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# IBTEX No. 171 of 2018 August 16, 2018

USD 70.24| EUR 79.96 | GBP 89.36 | JPY 0.63

## Cotton Market

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

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 22780 | 47650 | **86.91** |

**Domestic Futures Price (Ex. Gin), October**

| Rs./Bale | Rs./Candy | USD Cent/lb |
|---|---|---|
| 23740 | 49658 | **90.57** |

**International Futures Price**

| | |
|---|---|
| NY ICE USD Cents/lb ( Dec 2018) | 80.74 |
| ZCE Cotton: Yuan/MT ( Jan 2019) | 16,175 |
| ZCE Cotton: USD Cents/lb | **90.50** |
| **Cotlook A Index – Physical** | **97.85** |

**Cotton Guide:** Market observed a host of bearish influences on Wednesday and the same is continued in early Asian trading session today. Trade wars continue to grab headlines. While there wasn't much new on the China front, a lack of constructive dialogue between China and the US continues to weigh on sentiment. The trade row with Turkey is fresher news, and its recent economic turmoil adds to the uncertainty. The spillover effect is seen evidently on emerging markets. Many currencies have weakened against the US dollar.

Across asset class have plummeted this week- commodities are down considerably be it agriculture or non- agriculture, equities have come off the highs and no respite to money market. Cotton per-se has declined substantially this week especially in derivatives market.

The ICE December contract reached to multi months low; it closed the session on Wednesday at 80.74 cents per pound. Multiple factors have supported cotton price to decline from 88/89 range to 80+ cents and they are: a) last week's USDA report that projected unexpectedly higher production in 2018-19. b) Improved weather in the Texas region supporting standing crop prospects in the region. c) Aforementioned trade war talk is weighing on across asset class. d) Millers are still quiet in the market to fix their on call unfixed position. e) We think the technical structures have also changed in this week indicating more weakness in the price if the underlying moves down below 80 cents. Chinese markets also have been behaving in the same fashion. Cotton prices have declined especially in ZCE future contract. We think market scenario may remain weak on the remaining two days of this week. The trading range for ICE future would be 79 to 82.50 cents. On the domestic front, Indian markets were closed on Wednesday celebrating its 72nd Independence Day. We think today's opening would be much lower and the market might remain lower. However the Indian Rupee has declined above 70+ against one US dollar might restrict major decline. Overall we expect sell on rise view on Cotton today.

**Currency Guide:**

Indian rupee has depreciated by 0.5% to hit a fresh record low level of 70.32 against the US dollar. Rupee has weakened amid persisting fear that financial crisis in Turkey will hit other emerging markets and European banks. This has put pressure on euro and emerging market currencies against the US dollar. The US dollar index has tested the highest level since June 2017 level. Also weighing on rupee are reports that India's trade deficit in July widened to the most in more than five years.

The gap between exports and imports reached $18 billion in July. That compared with the Bloomberg forecast of $15.7 billion and $16.6 billion in June. Weakness in equity market and trade war and concerns about emerging economies has also pressurized rupee. Rupee may remain under pressure unless we see a significant improvement in risk sentiment. USDINR may trade in a range of 69.8-70.5 and bias may be on the upside.

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

## NEWS CLIPPINGS

# INTERNATIONAL NEWS

## U.S. Apparel Industry Scrambles to Diversify Sourcing Strategy in Wake of Escalating U.S.-China Trade War

For many U.S. companies in the apparel industry, the old sourcing strategy of “made in China” is turning into “China plus Vietnam plus many,” with emphasis on the many.

As Washington and Beijing continue to one-up each other’s tariff threats, the prospect of a looming trade war is driving U.S. apparel companies to further diversify their sourcing strategy and shift production away from China. While China remains the top sourcing destination for the U.S. apparel industry, the country now accounts for 11%–30% of companies’ total sourcing volume, compared to 30%–50% in the past.

These insights come from the fifth annual benchmarking study, released by the U.S. Fashion Industry Association, on the industry’s sourcing practices and views on trade. The U.S.’s protectionist trade policy has become the industry’s top business challenge, with e-commerce competition and increasing production and sourcing costs closely following. As the chart below shows, more than three out of five respondents cited protectionist trade policy as one of their top five business challenges.

Compared with 2017, however, the challenges of rising sourcing costs and the need to find alternative sourcing destinations have become much more immediate. Fifty-four percent of respondents cited “increasing production or sourcing cost” as one of their top five business challenges this year, compared with only 34% in 2017.

This may be because absolute production costs are in fact rising, the report suggests. Moreover, companies may be compelled to opt for more expensive sourcing destinations as a result of the U.S.’s protectionist trade policy agenda.

Large companies (1,000+ employees) are much more likely to have a diversified sourcing base. More than two-thirds report that they source from at least 11 different countries, and 26% source from 20 different countries.

In contrast, only half of companies with fewer than 1,000 employees source from more than 10 different countries, although this is a dramatic increase from 10% in 2017's benchmarking study.

Disaggregating by business type, brands and retailers tend to be more diversified in their sourcing than importers, wholesalers and manufacturers.

As for sourcing destinations, China, Vietnam, Indonesia, India, Bangladesh, Cambodia, Thailand, Philippines, Mexico and the U.S. make up the top 10. The percentage of respondents reporting that their company sources more than 30% of their volume from China has decreased to 26% from 39% in 2017. In 2018, only 15% source more than half of their volume from China, compared to 19% in 2017.

Each of these sourcing destinations have their own strengths and weaknesses. The geographical proximity of sourcing domestically or from Mexico is a major factor for U.S. companies. Bangladesh and Vietnam, however, offer the most competitive pricing, even though that cost competitiveness is eroding. Furthermore, the higher compliance risks associated with sourcing from South Asia give the U.S. another competitive edge.

The overwhelming majority of this year's respondents are expecting labor costs and raw material costs to increase. In the 2017 benchmarking study, only 73% expected labor costs to increase. According to the report, it was in fact in late 2017 that "wage levels started to climb quickly in almost all major sourcing destinations for U.S. fashion companies, including Asia, Central America and Africa."

This year's respondents also voiced worries about social and environmental compliance, political unrest and insufficient resources for managing supply chain risks. Eighty-five percent say that they plan to devote more resources to managing sustainability and social compliance over the next couple years.

The majority of companies can map their supply chains down to tier-2 suppliers, and as one might expect, this is more common for companies with fewer than 10 sourcing bases. Nevertheless, this increased attention to supply chain sustainability suggests that the apparel industry is continuously adjusting its sourcing strategy in response to social and business demands.

So where is the overall sourcing strategy going for the U.S. apparel industry? Away from China, certainly, with more production shifted to Vietnam and Bangladesh. Cambodia and sub-Saharan Africa are also expected to play a bigger role.

Source: spendmatters.com- Aug 15, 2018

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## USA: Clothing Stores Lead Positive July Retail Sales Results

Retail sales hit $507.5 billion in July, representing a 0.5% increase over the previous month and a 6.4% boost over July 2017, according to the Census Bureau.

The performance continues the positive momentum the economy has enjoyed this year.

Both department and clothing stores had a good month. The former saw a 1.2% uptick to $11.4 billion over the previous month, while the latter increased 1.3% to $21.9 billion over June. In fact, clothing stores were up 6.4% year-on-year.

Gas prices leapt 22.2% over July 2017, while non-store sales, which are primarily e-commerce transactions, increased by 8.7% during the same period last year. The food service industry also saw a healthy gain, advancing 9.7% year-on-year. Only the sporting goods/hobby sector faltered with a 4.9% decline from last July.

Ahead of the July report, the National Retail Federation had already adjusted its forecast up for 2018 retail sales. Previously, the group had forecast sales to be up between 3.8% and 4.4% over 2017, but on Monday, NRF said it expects retail sales, excluding cars, gas and restaurants, to increase by at least 4.5%.

"Higher wages, gains in disposable income, a strong job market and record-high household net worth have all set the stage for very robust growth in the nation's consumer-driven economy," NRF president and CEO Matthew Shay said, crediting tax reform for creating a windfall for consumers.

Though 2018 is shaping up to be better than the group had expected, Shay said "uncertainty" around inflation and trade threaten what could otherwise be a rosy outcome. Shay added that the longer the trade war persists, the more likely ill effects will be felt.

"With retailers ramping up imports and stocking their warehouses before most of the proposed tariffs will take effect, an immediate impact on prices on consumer goods is unlikely, but that won't last for long," he said.

Retail sales in June, while still positive, were revised down from a 0.5% increase to a 0.2% increase.

Source: sourcingjournal.com- Aug 15, 2018

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## Walmart is Betting Big on Global, Online Growth, Moody's Report Says

Walmart Inc. is counting on international and online growth to see it into the future.

And the retailer's recent investment in Chinese online grocery delivery company Dada-JD Daojia, may be evidence of such.

A new report from Moody's lead retail analyst Charlie O'Shea, published in advance of Walmart's second quarter earnings due out Thursday, said Walmart's recent $500 million investment in Dada-JD Daojia, in which it teamed with JD.com, "signals just how aggressively the company is revamping its international strategy."

And the move comes three months after Walmart paid $15 billion for a 77 percent stake in Indian e-commerce company Flipkart.

"We believe Walmart's big shift in international strategy is a clear indication that it is looking for new ways to offset the intense competition that continues to squeeze profit margins in the mature U.S. market," O'Shea said. "A major retailer like Walmart needs to remain on the move, especially when up against a voracious growth-oriented competitor in Amazon. Walmart has a lead in India, at least for now, over Amazon."

Walmart's square aim at Amazon has been no secret, and the company has proven how serious it is about quickly growing its e-commerce capabilities, making efforts including acquiring Jet.com for $3.3 billion in August 2016. The shift in international strategy began in April when Walmart said it would reduce its holding in U.K.-based Asda by selling its stake to Sainsbury. It will retain a 42 percent stake in the merged company, but will relinquish control of one of its biggest international operations.

Then in June, Walmart said it was selling 80 percent of its business in Brazil, taking a $4.5 billion charge to do so. O'Shea said these major actions, which vastly reduce its presence in two significant markets, going "all-in" in India, and "show that Walmart is not wedded to assets that don't fit with its growth strategy." It's likely that Walmart will make another acquisition in the next couple of years, likely for a more mid-sized company rather than another large deal, O'Shea said.

"India, meanwhile, has the potential for explosive online growth," according to O'Shea. "Even though Flipkart generates losses and will for at least the next few years, many estimate that online sales in India could potentially grow to $200 billion over time. While Walmart is spending heavily for this growth, and the deal may not end up scaling profitably for some time, revenue has the potential to take off."

India's market compares to a U.S. online sales market that equals an estimated $600 billion in sales. Brick-and-mortar retail in India is also much less developed than in the U.S., which increases the importance of online.

O'Shea said while Amazon's initiatives have been smaller, it's clearly looking at India, too. For example, Amazon led a $12 million investment in the subsidiary Acko General Insurance, an India-based online auto insurance start-up, one of several investments Amazon has made in the country over the past few years, the Moody's analyst noted.

In June, Amazon acquired online prescription start-up PillPack, which likely has annual revenue in the $100 million range, he said, and also announced an initiative to allow entrepreneurs to participate in delivering products, ostensibly aiming to close the critical "last mile" competitive gap.

Source: sourcingjournal.com- Aug 15, 2018

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# USA: Logistics Execs Upbeat about Economy but Inflation Could Send Prices Up

The U.S. logistics and transportation industry is optimistic about the economy and company prospects over the next three months, but inflation is a growing concern and prices are set to rise, according to a new survey by TCompanies.

The survey of 175 executives in the field, conducted in July, revealed that workforce shortages and regulatory issues are bigger obstacles to growth than trade tariffs. When asked their view of the U.S. economy over the next quarter, 74 percent said they were optimistic, 18 percent were neutral toward the prospects and 8 percent were pessimistic.

The executives' optimism was backed up the August “U.S. Economic Forecast Flash” from Macroeconomic Advisers by IHS Markit, which said second quarter gross domestic product (GDP) growth was 0.7% below estimates at 4.1% in the Bureau of Economic Analysis advance estimate.

“But the composition of growth was more favorable to the near-term outlook than previously estimated,” the IHS Markit report said. In particular, real final sales grew at a 5.1% annual rate in the second quarter–the highest in about 12 years–and inventories declined by the largest amount in about eight years.

“This sets up inventory restocking as a likely contributor to GDP growth in the second half and beyond,” chief U.S. economist Joel Prakken and executive directors Patrick Newport and Ben Herzon wrote.

“Furthermore, personal disposable income was revised sharply higher in recent quarters, while financial conditions remain supportive of growth despite escalating trade tensions between the United States and China.”

In the survey comments on hiring plans in the coming quarter, 64 percent of respondents said they would hire more people, 30 percent expect to keep their workforce at same level and 7 percent said they would reduce their workforce.

On the outlook for company revenues in the next quarter, 75 percent said they expect revenues will increase, 19 percent believe they'll stay the same and 6 percent think their revenues may decrease. As for company profitability, 67 percent of respondents forecast and increase, 25 percent see them staying the same and 7 percent expect them to decrease.

In the area of wage growth, 57 percent expect them to stay the same, 38 percent said they would increase and 4 percent said wages would be lower. With regard to the pricing for your goods or services over the next quarter, 58 percent of respondents said they would increase prices, 39 percent said they would stay the same and 3 percent said they would decrease prices.

When asked over the next quarter, what their largest obstacle to growth will be, 44 percent of respondents pointed to workforce shortages, 19 percent said regulatory issues would plague their business the most, 17 percent said trade tariffs and 5 percent noted the cost of wages.

But it's the concerns about inflation that could impact the supply chain.

Amid inflationary pressure, 58 percent of respondents in the logistics and transportation sector said they plan to increase their prices in the next quarter.

"The survey numbers confirm what we have been feeling for some time in the logistics and transportation industry–overall, things are going very well," Tom Burke, CEO of TCompanies, said.

"And while there is a great amount of optimism, there are cautionary concerns with inflationary pressures as a majority plan to increase pricing and pass costs on to customers in the next three months."

Source: sourcingjournal.com- Aug 15, 2018

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# Uzbekistan, China strengthen cooperation in textile industry

Tashkent hosted the Uzbek-Chinese business forum on cooperation in the textile industry with the participation of representatives of the textile industry of the two countries on August 15.

The forum was organized by the Uztekstilprom Association in conjunction with the Chinese National Council for Textiles and Clothing, with the participation of the leadership of the State Committee of Uzbekistan for Investments, UzTrade JSC of the Foreign Trade Ministry, the Economy Ministry.

The purpose of this forum was to establish cooperation between Uzbek and Chinese companies specializing in the textile and apparel-knitting industry, as well as the production and supply of finished textile products to the Chinese market.

During the business forum, Chinese guests were provided with detailed information about the created opportunities and benefits, in particular for Chinese investors.

Participants noted that two countries have great potential for further development of Uzbek-Chinese trade and economic cooperation. And this visit will serve as an additional incentive for Chinese investors to start their activities in Uzbekistan.

The Chinese delegation included 33 representatives of China's associations and textile companies, in particular, the Subcommittee on Textile Industry, the Chinese Council for the Promotion of International Trade, the China National Clothing Association, the China Non-Woven Fabric and Industrial Textile Association, the Chinese Cotton Textile Association, the Chinese Association of Knitting Industry, Chinese Textile Information Center, 19 large companies from Shanghai, Qingdao, Nanyang Province, etc.

In the course of the visit that lasted five days, the delegation got acquainted with the investment potential of the Bukhara, Kashkadarya, Samarkand and Syrdarya regions, visited enterprises with the participation of Chinese investments, “LT International” and the Peng Sheng Industrial Park, the press service of the Uztekstilprom reported.

Source: azernews.az - Aug 15, 2018

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# Ironing-free future? Scientists cotton on to benefits of man-made fibres

*Australian researchers examine whether plants can be grown with characteristics of man-made materials*

The dream of a cotton shirt that does not need ironing could one day materialise into a reality, with CSIRO scientists on the case.

Researchers are examining what determines the length, strength and thickness of cotton fibres to see if a plant can be grown with the characteristics of a synthetic.

“Cotton often gets a bad rap environmentally but it is a natural, renewable fibre unlike synthetics which are made with petrochemicals,” CSIRO scientist Dr Madeline Mitchell said. “We’re looking into the structure of cotton cell walls and harnessing the latest tools in synthetic biology to develop the next generation cotton fibre.”

Through more than 30 years of improved cotton breeding using genetically modified techniques, the CSIRO and its partners Cotton Seed Distributors have led the way in reducing insecticide use in cotton growing by 85% and cutting herbicide use by 60%.

Australian cotton is also the most water efficient in the world.

It is hoped that same drive for innovation can lead to clothing with less environmental impacts when being washed.
Artificial intelligence tool 'as good as experts' at detecting eye problems
Read more

Whenever a synthetic material such as polyester or nylon is cleaned, thousands of tiny non-biodegradable microfibres enter the waterways, building up in the food chain. But when cotton is washed, the fibres shed are biodegradable and break down naturally.

“If we can produce next generation cotton then we can take a large market share of the synthetics industry and that’s a win not just for Australia’s $2.5bn industry but also for the environment,” the CSD managing director, Peter Graham, said.

The next generation cotton research is part of a $13m investment in science that applies engineering principles to biology.

The researchers’ work will be on display in Melbourne this week at AgCatalyst, a showcase of CSIRO’s technologies across the agriculture and food sectors.

Source: theguardian.com- Aug 15, 2018

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## USA: Raw Material Price Pressures Are Rattling Through the Supply Chain

Raw material prices are up almost across the board, imposed tariffs are adding additional costs and uncertainty reigns in trade–all of which, unsurprisingly, is causing concern throughout the supply chain.

For the first times in years, fiber and fabric companies are trying to figure out ways to hold price increases down and brand executives are telling their customers they have little choice but to pass along the increased costs.

The average global price for cotton, as measured by the Cotlook A index was at 89.4 cents per pound at the beginning of the year before rising to a high of $101.7 in mid-June before and then settling down to still-high 94.7 cents by the end of the July. The price increase was primarily caused by real and proposed threats of tariffs in the U.S.-China trade war, strong demand and increased trading in forward contracts in anticipation of crop failures.

Polyester prices increased at the beginning of the first quarter this year due to high oil and raw material prices, Lenzing Group noted in a recent market analysis. At the end of May, falling oil prices and weakening demand pushed the price below beginning of the year levels. However, compared with the first half of 2017, polyester prices still increased by an average of 23 percent. Brands pinched

On a recent conference call discussing second quarter earnings, Hanesbrands CEO Gerald W. Evans Jr., said the company's international gross margin was in part offset by higher input costs. In the quarter, the company experienced $11 million in raw material inflation, Evans noted.

"We're no longer a cotton-dependent company as many people often think we are, and this is not just a cotton question," he said. "This is general inflation that comes with a strong economy and the pressure on input costs, and you see it coming across oil, you see it coming across packaging materials and you see it coming across cotton. This is natural inflation, and so, it will touch all the products. That's why our retailers are seeing it come through their own supply chains, as well. And so, we are pricing to offset that."

For Gildan Activewear, it's been a similar story of increased costs.

Discussing margins with analysts, Gildan president and CEO Glenn J. Chamandy, acknowledged that input costs are higher, but "it's a function of working with our partners," and realizing that the sourcing landscape is changing, he said.

"As you look at what's happening in China, what will end up happening is that there's going to be significant inflation in areas where people will go to," Chamandy added, noting that Vietnam or Bangladesh or Myanmar, might have lower wage rates, but they also have a less structured business environment than China that leads to higher costs.

At Columbia Sportswear Co., with 38 percent of its sales outside the U.S., CEO Timothy P. Boyle said the company is "not directly impacted by U.S.-China trade barriers."

"We rely on a diversified sourcing base mostly across Asia and have considered our diverse and flexible supply chain to be one of our strengths," Boyle said. "In 2017, China represented less than 20 percent of our total imported value into the U.S.

To date, newly announced tariffs in the U.S. have not targeted our primary product categories. In addition, because a high percentage of our fall 2018 products will have been shipped in the coming weeks; if tariffs are raised on our primary categories, the impact would likely be felt mostly in future years."

However, Columbia will face climbing costs related to some accessories, and Boyle said the company is projecting “immaterial” costs increased for construction related efforts and fixturing thanks to steel and aluminum tariffs.

“That said, the escalating global trade battles have the potential to be very disruptive to our business, as well as our vendors, our customers and to many of the countries where we do business, including the United States,” Boyle said. “Apparel and footwear products already carry some of the nation’s highest tariffs, averaging in the double digits. To add to those high tariffs with additional punitive measures would not only have a detrimental impact on our business, it would represent a significant tax on American consumers.”

China, however, continues to be an important market for both manufacturing and sales. Columbia has a long history of sourcing in China and Boyle said the company remains committed to maintaining its key partnerships there.

“We will continue to monitor trade debates closely and engage with policymakers to seek constructive solutions,” Boyle said.
Impacts at the fiber level

Looking down the supply chain, Kevin Hall, chairman and CEO of Unifi Inc., said, “Given our top-line performance and initiatives to counter the recent rise and acceleration of raw material costs, we were able to make some progress on normalizing profitability, even as significantly higher raw material costs remained a substantial headwind.

Crude oil prices were 50 percent higher in the fourth quarter of 2018 compared to the end of fourth quarter 2017…We have more work to do over the next couple of quarters for pricing to catch up to the high level of input costs.”

In its U.S. business, Hall said Unifi has made improvements despite the ongoing market headwinds led by increased raw material costs and ramped up regional competition. These factors considered, Unifi was still able to produce another quarter of overall revenue growth on polyester, which was up 3.4% compared to the prior-year period.

"There's a growing recognition in the conversations that costs have gone up," Hall told analysts. "And when we were first out, there was, I think, a real desire to just push back on that and for that not to be true. But I think now everybody sees that it's a higher cost environment, so everybody is working through this now, and I think that's part of our partnership role, to really work with our customers and figure out how to navigate our higher cost environment."

Speaking to the tariff wars, Hall said, "There is great uncertainty in this space, but we haven't seen strong evidence that current proposals and negotiations will have a material impact on either our overall cost structure or our competitive position. However, we are still assessing the impacts that current proposals and trade negotiations might pose on both in the short and long-term, and we are preparing to take appropriate action should any impacts materialize."

Lenzing, the wood-based fiber producer, also sees challenging market conditions for the second half of 2018. In addition to the price pressure on standard viscose, the prices of some key raw materials, like caustic soda, are still at a very high level, and exchange rates continue to be volatile.

Reporting in its recent earnings, Lenzing said earnings before interest, taxes, depreciation and amortization fell 28.1% to 194.8 million euros ($225.75 million) in the first half of the year, mainly due to price increases for key raw materials and higher energy prices. Prices for standard viscose were volatile in the first half, rising 3.2% primarily resulting from the announcement of new capacities in the current year. Prices for wood-based specialty cellulosic fibers like lyocell and modal "continued their positive development as demand remained strong," Lenzing said. So far, the price pressures in the market either haven't fully made their way through the supply chain or they're being absorbed before they reach the consumer.

The Bureau of Labor Statistics reported in its Consumer Price Index that July retail apparel prices fell 0.3% from a month earlier. Women's apparel prices declined 2 percent, girl's clothing prices were down 0.7% and prices for boys' apparel fell 3 percent. Men's wear bucked the trend with a 1.7% increase.

Source: sourcingjournal.com- Aug 15, 2018

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# Bangladesh July apparel export earnings up 21 per cent

Bangladesh's export earnings in July were 21.72 per cent higher than in the the same period last year. Knitwear exports grew by 20.88 per cent and woven exports grew by 22.59 per cent.

In the last fiscal, apparel sector contributed 83.49 per cent to the country's total exports. Bangladesh's export earnings from the apparel sector registered 8.76 per cent growth.

Eid vacations in June hindered production and shipment of goods. The pending shipments were sent out in July, which pushed export earnings up sharply.

Improvements in safety standards and workers' rights have raised buyers' confidence in Bangladesh's readymade garment sector, which is a contributing factor to the growth in exports.

Bangladesh has plenty of opportunities in the global export market. The duty on Chinese imports imposed by India and the trade war between China and the US may both help exports from Bangladesh.

Bangladesh's overall export earnings rose 5.8 per cent in fiscal '17 as compared to fiscal '16. In August 2015, export earnings from the readymade garment sector grew by 32.45 per cent.

However, the impending new wage structure and prices of gas may pose challenges in maintaining the growth rate in future.

Source: fashionatingworld.com- Aug 14, 2018

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# Pakistan: Cotton prices fall Rs600 per maund in Punjab

Cotton prices plunged by Rs600 per maund in Punjab on Tuesday mainly due to late operations of ginning factories.

The rate of phutti, has lowered from Rs4300 per maund to Rs3600, in last two weeks, when cotton picking season started, said Rao Afsar, a representative of small farmers association. He said cotton rates have witnessed fall in trading.

According to cotton brokers, the export of cotton yarn has shrunk up to 65 per cent in recent days, while the rate of polyster fiber is up. The insiders believe dollar increase against rupee is one of the major factors behind rapid decline in cotton prices and instant increase in the price of polyester fibre.

The cotton crop this year is expected to be more as compare to last year. The government is hopeful to achieve production of 10 million cotton bales from Punjab alone, this year.

Farmers and ginners are however, expecting cotton production of around 11 million bales against the official target of over 14 million due to poor farm inputs, including poor quality seed, late sowing and severe shortage of water.

According to Pakistan Central Cotton Committee data, the cotton sowing target of 2.95 million hectares has already been missed by around 10 percent as only 2.66 hectares could be utilized for cotton.

According to officials, China has sold 10,400 tonnes of cotton at auction of state reserves at an average price of 15,129 yuan ($2,219.50) per tonne, last week, which may affect the overall cotton market and may bring down the prices.

According to United States Department of Agriculture estimates production of cotton would be more as compared to consumption. Gap in demand and supply may decline the prices further in local market in coming days. The Karachi Cotton Association spot rates have reduced by Rs200 per maund.

Source: nation.com.pk- Aug 15, 2018

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## NATIONAL NEWS

# India-Bangladesh trade to scale new high

### *India’s textile import doubles*

The Bangladeshi financial year 2017-18 (July-June) might prove to be a landmark in bilateral trade relations. For the first time trade is set to cross $9 billion mark and Bangladesh’s exports to India will close near $900 million, riding primarily on ready-made garments, according to sources.

Though India offered duty-free and quota free entry to Bangladesh goods under the (South Asian Free Trade Area)SAFTA agreement in 2011, Dhaka was slow in taking advantage of the facility, as their exports to India grew from $512 million to $672 million over the last six years.

During the past 11 months Bangladesh’s garment exports to India increased by 113 per cent from $129 million to $276 million.

Add to this footwear, fish, beverages etc and India’s imports from Bangladesh increased by a 30 per cent ($201 million) since July, 2017.

### GST benefits

The introduction of GST in July 2017, led to withdrawal of 12 per cent countervailing duty (CVD) on textiles. The withdrawal of CVD was not specific to Bangladesh neither Bangladesh is the only beneficiary.

But it surely came as an advantage for Bangladesh, which is world’s second largest exporter of ready-made garments. The competitive edge should increase with the recent hiking of import duty on 328 textile products, which is not applicable to Bangladesh.

The sharp rise in imports from Bangladesh attracted attention of Confederation of Indian Textile Industry (CITI), which pointed out that it will open a flood gate if India doesn’t amend the FTA, which was entered without sufficient rules of origin safeguard.

Normally FTA's include minimum value addition criteria which is absent in SAFTA. Sanjay Jain, president of (CITI) is apprehensive that the loophole may be used for diversion of Chinese man-made fibre based garments through Bangladesh.

Shaquib Quoreshi, enterpriser at Dhaka-based Business Intelligence Limited said that the minimum value addition criteria may be added in the FTA. But such amendments can be reached only through consensus at the SAARC ministerial.

However he rules out any immediate worry for India.

Quoting a study by ADB's SASEC programme, Quoreshi said Bangladesh had distinct cost advantage vis-a-vis Indian imports in 49 garment items.

The GST related benefits should help Bangladesh grab a higher share of Indian imports by replacing other destinations.

Source: thehindubusinessline.com- Aug 15, 2018

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## Trade deficit at five-year high of $18 billion in July on oil imports

The gap was the highest since May 2013; goods exports up 14.3 per cent

India's trade deficit in July widened to a five-year high of $18.02 billion as petroleum imports surged during the month by more than half compared to imports during the same month last year.

The country's goods exports in July continued on the growth track increasing 14.32 per cent (year-on-year) to $25.77 billion propped by sectors such as electronics, engineering goods, gems & jewellery and chemicals, according to an official release of the Commerce Ministry on Tuesday.

Imports, however, grew more than double of exports at 28.81 per cent to $43.79 billion resulting in the sharp increase in the trade deficit. The trade deficit in July is the highest since May 2013 when it had widened to $19.37 billion. The deficit was at $16.6 billion last month.

Petroleum imports increased by a whopping 57.41 per cent to $12.34 billion in July compared to $7.84 billion in July 2017. There was also a substantial increase in imports of electric and non-electric machinery, gold (which increased 40 per cent), electronic goods and chemicals.

While overall exports of goods increased, the worrying factor was a dip in exports of a number of labour

-intensive sectors such as garments, carpets, leather and marine products. "The SME sectors of exports are still reeling under pressure because of the liquidity crunch as banks and financial institutions have continuously been tightening their lending norms and ITC refund for exports still poses a challenge," said FIEO President Ganesh Kumar Gupta.

Cumulatively, exports grew at 14.23 per cent to $108.24 billion during April-July. Imports for the period were at $171.20 billion, a positive growth of 17.05 per cent over imports in the same period last year.

Trade deficit in the first four months of 2018-19 was $62.96 billion compared to $51.50 billion in the first four months of 2017-18.

Source: thehindubusinessline.com- Aug 15, 2018

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## Weak rupee good for textiles and clothing

*But, high volatility to hit exports: AEPC*

The rupee weakening against the dollar is expected to be positive for the textile and clothing sector.

Sanjay K. Jain, chairman of Confederation of Indian Textile Industry, said yarn exports to China increased 20% to 24 % between April and June. However, the Chinese yuan also weakened in the period and hence Indian exports were affected.

"It is more important to see the rupee weakening in context to our competitors' currency," he said. From April to June, the weakening Indian currency gave exporters a competitive edge.

According to Chandrima Chatterjee, adviser at Apparel Export Promotion Council, the rupee has been weakening this year compared with the last fiscal and garment exporters will benefit from it. “Right now, it [weakening rupee] is positive.

But, too much volatility will affect exports.” The Centre is expected to reimburse embedded taxes and raise Reimbursement of State Levies, thus giving garment exports a push.

Apparel exports, which were almost stagnant for the last couple of years, is expected to do better. It will give the garment producers cushion against increasing raw material prices.

“However, buyers will ask for cut in rates even for existing orders, and we might not get the full benefit,” said A. Sakthivel, vice chairman of the Council.

Source: thehindu.com- Aug 15, 2018

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## The market across the border

***India and Pakistan will both gain immensely by encouraging bilateral trade***

In his speech on July 26, after his electoral victory, Pakistan Prime Minister-elect and Pakistan Tehreek-i-Insaf (PTI) chief Imran Khan conveyed a sense of hope when he spoke of the need for harmonious relations with neighbouring countries, including India.

He also laid emphasis on better bilateral trade relations. Given the immense potential and the peace dividend that comes with it, it was no wonder that the statement was largely welcomed by trade circles in Pakistan and India.

Over the last five years, the bilateral trade trajectory has been volatile. From a high of $2.70 billion in 2013-14, it fell to $2.40 billion in 2017-18. During this time, while Pakistan’s exports to India were (and have been) fairly consistent, India’s exports decreased. Overall, India still manages to have a significant trade surplus with Pakistan (about $1.4 billion in 2017-18).

Interestingly, these figures reflect only the direct trade between the two countries. Indirect trade (largely routed through a third country like the United Arab Emirates) is estimated by much research to be up to 10 times more — exemplifying the existence of a huge bilateral trade potential, provided the tariff and non-tariff barriers are addressed and steps taken towards increasing awareness and building confidence among the trading communities.

**Developing a value chain**

In a highly integrated and interdependent global economy, regional value chains provide opportunities for India and Pakistan to diversify their exports and imports and intensify their integration into the global economy.

In an attempt to explore potential areas of increasing trade between India and Pakistan, a study by the Bureau of Research on Industry and Economic Fundamentals (BRIEF), New Delhi, looked at developing bilateral, product-specific, regional value chains. This included sectors such as textile and clothing, sports goods and surgical equipment.

In textiles, while there is an existing bilateral engagement, there is potential for raw materials (raw cotton, fabric dye), grey fabric (polyester, chiffon, nylon), blended fabric (cotton-polyester-viscose blend for denim) and stitched clothes (track suits and sports wear) from Indian hubs such as Surat (Gujarat) and Tiruppur (Tamil Nadu) to Pakistan's major production centre at Faisalabad and its Lahore and Karachi markets. Similarly, from Pakistan, there is a huge demand for salwar-kameez-dupatta made of lawn fabric and wedding attire (shararas).

Given Pakistan's expertise here, the demand in India for Pakistani fabric and designs as well as the cost benefits attached with trading between India and Pakistan, there is significant scope for collaboration. The market opportunity for these few high-demand products alone is about $2.3 billion.

Similar potential exists in sports goods. Pakistan's sports goods manufacturing sector is emerging as an original equipment manufacturer for major global brands. Sialkot is a global manufacturing hub for professional-level goods such as footballs, hockey sticks, quality leather goods, and weightlifting and cycling gloves, some of which is imported by India.

Also, footballs manufactured here were used in the FIFA World Cup. However, manufacturers in Sialkot require quality raw materials or semi-finished products to produce these goods. India can play a key role here in exporting raw material and semi-finished goods such as latex, rubber, and football bladders, which would work out to be more economical for Sialkot than sourcing them from other countries such as Thailand. In terms of finished goods, sportswear made of lycra is in demand in Pakistan. The market opportunity here is $1.1 billion.

**In health care**

Value chain development in surgical instruments is another area. Pakistan's surgical instruments manufacturing industry, again based in Sialkot, is noted for its expertise. Pakistan is a major supplier of these instruments to the U.S., Germany, France and Belgium. India, on the other hand, is a large medical market which imports these instruments from these developed countries at high rates.

Direct imports from Pakistan to India in this area would ensure considerable cost benefits in terms of economics and logistics. For example, forceps, clamps and surgical scissors can be imported from Pakistan in considerable volumes. To strengthen value chain linkages, India can potentially increase the supply of stainless steel to Pakistan, a major raw material used in instrument manufacturing, or even import semi-finished products.

In India, dispensaries and clinics in Tier 2 and 3 cities, which are often unable to afford even re-useable surgical instruments, will benefit from the availability of cheaper and new instruments from Pakistan. The market opportunity in this sector is about $804 million.

Before Independence, Sialkot and Jalandhar were a unified manufacturing hub which was divided after 1947. Most of the skilled labour force moved to Sialkot. This has given it the historical edge in manufacturing in these sectors.

**Business-level dialogue**

Incremental steps towards bridging the gap between actual and potential trade is a must. First, it is important to alleviate fears, misconceptions and the trust deficit in the trading community.

Second, business-to-business linkages need to be formed and strengthened between actual traders. While this can be initiated at the level of product-specific industry associations (for example at Jalandhar and Sialkot), this must also be taken up by national chamber associations.

Third, South Asian Association for Regional Cooperation (SAARC) business traveller visas must be implemented in practice. Though announced by Prime Minister Narendra Modi at the SAARC summit in 2014, there has been a delay in its implementation.

There also needs to be focus on other issues such as key items in the textiles and clothing sector, border infrastructure and security, improved connectivity by sea and air, enhanced people-to-people contact and educational exchanges.

It is important to recognise that economics and politics are not completely disconnected from each other.

Engagements at the political level will be an important factor to reinforce economic ties between the two countries. Mr. Khan's speech makes us optimistic about the future.

Source: thehindu.com- Aug 15, 2018

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## India's merchandise exports rises 14.3% in July 2018

Trade deficit jumps to US$ 18.01 billion for July 2018

India's merchandise exports increased 14.3% to US$ 25.77 billion in July 2018 over a year ago. Meanwhile, merchandise imports moved up 28.8% to US$ 43.79 billion. The trade deficit jumped 57.3% to US$ 18.01 billion in July 2018, which is highest in five year, from US$ 11.45 billion in July 2017.

Oil imports galloped 57.4% to US$ 12.35 billion, while the non-oil imports also moved up 20.2% to US$ 31.44 billion in July 2018 over July 2017. The share of oil imports in total imports was 28.2% in July 2018, compared with 23.1% in July 2017. The price of India's basket of crude oil galloped 53.6% to US$ 73.50 per barrel in July 2018 over July 2017.

Among the non-oil imports, the major contributors to the overall rise in imports were electronic goods imports rising 26.4% to US$ 5.12 billion, gold 40.9% to US$ 2.96 billion, electrical & non-electrical machinery 30.6% to US$ 3.15 billion, coal 33.7% to US$ 2.06 billion, organic & inorganic chemicals 25.9% to US$ 2.03 billion, non-ferrous metals 29.0% to US$ 1.30 billion, iron & steel 19.9% to US$ 1.60 billion and pearls, precious & semi-precious stones 11.4% to US$ 2.51 billion.

The imports also improved for artificial resins, plastic materials etc by 20.0% to US$ 1.37 billion, transport equipment 21.4% to US$ 1.29 billion, medicinal & pharmaceutical products 52.7% to US$ 0.58 billion and chemical material & products 23.2% to US$ 0.64 billion.

Further, the imports have moved up for metaliferrous ores & other minerals by 16.7% to US$ 0.76 billion, fertilizers, crude & manufactured 18.2% to US$ 0.62 billion, professional instrument, optical goods etc 16.0% to US$ 0.42 billion, wood & wood products 7.7% to US$ 0.52 billion, while imports of vegetable oil declined 32.1% to US$ 0.72 billion in July 2018.

On exports front, the petroleum products recorded an increase in exports by 30.1% to US$ 3.91 billion, followed by gems & jewellery 24.6% to US$ 3.19 billion, engineering goods 9.1% to US$ 6.33 billion, organic & inorganic chemicals 19.9% to US$ 1.68 billion, and electronic goods 42.2% to US$ 0.68 billion. The exports also moved up for plastic & linoleum by 28.1% to US$ 0.68 billion, cotton yarn/fabrics/made-ups, handloom products etc 15.3% to US$ 0.91 billion, meat, dairy & poultry products 15.1% to US$ 0.38 billion and rice 8.1% to US$ 0.66 billion in July 2018.

Further, the exports has improved for mica, coal & other ores, minerals including processed minerals by 14.9% to US$ 0.32 billion, drugs & pharmaceuticals 2.2% to US$ 1.42 billion, spices 8.3% to US$ 0.26 billion and ceramic products & glassware 4.7% to US$ 0.18 billion in July 2018.

However, the exports declined for marine products by 14.6% to US$ 0.58 billion, leather & leather products 5.1% to US$ 0.47 billion, RMG of all textiles 0.6% to US$ 1.27 billion, handicrafts excluding handmade carpet 3.0% to US$ 0.15 billion, man-made yarn/fabrics/made-ups etc 1.0% to US$ 0.38 billion, and fruits & vegetables 1.8% to US$ 0.16 billion in July 2018.

Merchandise exports in rupees increased 21.8% to Rs 177041 crore, while imports moved up 37.3% to Rs 300785 crore in July 2018 over July 2017. The trade deficit surged to Rs 123743 crore in July 2018 compared with Rs 73801 crore in July 2017.

India's merchandise exports increased 14.2% to US$ 108.24 billion, while merchandise imports moved up 17.1% to US$ 171.20 billion in April-July 2018. An increase in imports was driven by a 51.5% jump in oil imports to US$ 46.98 billion. India's merchandise trade deficit rose to US$ -62.95 billion in April-July 2018 from US$ -51.50 billion in April-July 2017.

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

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## Indian economy expected to expand at 7.4% in FY 19: Ficci survey

The Indian economy is expected to grow at 7.4 per cent in the current fiscal, higher than the previous year, said a Ficci survey released on Tuesday.

Rising oil prices however are putting pressure on the current account, while global uncertainties around trade and financial markets carry serious risks for the rupee, according to the economists who participated in the Ficci's Economic Outlook Survey.

Also, trade tensions between major economies is disturbing the global recovery, it said.

The survey forecasts an annual median GDP growth at 7.4 per cent for 2018-19, with a minimum and maximum range of 7.1 per cent and 7.5 per cent, respectively.

"The projection is in line with the estimates put out by the Reserve Bank earlier this month," it said.

The expansion in the GDP was 6.7 per cent (provisional) in 2017-18.

On the growth in the first quarter of the current fiscal, the survey said the expansion in the economic activity would be 7.1 per cent.

The Central Statistics Office (CSO) is scheduled to release the first quarter GDP number on August 31.

On rupee, the industry chamber said the economists universally believe that the Indian currency will remain under strain.

"Majority of economists believed that the fair value of Indian Rupee vis--vis the US Dollar would be in the range of 65 to 66," the survey said.

The study further said the median growth forecast for agriculture and allied activities has been put at 3 per cent for 2018-19.

Although there has been some slippage in the monsoons during June and July, updated forecast for August and September indicate a pick-up in rainfall.

Further, industry and services sector are expected to grow by 6.9 per cent and 8.3 per cent, respectively in 2018-19.

Ficci said the outlook of the economists on inflation seems benign. The Consumer Price Index or retail inflation has been forecast at 4.8 per cent for the year as whole.

Source: business-standard.com- Aug 14, 2018

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# Prabhu to visit Uzbekistan to promote trade, economic ties

*Indian industry to look for opportunity in farm, textiles, pharma and IT sectors*

In line with the country's increased focus on intensifying strategic ties with the resource-rich Central Asian countries, Commerce Minister Suresh Prabhu is leading a business delegation to Uzbekistan later this week to scout for opportunities in sectors such as textiles and garments, pharmaceuticals, agriculture, food processing and engineering goods.

## CII, FICCI team

While the Minister will participate in the India-Uzbekistan Intergovernmental Consultations (IGC) on trade and economy in Tashkent on August 16-17, industry representatives from the CII and FICCI will hold meetings with their counterparts in the identified sectors, a government official told BusinessLine.

"With India looking at diversifying its economic relationships beyond the traditional markets of Europe and the US, Central Asia is an important region not just for the valuable natural resources it is endowed with but also due to the immense trade potential it holds. Uzbekistan is an important country of Central Asia and could also serve as a gateway for India to CIS countries," the official said.

Prabhu's visit to Uzbekistan follows External Affairs Minister Sushma Swaraj's three-nation Central Asian tour to Kazakhstan, Kyrgyzstan and Uzbekistan earlier this month. India's increased focus on Central Asia is also due to its recent membership of the Shanghai Cooperation Organisation — a Eurasian political, economic and security alliance.

All three countries are members of the SCO. India's exports to Uzbekistan mainly comprise pharmaceutical products, mechanical equipment, vehicle parts, services, optical instruments and equipment.

It imports fruit and vegetable products, services, fertilisers, juice products, extracts and lubricants from the country.

The volume of trade is small with Indian exports to the country at $365 million and imports at $102 million in 2017-18, but suitable joint ventures could provide India access to the huge market of CIS countries as Uzbekistan is part of the CIS free trade agreement which includes Russia, Ukraine, Belarus, Uzbekistan, Moldova, Armenia, Kyrgyzstan and Tajikistan.

**Biz opportunities**

A number of Indian business delegations have been visiting Uzbekistan to explore business opportunities in the last couple of years including one led by the All India Industrial Gases Manufacturers' Association, a pharmaceutical delegation led by Pharmexcil, a delegation led by the Council for Leather Exports of India and some others from the healthcare sector.

In this week's visit to Tashkent and adjoining areas, the business delegations from FICCI and CII will hold talks with businesses in various sectors including pharmaceuticals, agriculture/agriculture machinery, food processing, engineering goods, garments & textile, leather, tobacco, plastic & chemical and petrochemical sectors.

Uzbekistan, too, is taking steps to increase its economic ties with India. The Deputy Prime Minister of Uzbekistan Suhrob Rustamovich Kholmuradov (who also served as the Chairman of State Investment Committee of the Republic of Uzbekistan) visited India in June and held a number of meetings in New Delhi including ones with Swaraj and Agriculture Minister Radha Mohan Singh.

**Diverse fields**

Both sides underscored untapped potential in strengthening bilateral cooperation in diverse fields including ranging from agriculture to information & communication technologies and agreed to further strengthen this partnership through regular consultations and organisation of business to business interactions on focused areas of mutual interest.

Source: thehindubusinessline.com- Aug 15, 2018

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# Amazon's Kala Haat weaves magic for India's textile traditions

Amazon India's Kala Haat programme, launched in late 2016, has helped to revive dying art and textile traditions like 'Lippan Kaam', the craft of Mudwork made using camel dung, practised by a handful of individuals from the Rabari nomadic tribes of Gujarat; Ilkal sarees, a 1,200-year-old weaving tradition that originated in Ilkal town in the Bagalkot district of Karnataka; and Rogan Art, unique paintings made on fabric from brightly coloured castor oil which is practised by a single family in Kutch district of Gujarat.

In partnership with DC Handlooms under the Ministry of Textiles, Amazon has empowered over 1,400 master weavers, co-operatives, artisans and other APEX bodies directly impacting 1.5 lakh weavers and artisans across 15 States and 48 regional clusters.

Kala Haat identifies artisans and weavers across India and makes their work available to Indian and global customers on the 'Handloom & Handicraft' store on Amazon.in.

The store showcases products across categories and provides these artisans and weavers detailed training through workshops on creating email IDs, getting PAN card, Aadhaar card, GSTIN, listing products, and providing them with marketing tools, storage infrastructure and delivery network to help them sell on its marketplace.

"We started with a pilot in four clusters including Santipur and Phulia in West Bengal, Bargarh and Nuapatna in Odisha, Pochampally in Andhra Pradesh and Kota in Rajasthan.

Today we showcase over 40,000 genuine handloom and handicraft products on our platform, comprising 104 unique craft forms like Pithora paintings, Rogan Art, Lippan Kaam, handpainted leather lamps from Dharmavaram with themes of Ramayana and Mahabharatha, among others.

We also have a special selection from over 20 State and national award winning weavers on Amazon.in," Gopal Pillai, Director & GM, Seller Services, Amazon India, told BusinessLine.

He says there has been a five-fold increase in sales for those with the Kala Haat programme in one year. Starting with 100 sellers over five years ago, Amazon.in has grown its seller count to over 3,80,000 today.

It has invested ₹2,700 crore in its India operations barely three months after it infused ₹2,600 crore in May, in preparation for the festival season sale coming up later this year when it will lock horns with Flipkart.

Source: thehindubusinessline.com- Aug 15, 2018

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