued to issue notices, experts said. “Industry has always taken a plea that mere reimbursements of expenses do not entail provision of any service, and hence should not be liable to tax,” said Harpreet Singh, partner at KPMG India. “On the contrary the tax authorities have alleged that reimbursement of expenses by head office for branch office / liaison office is in the nature of business support services liable to tax,” he said.

Contrary to the previous service tax regime, definition of 'supply' under GST law is very wide and does not restrict the taxability to the transactions made by one person to another.

Experts said it is important that the AAR ruling is incorporated in the law to minimise the disputes by the tax authorities in future, and also extend it to branch office of a foreign company.

“This AAR ruling only addresses the issue of reimbursements to liaison office, which is only permitted to carry out few specified activities. Hence, it may not be applicable to branches and project offices,” said Pratik Jain, leader, indirect tax, at PwC

Source: economictimes.indiatimes.com- July 14, 2018

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Third eye' to monitor traders on GSTN

GSTR 3 and GSTR 1 forms have to match, failing which notices will be served, says Sushil Modi

India has deployed business intelligence or 'third eye' technology in its Goods and Service Tax Network to detect defaulters and will install radio frequency identification tags on trucks transporting goods to check on compliance in the e-way bill process, Sushil Kumar Modi, who heads the GSTN panel, said on Saturday.

"There is minimum manual interference now when there is a requirement to file returns as everything regarding payments is online," Mr. Modi told correspondents in Bengaluru. "We have business intelligence in our network. You cannot dupe the government department.

'Discrepancies stand out'

"In the third phase of IT development, we have sent to States the GSTR 3 and GSTR 1 forms. They both have to match. If there is a discrepancy then the third eye will detect. Notices will be served."

Mr. Modi, who is also the Deputy Chief Minister of Bihar, said the "business intelligence" within the network can generate more than 15 kinds of different registrations. "Business intelligence can give a 360-degree view of the taxpayer."

"States can take action against the defaulters. The system, through bid data analysis, will send an alert to those who purchase goods from traders who have not paid the tax as 'non-filer'," he said. "The government has started serving notices to defaulters since April."

The government is also planning to install sensors at entry and exit points of each State's borders and deploy RFID (Radio Frequency Identification) tags on trucks to monitor e-way bills.

"Currently it is implemented in Maharashtra and Uttar Pradesh. We will introduce it nationwide," he said.

The government is also mulling simplification of tax return forms, he said. The GST Council has approved a new procedure to simplify the returns and the law committee will seek the approval of GST Council to implement the changes during the forthcoming meeting on July 21.

Infosys, India's second-largest software exporter, is developing the information technology infrastructure to implement the new changes.

"In GSTR-3 one needs to file 37 returns in a year," Mr. Modi said.

"Now we are practically reducing it to only one page or maybe two pages. For business to consumer companies, it will be a three-line return form. It will be the simplest return form India has ever had."

'Raising threshold'

The Law Advisory Committee set up by the Ministry of Finance has suggested increasing the threshold of the composition scheme to ₹1.5 crore from the current ₹1 crore, he said.

"The GST Council will take a call on when to amend."

"It has also recommended a special class of dealers for the reverse charge mechanism, For service providers, the norm suggested is between 10% (of turnover) or ₹5 lakh whichever is lower."
Another suggestion of the committee was that if restaurants, travel firms, healthcare companies and beverage outlets provide transport for women in the night shifts, they can avail of input tax credit, he said.

The funds left in the compensation cess, which is used to compensate the States for revenue shortfall suffered due to the GST roll-out and amounts to ₹22,000 crore as of March, will be distributed among the Centre and State governments, he said.

"Under the IGST there is about ₹22,000 crore in the kitty," Mr. Modi said. The Integrated Goods and Tax (IGST) is charged on goods that get transported between States.

Source: thehindu.com- July 14, 2018

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India's Industrial Output Growth At Seven-Month Low In May

After gathering pace in April, India's industrial activity declined sharply in May mainly due to a slowdown in manufacturing activity.

The index of industrial production rose 3.2 percent year-on-year in May, compared to a revised 4.8 percent in April, data released by the Ministry of Statistics and Programme Implementation showed. A Bloomberg poll of economists had projected a 4.4 percent growth.

The Reserve Bank of India, in its June monetary policy review had said that a slowdown in the industrial industrial activity expansion is likely in the first quarter of current fiscal. "That's due to a significant rise in input prices and perceptions of softening domestic and external demand," according to the MPC statement.

Thirteen out of the 23 industry groups in the manufacturing sector have shown positive growth during the month of May 2018, compared to last year. The use-based classification showed that production of primary goods rose 5.7 percent, while capital goods' output advanced 7.6 percent. Intermediate goods growth was at 0.9 percent.

Source: bloombergquint.com- July 12, 2018

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Govt signs MoUs worth Rs 455 crore at textile conclave

The one-day Punjab Apparel and Textile Conclave proved to be beneficial for boosting investment in the state, as the government signed pacts worth Rs 455.34 crore, Minister for Industries Sunder Sham Arora said today.

During the conclave, organised in Ludhiana today, MoUs worth Rs 455.34 crore were signed between the state government and nine prominent industries, Arora added.

These industries are associated with technical textile, composite hosiery, spinning garments manufacturing, fabric knitting, apparel manufacturing, spinning, knitting, fabrics, readymade garments, auto parts, and pipe manufacturing, an official release said.

While urging the industrialists to invest in Punjab, Arora said that Capt Amarinder Singh led Punjab government is committed for the welfare of industrialists.

The minister said that for boosting investment in the state, a single window system has been set up at the Deputy Commissioner's Offices, where approval for investment of up to Rs 10 crore will be granted in a hassle free and transparent manner.

While interacting with industrialists from Ludhiana as well as other parts of the state, Arora stated that the Punjab government has a positive approach towards industries and was providing them congenial atmosphere to flourish.

Source moneycontrol.com- July 14, 2018

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West Bengal hikes intra-state e-way bill limit to ₹1 lakh

The West Bengal government has increased the threshold limit for generation of e-way bill from the existing ₹50,000 to ₹1 lakh for movement of goods within the state. E-way bill would also be exempted where goods are being sent to job workers within the state. The intra-state e-way bill was rolled out across India in a phased manner from April 15 this year.

“The e-way bill in respect of movement of goods originating and terminating within the state (intra-state movement but without passing through any other state) would be required where the consignment value exceeds ₹1 lakh. Such limit was up to ₹50,000,” state finance minister Amit Mitra said.

“Generation of e-way bill for an intra state movement of goods is exempted where such goods are being sent to a job worker for job work or are being sent from one job worker to another or are being returned to the principal after such job work and where such transportation is not for final delivery of the finished goods,” Mitra said quoting an official notification.

Welcoming the decision, Confederation of Indian Textile Industry (CITI) chairman Sanjay K Jain said it is a very important and big step towards 'ease of doing business' for the MSME businesses.

The exemption of e-way bill for movement of goods in relation to all types of job work will bring immense relief to thousands of MSME units operating in the textile, garment and hosiery industry from a lot of paperwork and make things easier for the unorganised job working segment who were finding it very difficult to comply with e-way bill requirement for movement of goods within the state, Jain added.

The state government of Tamil Nadu had earlier announced exemption of e-way bill for movement of goods within the state for job work.

Source: fibre2fashion.com- July 13, 2018

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200 textile buyers from 40 countries to attend Source India exhibition

Surat: About 200 buyers from leading textile and garmenting companies of 40 countries will visit the Diamond City to crack deals with textile companies of Surat and across the country at the second edition of Source India-2018, India's largest man-made fibre (MMF) exhibition, in September. About half of buyers from 40 countries will be visiting Surat for the first time," SREPC chairman Narain Aggarwal said.Aggarwal added, "The exhibition will show a comprehensive range of Indian MMF products, including fabrics, made-ups, home textile, technical textiles, fashion accessories, yarn and fibre to international buyers."

This time around we are targeting a turnover of over $100 million. Following the success of the first edition of the mega exhibition on MMF in 2016, Synthetic and Rayon Export Promotion Council (SREPC) plans to organize another three-day Source India-2018 where about 200 exhibitors from the entire value chain of the MMF textile sector will be displaying their products at Surat International Exhibition and Convention Centre (SIECC) at Sarsana from September 21.This global buyers-sellers meet will focus on showcasing Surat's MMF value chain to international buyers and establish Surat as the leading centre of production of MMF and textile products in India."The first edition saw business turnover of $75 million.

Source: nyoooz.com- July 14, 2018

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India's Tamil Nadu may announce new textile policy soon

Tamil Nadu textiles minister OS Manian recently hinted that chief minister Edappadi K. Palaniswami will shortly announce the state's new textile policy, comprising fresh projects to save the handloom sector. The state is also taking steps to set up handloom storing stations and reduce goods and services tax (GST) for the textile industry, he said in Erode.

Manian said the state government had allotted ₹40 crore this year for the new 'Support Handloom' project announced by the chief minister to help handloom weavers, according to a report in a top Indian newspaper.

The minister was chairing a meeting of various handloom association office-bearers, handloom weavers and management representatives of textile companies in Salem, Erode, Tirupur, Coimbatore, Namakkal and Karur districts at the Erode collectorate.

There are 3.19 lakh handloom weavers in the state and 2.44 lakh handlooms function through 1,139 cooperative handloom weavers' associations, out of which 86 are silk handloom weaving associations and the rest are cotton handloom weavers associations, he said.

Nine hundred and fifty nine weavers' associations were functioning profitably, he added.

Source: fibre2fashion.com- July 13, 2018

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