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The Cotton Textiles Export Promotion Council (TEXPROCIL)
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IBTEX No. 215 of 2018 October 17, 2018

USD 73.50| EUR 84.95 | GBP 96.82 | JPY 0.65

Cotton Market		
Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22015	46050	**79.57**
Domestic Futures Price (Ex. Gin), October		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
22990	48090	**83.09**
International Futures Price		
NY ICE USD Cents/lb (Dec 2018)	78.33	
ZCE Cotton: Yuan/MT (Jan 2019)	15,500	
ZCE Cotton: USD Cents/lb	**86.31**	
Cotlook A Index – Physical	**86.44**	

Cotton Guide: Cotton market on Tuesday traded steady with a very narrow range. December contract settled at 7833, down 30 points. The other months settled from 6 points lower to 12 points higher. Volume was 24,979 contracts. Cleared previous day were 24,863 contracts. China's ZCE futures have been holding just above 5 month lows, a similar pattern to ICE. The Market continues to trade in the same range of 75.50 to 79.50/80.40 cents for the past almost one month.

There was no major news on cotton. Cash sales of US cotton seemed almost non-existent. The unresolved trade war with China leads the list of concerns for cotton. Some chatter was that Chinese mills were choosing to buy non-US growths in support of the Chinese government.

There were continued discussions about damages from Hurricane Michael. In the heart of Georgia's growing region stretching into Southeast Alabama, there is little doubt damages have been severe. One description heard was that Michael was like a 55-mile wide tornado ripping through the largest growing region in the area. Growers commented that the storm picked the crop. Estimated losses ranged from 750,000 bales to 1.3 million bales. It might be that the starting point of the crop is more in question.

Prior to the storm seasoned observers had the Delta and Southeast combined at record yields, well above the USDA projections. While some observers believe the losses from Hurricane Michael may keep growing, the market did not seem to find that as a threat. Demand needs to return. Interestingly, though, several sellers are not offering cotton until they see their crop outturns. Additional concerns were noted for the Texas crop with wet conditions and cold temperatures this week. Both yield and qualities are expected to be affected; another chip-away on supplies.

Domestic prices traded steady or slightly easy on Tuesday. Shankar-6 is quoted at Rs. 47,000 per candy, ex gin (81.10 cents/lb at today's exchange rate). Prices for Punjab J-34 are unchanged at an average of ₹4,620, ex gin (75.95 cents/lb)

The daily arrivals are gradually increasing. As of last week it was around 50 to 60000 bales which has increased to 80+K bales equivalent bales of 170kg. This includes 34,500 registered in the Northern Zone, 20,000 in Gujarat and 11,000 in Andhra Pradesh. On the futures front the October cotton ended the session at Rs. 22840 lower from previous close by Rs. 150 per bale. However, we think the trend is still positive and recommend buying on lower level. We have suggested a buy call in our weekly call section and are recommend to enter near Rs. 22700 levels. The details can be accessed from the report. For the day the trading range would be Rs. 22750 to Rs. 23000 per bale.

FX Guide:

Indian rupee has opened marginally higher to trade near 73.43 levels against the US dollar. Rupee has benefitted from improved risk sentiment. Asian equity markets trade higher after sharp gains in US market yesterday. Risk sentiment improved as upbeat US corporate earnings results reinforced optimism about US economy. However, weighing on rupee is general gains in US dollar amid optimism about US economy and positioning ahead of FOMC minutes. Minutes of the Fed's last meeting is expected to show confidence on US economic outlook and support for continuing rate hikes. Also weighing on rupee is gains in crude oil price.

Brent crude has inched up to trade near $81.5 per barrel amid bigger than expected decline in US crude oil stocks and gains in US equity market. Rupee has benefitted from gains in equity market however global economic concerns and Fed's rate hike stance will continue to weigh. USDINR may trade in a range of 73.25-73.7 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

The US apparel industry is bracing for a decades-long trade war with China

To those hoping a détente is at hand in the escalating US-China trade war, experts at an Oct. 11 summit had a blunt message: Settle in. This war is just getting started.

"I believe [Chinese president] Xi Jinping is not going to back down, and I don't believe the US is going to back down," said Nicole Bivens Collinson, president of international trade and government relations at Sandler, Travis & Rosenberg, which bills itself as the world's largest law firm dedicated to international trade, customs, and exports. "We're stuck in this, I would say, 20 years. I don't see any way out."

American clothing and footwear brands are anxiously watching the tit-for-tat exchange in tariffs between the US and China. That's because the US imports nearly all of its clothing and footwear, and China is by far the largest source.

According to data from the World Bank, in 2016—the year with the most recent figures available—about 36% of US imports of textiles and clothes came from China, and approximately 60% of footwear. The US already places some of its highest tariffs on clothing and footwear, so the industry is especially sensitive about the prospect of more duties.

The summit, hosted by the trade publication Sourcing Journal, included a panel on tariffs and how brands should consider adjusting their supply chains.

While the tariffs have been framed by the Trump administration as punishment for China stealing the intellectual property of US companies, they also appear to be part of a broader agenda to check China's growing sway in the world and keep the US competitive against it.

The general consensus among experts and industry representatives at the conference was that these escalating tariffs are not temporary, with the caveat that the Trump administration is inherently unpredictable, so that could change.

"It's about the trade deficit, it's about rebalancing the relationship that the US has with China, perhaps disentangling the way the US economy and the Chinese economy relate to each other," said Steve Lamar, executive vice president of the American Apparel and Footwear Association.

"Tariffs are simply pressure that the president is putting on China to encourage them to talk, to have them talk on his terms. Tariffs, we believe, are a long-term thing."

It's worth noting that the tariffs have so far increased the US trade deficit with China.

Trump has already put a 10% tariff on a large number of Chinese goods, including certain accessories and footwear. The tariff is set to climb to 25% if China retaliates.

Clothing has been spared thus far, but with nobody backing down, higher tariffs on more and more Chinese products, including clothing, look inevitable.

Proponents of Trump's tariffs argue they'll teach China a needed lesson and force it to crack down on copying and counterfeit products.

But in the process, because of the way tariffs get baked into the final price shoppers pay for imported goods, the tariffs will raise prices for US consumers. And it's foolish to think that China will cease infringing on the intellectual property of US firms, the panelists said.

Indeed, China has given every indication it will keep pushing back. It already announced, for instance, that it will increase export tax rebates for Chinese firms to reduce the pain of a trade war.

It could also resort to "non-tariff barriers," Collinson predicted, since the trade imbalance means it only imports so many American goods it can hit with duties.

It may do things like delay licenses, certifications, and inspections for US firms in the country, keeping them from being able to do business or export the products they've manufactured.

This battle of wills between the world's two largest economies will likely continue far beyond the present political moment. Even if a new administration takes over in the US, the country won't be able to back down without appearing to sanction China's behavior.

China's Xi, meanwhile, has amassed enough power at home to remain president for life, and experts believe he'll do anything he can To avoid looking weak (paywall) in a confrontation with the US.

As evidence grows that this is the new reality, many brands may have to rethink their supply chains. "I think ultimately these tariffs, specifically the US part of it, are going to fundamentally transform supply chain solutions, supply chain strategies," said Robert Sinclair, president of global supply chain at Li & Fung, a large sourcing and logistics firm.

Many of Li & Fung's clients started moving out of China some years ago as prices rose there, Sinclair said.

The US-China dispute is going to see even more manufacturing head to cheaper nearby countries, though the alternatives to China, such as Bangladesh, Vietnam, and Cambodia, don't have the capacity or infrastructure to take in all the manufacturing the trade war could displace.

While brands figure out how to respond, their profits may take a hit—in the fashion trade as they have in other industries. Already, Ford CEO Jim Hackett said Trump's tariffs on metals such as steel and aluminum have cost the car company $1 billion in profits.

"What we're urging our administration to do—where we're in China and in Europe—we say, you need to come to agreement quickly," he told Bloomberg (paywall). That's looking less and less likely.

Source: qz.com- Oct 16, 2018

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Trade Agreements with EU, UK, Japan Up Next for U.S.

The Trump administration notified Congress Oct. 16 of its intent to negotiate separate trade agreements with the European Union, the United Kingdom, and Japan.

The Office of the U.S. Trade Representative will next consult with Congress and gather public input on the direction, focus, and content of these agreements as part of a process set forth under the trade promotion authority law to ensure that any final agreements receive expedited consideration by lawmakers. Negotiations will begin no earlier than Jan. 14, 2019, with the EU and Japan, while talks with the UK will begin “as soon as it is ready” after it exits from the EU on March 29, 2019.

One of the reasons USTR gave for pursuing agreements with the EU and Japan is the “chronic” trade deficits the U.S. runs with them, which in 2017 were $151.4 billion and $55.5 billion, respectively.

As a result, the notification letters state, USTR will seek to address both tariff and non-tariff barriers and achieve “fairer, more balanced trade” with these partners. The agency said it may seek to pursue these negotiations in stages but “will only do so based on consultations with Congress.”

By contrast, the U.S. ran a $15.9 billion trade surplus with the UK in 2017. USTR thus explained that its aims in negotiating a trade agreement with the UK include “developing cutting edge obligations for emerging sectors where U.S. and UK innovators and entrepreneurs are most effective” and achieving “free, fair, and reciprocal trade.”

The announcement was welcomed by congressional trade leaders, many of whom have expressed concern that the Trump administration’s approach to trade policy could damage U.S. relationships with key trade partners and harm domestic businesses and consumers.

Senate Finance Committee Chairman Orrin Hatch, R-Utah, said “a trade agenda that prioritizes free trade and open markets is the best ways to defend American interests and strengthen our economy.” House Ways and Means Committee Chairman Kevin Brady, R-Texas, added that trade agreements would not only boost U.S. exports to, but also “deepen our partnership with, these close trading partners and vital allies.”

Senate Finance Ranking Member Ron Wyden, D-Oregon, praised the administration's "shift to focus on additional markets where there are barriers to U.S. exports and opportunities for made-in-America manufactured goods, agricultural products and services" but cautioned the administration to take its time in the forthcoming negotiations in order to "set a high bar in areas like labor rights, environmental protection and digital trade."

House Ways and Means Committee Ranking Member Richard Neal, D-Mass., agreed and added his hope that at a time when "many sectors of the U.S. economy [are] seized with anxiety over the impact of the president's trade policies, perhaps these notices indicate that the Trump administration will finally try to create new economic opportunities for U.S. workers and businesses through constructive engagement with important U.S. trading partners and allies."

Source: strtrade.com- Oct 17, 2018

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China exporters worried about trade war, rising costs at home: Reuters poll

Representatives from 91 firms involved in sectors ranging from industrial machinery to home appliances, motorcycles and new energy vehicles were surveyed during the Canton Import and Export Fair on Oct 15-16.

Just over 60 percent said they were worried about the trade war in the first poll carried out by Reuters since the United States imposed tariffs on $200 billion worth of Chinese goods late last month, escalating the tariff war between the world's two largest economies.

"We wanted to expand this year into the United States, but the trade war has really thrown a spanner in the works," said Heidi Tan, sales director at Motoma Power which makes batteries for mobile phones, including iPhones.

Phone batteries have been hit by U.S. tariffs, and Tan says customers are already looking to buy from other countries.

"It is only be a matter of time before factories in Southeast Asia will be able to make the same batteries," she said.

Still, firms surveyed remained broadly optimistic about foreign markets despite mounting challenges, with only 28 percent expecting orders to decline this year, and just 21 percent expecting declines in 2019.

When the twice-yearly fair, which draws thousands of companies, was last held in April, a Reuters poll found 65 percent of respondents were concerned about escalating trade tensions, and only 26 percent had anticipated a full-blown trade war.

In the latest survey, more than 60 percent expected the trade war to last at least another year, though some said it depends on how long President Donald Trump remains in the White House.

"The question isn't how long the trade war will last," said Charles Zhu of Taizhou Jieba Cleaning Products. "The question is how long will Trump be in power for."

Fifty-five percent of respondents said the government should "proactively engage in discussions" to try to end the trade war.

Just three respondents thought China should retaliate by restricting competition.

"One massive advantage China has is our ability to work hard and endure hardship, we thrive under competition," said Michael Zhuo of Yuyao Ghost Audio, adding around two thirds of his customers are in the United States.

"I'm not sure whether the U.S. has factored this into their thinking."

Just under half of the firms surveyed had no business in the United States.

KNOCK-ON EFFECT

Many exporters in sectors like solar power and machinery said their shipments to the United States were negligible, partly as a result of previous punitive tariffs that forced them to look at markets elsewhere.

But some exporters still expressed worries over how the trade war was undermining confidence globally.

"The trade war first of all hurts the Chinese economy, where we have customers, and it could also affect the economies of the countries we do business with," said Todd Cao, vice-president of Jiangsu Spanl Co. Ltd, which exports building materials.

Partly as a result of the trade conflict, economists polled by Reuters earlier this month predicted that China's third-quarter growth be its weakest since the global financial crisis.

And for many exporters surveyed, the rising costs of doing business in China, including growing costs of raw materials and high staff turnover, were more worrying than the Sino-U.S. trade war.

Respondents also listed problems like the crackdown on peer-to-peer lending and tightening environmental regulations.

Some exporters said customers in emerging market economies were suffering from a squeeze on dollars that made it harder for them to buy their products.

"Orders from Turkey, South Africa, Argentina, Iran, Syria and Libya are all down," said Tory Mak, a sales manager at Guangzhou HD Electronics, blaming weakening economic conditions in these countries and knock-on effects from the trade war.

Some firms not directly hurt by the new tariff regime were suffering the effects of other U.S. policy shifts, including the imposition of sanctions on Iran.

Firms in the textiles, electric equipment and solar sectors all said that their business was suffering because they were no longer allowed to export to the Middle Eastern country.

"We've not been hit by the tariffs but by the sanctions, which have cut our trade (with Iran) to zero," said one sales manager who did not want to be named.

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

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US apparel industry is already highly tariffed: AAFA

The American apparel and footwear industry is highly tariffed, as per the American Apparel & Footwear Association (AAFA). It represents six per cent of all imports, and currently pays 51 per cent of all duties collected by the US government. More tariffs and trade barriers are just not welcome or helpful, said the head of the association.

“A tariff is a hidden tax on consumers. Tariffs lead to higher prices, lost sales, and ultimately can result in job losses. The Trump administration's use of tariffs to deal with legitimate concerns with theft of intellectual property, are self-inflicted wounds that will hurt American consumers, American companies, and American workers,” Rick Helfenbein, CEO & president, AAFA, told Fibre2Fashion in an interview.

Many of the trading partners have responded with retaliatory tariffs on American exports. “While we are not happy that American denim will face added tariffs when selling in the EU, the American farmer will be hit the hardest. For example, China has issued tariffs on $1 billion worth of American cotton,” he said.

AAFA represents more than 1,000 brands, retailers, and manufacturers. It provides expertise in supply chain management, trade policy, and brand protection, to its members. The association’s focus is on supporting the growth and success of the apparel and footwear industry.

Source: fibre2fashion.com- Oct 17, 2018

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IMF cuts US growth forecast for 2019

The International Monetary Fund has cut its 2019 growth forecast for the US economy from 2.7 to 2.5 per cent as President Trump's trade policies are likely to harm domestic and international growth. In a recent interview with Lesley Stahl on "60 Minutes," President Donald Trump expressed his plan to impose more tariffs on China.

Trump has already imposed $250 billion in tariffs on products imported into the U.S. It further plans to impose 25 percent tariffs on steel dumping and 10 per cent on aluminum dumping.

China has retaliated against the tariffs and will further retaliate against any additional tariffs. Multiple industries have felt the impact of this trade war and retailers are likely to pass on the costs to consumers to mitigate the tariff effects.

Source: fashionatingworld.com- Oct 16, 2018

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Bangladesh: Garment makers mull tie-up with Sri Lankan firms

Bangladeshi garment manufacturers want to tie up with their Sri Lankan counterparts to add more value to the garment supply chain and reduce the lead time by at least 10 days.

The development comes after Malik Samarawickrama, Sri Lankan minister for development strategies, put forward the idea in a meeting with the leaders of Bangladesh Garment Manufacturers and Exporters Association last week.

"The business can happen in joint venture as well if we agree," said Siddiqur Rahman, president of BGMEA, the garment sector's apex trade body.

Under the agreement, the Bangladeshi garment manufacturers will send the basic items to different garment factories in Sri Lanka for finer washing, remaking and adding more value as Bangladesh has abundance of work orders now.

After remaking and finishing of the goods, Sri Lanka will ship them off with the 'Made in Bangladesh' label to different European markets from their deep sea port.

“This will take less time than if we do it all by ourselves. Plus, we will be able to sell the garment items at higher prices to retailers.”

A group of BGMEA leaders are scheduled to visit Sri Lanka soon to discuss the issue, according to Rahman.

Due to proximity of the Sri Lankan deep sea port to Europe, the lead time will be cut by at least 10 days.

“In the era of fast fashion, shorter lead time is very important as there are so many competitors.”

Any kind of garment products can be sent from Bangladesh to Sri Lanka to be re-exported.

However, Bangladeshi garment makers will primarily send the items that the local manufacturers are particularly not strong at.

For instance, Sri Lanka has an edge in innerwear, so if Bangladesh gets a lot of work orders for them, they would be sent to Sri Lanka for further value addition.

“We do not see any possibility of losing buyers from Bangladesh due to this initiative. Still, we are in the initial stage of the process,” Rahman added.

Regarding the initiative, Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said there is nothing wrong with the initiative. “It can happen in international business.

It is one kind of sub-contracting business but it will be done in between two states.” Mainly the small and medium garment factories that are not so much compliant and failing to make good profit would be interested in the business model.

“This is the automobile industry's model.”

For instance, some parts of the automobile are made in China and some in Malaysia or in some other countries. But after the finished goods are assembled, they have one company's brand.

“By doing so, both Bangladeshi and Sri Lankan businessmen will divide the profit. We need not be worried about losing buyers,” he said.

Currently, Sri Lankan's market share in global apparel trade is 1.2 percent and Bangladesh's stake is 6.5 percent.

Sri Lanka exports nearly $5 billion worth of garment items in a year while Bangladesh's export last year hit $30.61 billion.

Source: thedailystar.net- Oct 17, 2018

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Bangladesh factories hit by closures

Some 1,200 garment factories have closed down in Bangladesh over the last four years because of their lack of compliance and falling behind in the competitive landscape. It is feared falling profits will lead to the closure of some more factories. Bangladesh’s garment products have been losing competitiveness because of longer lead time, poor productivity and poor demand for apparel worldwide.

In 2014, the global market size for apparel was $483 billion; in 2017, the figure declined to $454 billion. Between 2014 and 2018, the prices of Bangladesh garment items declined in the US market by 11.72 per cent while the cost of production increased 29.54 per cent.

Similarly, the prices of Bangladesh’s garment items declined in the EU markets. But at the same time, garment owners have spent on fixing electrical and structural loopholes as per the recommendations of Accord and Alliance.

The cost of production will go up further after the implementation of recommended minimum wage from December this year. Wages comprise nearly five per cent of the total production cost of garment items.

The garment sector has been witnessing a peaceful and calm situation over the last four years as have been no incidents of unrest. But a lot of workers will lose their jobs if any garment factory is shut down for any reason.

Source: fashionatingworld.com- Oct 16, 2018

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New styles, sustainability initiatives to boost global denim sales by 2023

After going through a distressed period, the denim industry is now on an upswing. As a recent study by P&S Market Research indicates, global jeans sales reached $40 billion in 2016, and are expected to exceed $87 billion by 2023.

Data from Edited suggests retailers have started to refocus on their denim assortments by planning new releases. They have so far stocked 42 per cent more denim products than the last year. As a result, both manufacturers and designers are betting on denims revival.

Levi Strauss & Co in 2017 posted an 8 per cent growth owing to a significant revamp of its women's jeans. This is the jeans maker's strongest annual growth since 2011. Similarly, streetwear brands Off-White and Vetements garnered a lot of attention for the washes on their reworked denim and patchwork styles respectively, while mass-market labels such as American Eagle Outfitters set a record for volume last Fall, in an effort to lure teens into stores by providing a range of different silhouettes and washes, from ripped high-waisted 'jeggings' to indigo mom jeans.

Asia-pacific witnesses fastest growth

Driven by factors such as surge in digitisation within the apparel industry, advancement in new denim knittingNew styles sustainability initiatives to boost global denim sales by 2023 001 technologies, growth in investment in clothing and increasing adoption of luxurious and casual garments from all segments of the society, has led to Asia-Pacific witnessing the fastest growth in denim sales.

Over dominance of comfort clothing over the past decade led to stagnancy in growth of the classic jeans. The segment did not witness any major innovations during this period. Short-lived trends such as cropped and frayed hemlines, flared bottoms and '80s throwbacks did uplift the gloom for a brief period but could not bring back the reign enjoyed by the skinny jean style.

Meanwhile, for a brief period from 2015 to 2016, athleisure and comfort stretch street clothing overtook the denim industry but post this luxury and mass markets witnessed a huge upswing. To lower the cost of mass market, various denim manufacturers are experimenting with new materials, replacing cotton with nylon, polyester, aramid, and other spun thermoplastic variations.

Emergence of new denim styles

Driven by new trends and eager shoppers, the denim market soared through the early months of 2018. Skinny jeans represented 58 per cent of women's jeans with other styles such as wide leg and flare bottom, frayed details, silhouettes such as cropped hems, culottes, mom jeans, and wide styles also gaining momentum

In addition to this, silhouettes such as cropped hems, culottes, wide leg and flare bottom styles, frayed details and black and white colors are the most in-demand denim styles today with brands like Madewell and Everlane refocusing their attention on them.

Sustainability initiatives in denim

With sustainability being the centre of conversation in fashion and apparel industry, Levi's launched its F.L.X. technology– a laser-powered process that allows consumers to customise a unique distressed finish on their jeans. By giving consumers the opportunity to personalise their designs, laser distressing could be used as a means to create thousands of finishes currently being achieved through laborious traditional methods like sanding.

Source: fashionatingworld.com- Oct 16, 2018

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NATIONAL NEWS

India attracted USD 22 billion of FDI flows in first half of 2018, says UN report

India attracted USD 22 billion of FDI flows in the first half of 2018, according to a UN report which states that the global foreign direct investment dropped by 41 per cent in the same period due to tax reforms carried out by the Trump administration.

The UN Conference on Trade and Development (UNCTAD) said on Monday in its 'Investment Trends Monitor' report that in South Asia, India attracted USD 22 billion of FDI (foreign direct investment) flows, contributing to the subregion's 13 per cent rise in FDI in the first half of the year.

The report, however, said that with the USD 22 billion FDI, India just about managed to make it to the top 10 host economies receiving the most FDI during the period.

China was the largest recipient of FDI, attracting an estimated USD 70 billion in inflows in the first half of the year, followed by the UK with USD 65.5 billion, the US with USD 46.5 billion, The Netherlands at USD 44.8 billion, Australia with USD 36.1 billion, Singapore got USD 34.7 billion and Brazil received USD 25.5 billion, it said.

Global foreign direct investment fell by 41 per cent in the first half of 2018, to an estimated USD 470 billion from USD 794 billion in the same period of 2017, mainly due to large repatriations by the US parent companies of accumulated foreign earnings from their affiliates aboard following tax reforms, the report said.

Overall, the global financial picture is "gloomy", said James Zhan, UNCTAD's Director, Division on Investment and Enterprise.

The decline in global FDI is mainly owing to recent tax reforms implemented by US President Donald Trump's administration that led to big firms in the US to bring home earnings from abroad – principally from Western European countries.

Other factors have contributed to this year's "huge difference in repatriation" of overseas profits by US multinationals, Zhan said.

These include uncertainty about the detail and impact of tax reform and the potential impact of unresolved international trade disputes; such as the tit-for-tat tariffs imposed by the US and China, Zhan added.

In contrast to the overall decline in foreign investment, the report highlights a 42 per cent increase in so-called "greenfield" projects to USD 454 billion.

These initiatives can involve building operations in a foreign country from scratch and they are seen an indicator of future trends, Zhan said, adding that investment in this sector had been at "relatively low levels" in the same period last year.

The report noted that while the fall in foreign direct investment had happened mainly in richer nations, including Ireland (down USD 81 billion) and Switzerland (down USD 77 billion), developing economies saw FDI flows declining "only slightly" in the first half of the year by four per cent to USD 310 billion compared with 2017.

This includes developing Asia – down four per cent – to USD 220 billion – in the same period, driven mostly by a 16 per cent decline in investment in East Asia.

Latin America and the Caribbean saw a six per cent drop in investment, amid uncertainty over upcoming elections that were offset by higher commodity prices, the report said.

Source: financialexpress.com- Oct 16, 2018

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US-China trade war may bring $8.7 billion bonanza for Indian exports to America

From textiles to marine products, higher potential in 171 items, says commerce ministry.

The extra US tariffs on its imports from China in the ongoing trade war have opened a window of opportunity for India to push for higher exports in 171 items — ranging from textiles to marine products — with additional outbound shipment potential of up to $8.7 billion a year, according to a latest commerce ministry study.

The Trump administration has announced extra levy of up to 25% on $250-billion Chinese supplies in two phases, which will make scores of Indian products more competitive than China's in the US market.

The first round of higher duties on $50-billion Chinese goods has created the space for India to tap the export window in close to three dozen items with potential annual supplies of $2.1 billion, sources told FE.

Similarly, in the second round of duty increase, India has the scope to drive up exports in 135-171 items, with potential outbound shipments of $5-6.6 billion a year. These Chinese goods face additional American tariff of 10% up to end-December, after which it will be raised to 25%. The US is India's largest merchandise export destination. Exports to the US touched $48 billion in 2017-18.

The ministry held wide consultations with various export promotion councils in September for this purpose, said an industry source. However, the greater export opportunity can be exploited by India's competitors as well, including Vietnam and even Bangladesh.

A textile exporter said despite the extra impost, Chinese supplies of most items still remain more competitive than India's.

While the additional US levy impacts more than 7,000 tariff lines (products), in most cases, the American imports from China are not very significant.

In some other tariff lines, the Indian supplies to the US are already too high to be scaled up even further, said the sources.

The items where India can make inroads into the American market with greater vigour include shrimps and prawns, yarn, fabrics, man-made filament, copper and products made of such base metals, steel and iron products, garlic, berries, sugar confections, oilcake, distillate fuel oil, organic compounds, certain plastic, leather, rubber and wooden products.

India has been seeking fresh avenues to boost exports in recent months to trim a trade imbalance that has worsened its current account deficit (CAD) and pressured the rupee.

While the tariff tussles between the US and others (China in particular) has created an opportunity for Indian exporters to tap, the general damaging impact of the trade war on global economic and trade growth may outweigh any possible gains, analysts have said.

Still, unless the potential isn't exploited, the trade gap may even worsen further, they added. India's CAD is expected to worsen to 3% of GDP, against 1.9% in 2017-18, according to IMF. The rupee, too, has depreciated around 14% against the dollar in the past one year.

The commerce ministry has already conducted a similar study to assess potential for higher exports to China following the trade tussles between the top two economies.

Of the American goods on which Beijing has imposed extra duties in the range of 15-25%, India can ship out more in case of 44 items without much difficulty, as it currently has access to the Chinese market in these products.

In case of 17 items where American supplies are substantial, India doesn't have market access; so, it can export these items only if it can persuade China to open up further.

India made up for just 2.8% of US goods trade deficit in 2017 and occupied the 9th spot in the list of nations with which the Trump administration seeks to pursue a trade balance agenda.

However, India is the only major country whose goods trade surplus with the US narrowed in 2017 — a fact New Delhi has been highlighting in its talks with Washington.

India's goods trade surplus with the US narrowed 6% in 2017 to $22.9 billion. Between January and July, the surplus dropped even further to $11.1 billion from $12.4 billion a year before.

Source: financialexpress.com- Oct 17, 2018

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To boost exports, expedite GST refunds

Although the marginal dip in September exports, over the year-ago figure, is statistical, there is every reason to remove one major hurdle to export growth: unpaid GST credit cumulating to Rs 22,000 crore, according to the Federation of Indian Export Organisations (FIEO).

Delays block working capital for exporters and further hurt exports. India's current account deficit (CAD) is under pressure on the back of rising crude prices.

The government is trying to rein in CAD by levying more import curbs instead of promoting exports. Its decision to levy higher tariffs to curb imports goes against the grain of globalisation and legitimises US President Trump's move to scupper the rules-based world trading system.

The policy stance is not helping exports grow either. FIEO claims that as much as Rs 22,000 crore refunds — about Rs 7,000 crore on account of IGST and Rs 15,000 crore input tax credit —is pending before the government.

The cost of credit for exporters has risen by about 5-6%. The reason: many exporters have turned to costly informal credit since banks have virtually stopped lending to them. The smaller ones are facing the heat even more.

A sliding rupee, FIEO claims, has not helped exporters. Expediting refunds would help exporters at least partly tide over their liquidity crunch.

Some procedures have already been eased, true. Exporters can furnish a bond instead of paying IGST and claim the refund of unused input tax credit, or they can export after payment of IGST and then claim the refund.

Refunds must be swift in cases where IGST has already been paid. Associated procedures should also be streamlined. Input tax credit refund, for example, is partly electronic and partly manual. But the documentation requirements vary from authority to authority. Such absurdity must go.

Source: economictimes.com- Oct 17, 2018

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India: Is The Fall In Trade Deficit Pointing Towards Weakening Domestic Demand?

A surprise fall in India's trade deficit in September has led economists to question whether domestic demand is weakening.

The gap between exports and imports stood at $13.98 billion, sharply lower than a five-year high of $17.4 billion in August. Import growth slowed to 10 percent in September from over 25 percent last month. Exports contracted by 2.2 percent compared to 19.3 percent growth in August.

Imports Responding To Weaker Rupee?

Economists noted that slower import growth despite higher oil prices could reflect a weakening of domestic demand conditions. In particular, growth in non-oil, non-gold imports fell to just 1.2 percent in September from 12.8 percent in August. The slowdown in this "core category" of imports ahead of the generally buoyant festive season could suggest that demand is adjusting to higher prices driven by a weaker currency, said Nomura Global Markets Research in a report.

"The mix is puzzling: exports contracted sharply both in year-on-year terms and sequentially, despite the sharp depreciation of rupee; while imports moderated despite high oil prices and expected festive demand for gold. These point towards a potential moderation in domestic growth and a faster-than-expected adjustment to the weaker currency."

Sonal Varma, Chief India Economist, Nomura Global Markets Research.

Tushar Arora, senior economist at HDFC Bank, pointed out that the month-on-month momentum of core imports was also contrary to seasonal trends.

“Instead of the general pre-festive bounce (average increase in the September month has been around 4.1 percent), non-oil non-gold imports contracted by 4.5 percent MoM this time around,” Arora wrote in a research note.

The categories that saw a year-on-year decline included items like rice, cashew and ready-made garments. Coal imports dropped 10 percent month-on-month and machinery imports fell 23 percent month-on-month, Arora said. Electronic goods imports, on the other hand, continued to be strong and rose 2 percent sequentially.

“Going by the items that led to a surprise and lower import growth, there are signals of some slowdown in the economy. Coal and capital goods imports like machinery are early indicators in this regard. While it may be too early to judge, it’s important to remain watchful of this trend going ahead.”
Tushar Arora, Senior Economist, HDFC Bank.

Export Weakness Not A One-Off?

On the export end, economists weren’t convinced that the fall was related only to a high base effect. In a statement on Monday, the government said that the fall in exports is a “temporary out of trend phenomenon” due to a spike in exports in the same month last year.

Varma of Nomura pointed out that exports were weak on a sequential basis, too.

Exports contracted by 3.2 percent month-on-month (seasonally adjusted) in September after 4.4 percent growth in August, despite the sharp rupee depreciation. “This suggests weak global demand may also be a factor—with both price and volume growth falling on a three-month moving average,” Varma wrote.

The decline in exports was broad-based across commodities, manufacturing and agriculture. Within manufacturing, labour-intensive industries like gems and jewellery and textiles have seen exports decelerate, after a shallow recovery over the past three months, Nomura said.

Exports may remain sluggish due to global demand conditions and a tendency towards protection, said economists, while adding that this may balance out any positive impact of a weaker rupee.

Source: hellenicshippingnews.com- Oct 16, 2018

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India must promote gender parity, push exports: Amitabh Kant

India must promote gender parity and push exports to grow at 9-10 per cent annually in the next three decades, Niti Aayog CEO Amitabh Kant said Tuesday.

"While India has focussed on innovation, infrastructureNSE -0.91 %, structural reforms and ease of doing business, a lot of work still needs to be done on gender parity and exports and ensuring that India has growth with equity," Kant said while addressing the 98th Annual Session of Assocham here.

Talking about the challenges for India in achieving 9-10 per cent growth for longer periods of time, Kant said, "There are challenges of gender parity because in India only 24 per cent of women work while world average is 48 per cent.

If India has to grow at higher rate, it needs to ensure that women work. Therefore, consciously men need to push for gender parity."

Stating that several nations like Japan, Korea and China achieved 9-10 per cent growth post World War-II, he said, "There is no reason when you have a very young population and light dependency burdens that India should not achieve this, India must achieve this."

He also said that Indians need to find solutions for their problems be it providing seed and fertiliser to farmers depending on soil and weather conditions, converting waste into energy, providing clean drinking water and others.

"There are a lot of innovations which take place in Silicon Valley in the US but much of that are for driverless cars, war weapons, drones and other things but Indians have to find solutions to their problems," Kant said.

Source: economictimes.com- Oct 16, 2018

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Weak rupee fails to bring cheer to exports, structural reforms needed

A study by Axis Bank showed that, while India has moved up the value chain in the US market, the unit value of exports was similar to that of Vietnam in 2012; today, Vietnamese exports command a premium of 15-16%.

Economists at HSBC believe the rupee will fall to levels of 76 by end-2018 and 79 by end-2019 because the factors influencing the currency movement—a widening current account deficit and large foreign portfolio outflows—could become more unfavourable in the months ahead.

While a weaker rupee should ideally have helped exporters, the fact is other competing currencies, too, have depreciated and, to that extent, the advantage is smaller. More critically, India’s exporters are hamstrung by poor infrastructure facilities that, as economists have pointed out, is more than half the problem.

The past year has, in fact, been even more difficult for them with GST refunds delayed. Also, the rigid labour laws are an impediment and, unless fixed soon, will result in more unemployment.

Also, while the slight fall in exports has been attributed to the base effect, it is not as though exports have been faring well otherwise; they have been faring poorly for quite some time now. Sectors such as ready-made garments and leather, which are labour-intensive, are among the worst hit.

A study by Axis Bank showed that, while India has moved up the value chain in the US market, the unit value of exports was similar to that of Vietnam in 2012; today, Vietnamese exports command a premium of 15-16%. Even sectors that were doing well—agriculture, for instance, where the the 12-month average growth is 11%—are slipping.

Hopefully, the IT sector, which brings in a chunky $100 billion or thereabouts, will grow, but in recent times it has not been doing as well; all attempts have to be made to ensure this sector does not get hit. And there has to be some serious work on removing infrastructure bottlenecks to help exporters.

There is little point in consoling ourselves that the trade deficit for September was just $14 billion, smaller than the three-month average of $17.5 billion. While reining in imports is fine, the better way to ensure a surplus in the Balance of Payments (BoP), at a time when global growth is slowing, is to push exports and to attract more foreign direct investments (FDI).

Portfolio flows, as is known, can be fickle—the outflow in 2018-19, so far, is a whopping $15.1 billion, of which nearly $3.6 billion has been pulled out in the first half of October alone.

Economists believe the rupee's yield advantage versus the dollar is now relatively low, both from a historical perspective as also compared with other EM currencies.

That means inflows into the bond markets could remain subdued. The government must consider throwing open sectors, such as retail, to global investors if it wants to raise equity inflows.

Source: financialexpress.com- Oct 16, 2018

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India worst sufferer of declining trade & slow global growth: Suresh Prabhu

Commerce and industry minister Suresh Prabhu said India is the "worst sufferer" of declining trade and slow global economic growth as the country has a huge stake and its share in world trade is rising.

"No country can benefit from the decline in the world trade, and the slowing global economy is a concern for all nations, including India," Prabhu said at an Assocham event on Tuesday.

India's exports declined for the first time in the current fiscal, with shipments contracting 2.15% in September to $27.95 billion.

Prabhu said there was predictability in doing business globally in the past six-seven decades, but "we are seeing a dramatic change in global trade" in the past few months.

On Monday, commerce secretary Anup Wadhawan had said that global recovery was fragile and there was some element of risk from threats such as confrontational trade stances that major countries had taken.

Commenting on the World Bank's ease of doing business report, which is scheduled to be released soon, Prabhu said, "You will have a good news when World Bank will release its report."

Source: economictimes.com- Oct 17, 2018

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Indian clothing exports drops significantly in last one year

India's exports of clothing and textile declined significantly last year. The reasons include the infrastructure and high transaction costs. Though India finds a place among top ten apparel exporting countries, its contribution is lower than that of countries like Vietnam and Bangladesh. These countries have tariff advantages in the form of duty-free access.

India has a tariff disadvantage ranging between one to 40 per cent in almost all top importing countries such as the US, EU, Canada, China, Australia, Switzerland, GCC countries, Israel and Chile. India's apparel exports have shown an unencouraging trend, with a marginal de-growth of one per cent in fiscal 2018 as well as in the period April-July of fiscal 2019.

Several internal as well as external headwinds, the past year turned out to be rather challenging for India's apparel exporters. Transition to the new taxation regime, besides posing liquidity challenges for the industry, added to uncertainties because of alternating stances on export incentives during the year.

Further, a stronger rupee heightened the challenges in the international market by affecting the competitiveness of players in an intensely competitive international apparel market.

Source: fashionatingworld.com- Oct 16, 2018

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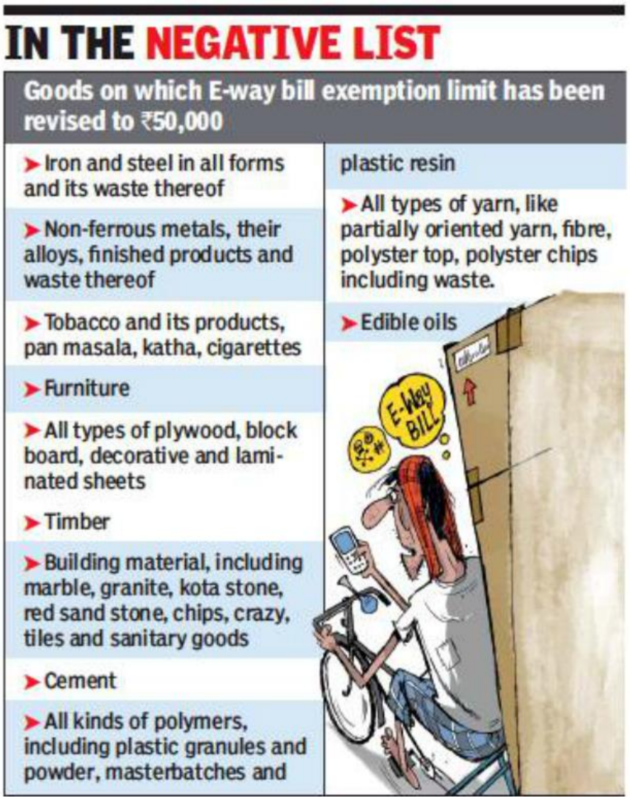
E-way bill: 11 goods off Rs 1 lakh exemption list

In the state versus the Centre deadlock on changes done in the e-way bill by the Punjab taxation department without consulting Central GST (CGST) department, the former has softened its stand on the issue. Central GST department had objected to Punjab doubling the exemption limit of intrastate e-way bill from Rs 50,000 to Rs 1 lakh on all items.



In the latest notification issued by the state taxation department, 11 items have been put in the negative list, which means the exemption of Rs 1 lakh will not be applicable on them. Some of the items put in this list include iron and steel in all forms, non-ferrous metals, tobacco and its products, pan masala, cigarettes and timber.

However, the development is seen as a victory for the CGST department, as sources said it had recently demanded putting certain items in negative list, saying exemption would lead to increase in malpractices.

In the fresh notification, which has been approved by state excise and taxation commissioner Vivek Pratap Singh on October 8, the state department has made it clear that it is modifying its earlier notification of September 13 in which exemption limit for intrastate transport of goods was doubled.

The matter had taken a serious turn after Manoranjan Kaur Virk, GST chief commissioner, Chandigarh Zone, shot off a letter to Union government’s special secretary John Joseph, alleging that the Punjab government and its taxation department had “unilaterally” made changes in the rules and issued a notification without mandatory consultation with her office.

Kaur had described Punjab government's move as a "flagrant disregard and contravention of rules". The CGST department was of the view that doubling the exemption limit for all sectors would lead to unscrupulous elements misusing the system without actually supplying goods and services, as several incidents of GST evasion and misuse of e-way bill and trading invoices were unearthed by the department in Punjab, mainly in Mandi Gobindgarh.

However, state finance minister Manpreet Badal had then refused to reverse the decision, claiming that the changes were made according to the GST rules and that the state was going to make more changes in the eway bill to make it simpler for businessmen.

Meanwhile, the development has left the city businessmen disappointed. Inderjit Singh Navyug, president of United Cycle and Parts' Manufacturers' Association, said, "We are surprised that the state taxation department issued this notification without informing us and did not even make us aware about the changes. With Rs 1 lakh exemption on e-way bill withdrawn from 11 goods, the Ludhiana's trade and industry will be hit hard."

Source: timesofindia.com- Oct 16, 2018

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Flipkart arm Instakart to set up logistics hub in Bengal

Flipkart's subsidiary Instakart Services Pvt Ltd will set up a logistics hub at the Haringhata Industrial Park in West Bengal's Nadia district, according to the state's finance minister Amit Mitra. The proposed hub, with an investment proposal of around ₹991 crore, would be established within two-and-a-half years, Mitra recently said in Kolkata.

To be set up on 100 acres, the project is expected to provide direct employment to more than 18,000, a news agency report quoted the minister as saying.

The Instakart proposal was recently passed by the West Bengal Industrial Development Corporation (WBIDC), which will be later sent to the Cabinet Standing Committee for in-principle passage, a formality, Mitra said.

Instakart will be the anchor investor at the park to attract other investors, he said.

The state cabinet recently granted 98.53 acres to The Chatterjee Group (TCG) for a new plant at Haldia for a continuous polymerisation plant to process fibre, spinning and cotton yarn.

Source: fibre2fashion.com- Oct 16, 2018

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Buyer-seller meet for powerloom products begins

Powerloom weavers and product manufacturers have showcased a range of products at the three-day buyer-seller meet held here from Monday.

The meet, organised by the Regional Office of the Textile Commissioner and the Powerloom Development and Export Promotion Council, has 27 stalls and the participants are from different parts of Tamil Nadu, Andhra Pradesh, and Karnataka.

The business-to-business programme is expected to generate business worth ₹1 crore during the three days. The powerloom products on display include apparels, home textile items, sarees, dhotis, shirting material, and bed sheets. Institutional buyers and traders are likely to visit the event and place orders directly.

The aim of the programme is to provide an opportunity to the powerloom industry to showcase its textile products and promote marketing activity of powerloom cloth manufacturers under the PowerTex India Scheme, said an official press release.

G. Bakthavathsalam, chairman of KG Hospital, inaugurated the meet.

Source: thehindu.com- Oct 16, 2018

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