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IBTEX No. 37 of 2019 February 18, 2019

USD 71.42| EUR 80.76 | GBP 92.21 | JPY 0.65

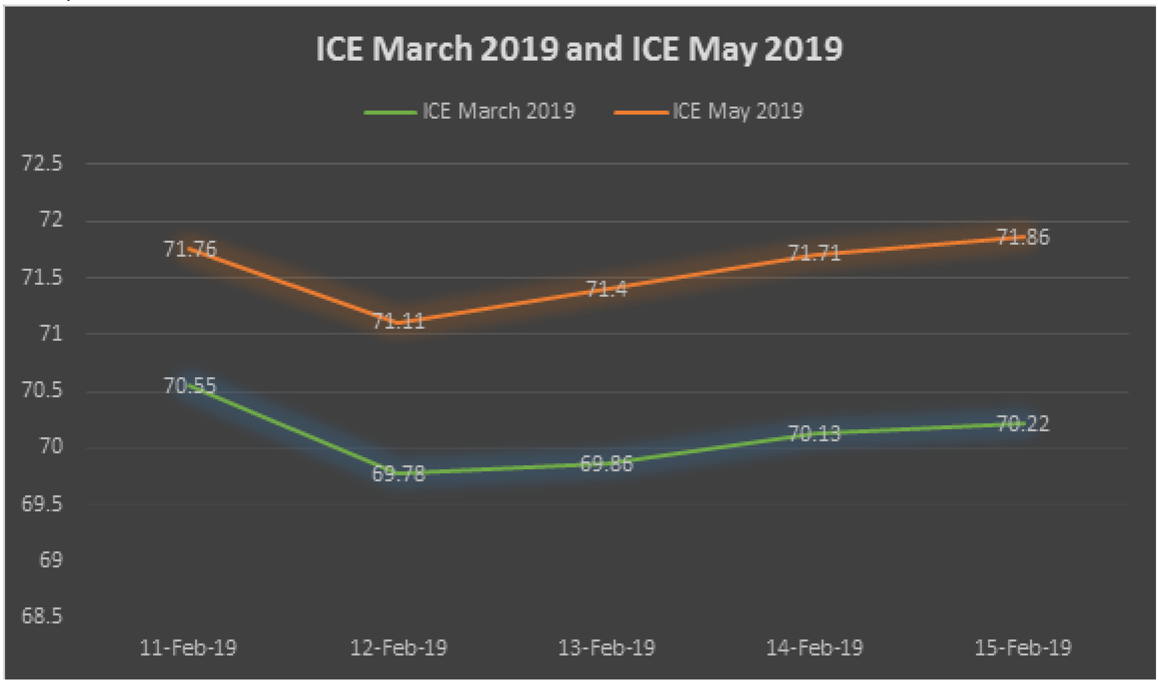
Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19904	41600	**74.17**
Domestic Futures Price (Ex. Warehouse Rajkot), February		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20130	42072	**75.01**

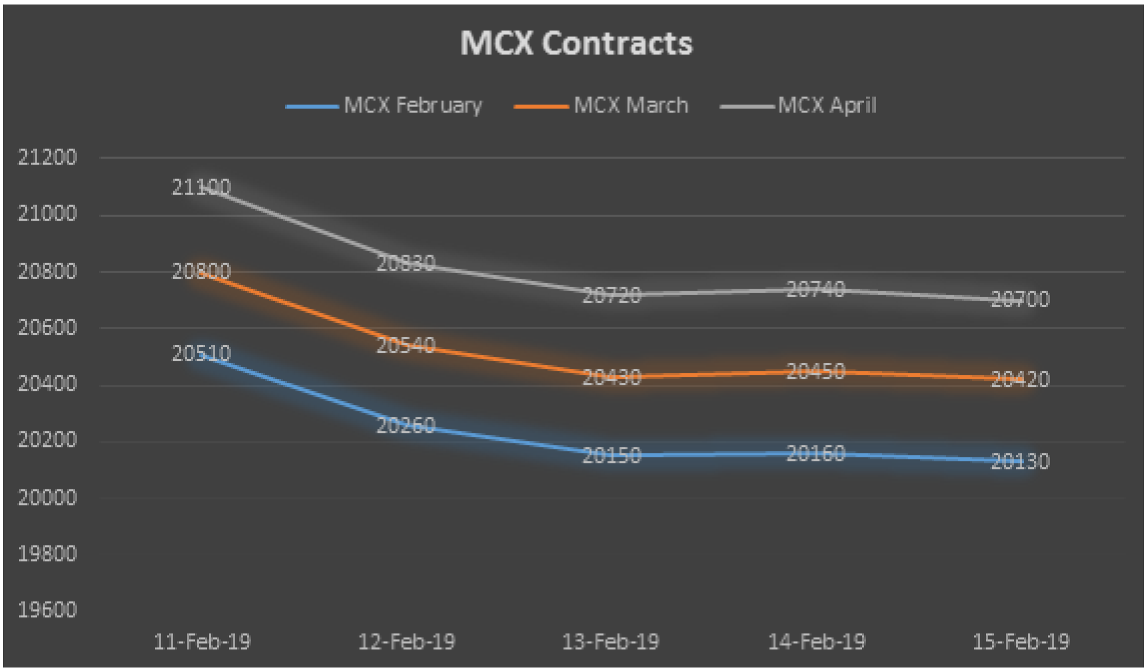
International Futures Price	
NY ICE USD Cents/lb (March 2019)	71.86
ZCE Cotton: Yuan/MT (May 2019)	14,950
ZCE Cotton: USD Cents/lb	100.12
Cotlook A Index – Physical	**79.95**

Cotton Guide: The ICE March cotton futures traded with settlement figures in the range of 69.78 cents/lb and 70.55 cents/lb and the ICE May futures traded with settlement figures in the range of 71.11 cents/lb and 71.86 cents/lb. The cotlook Index A was in the range of 79.40 cents/lb and 81.80 cents/lb. The Price range of MCX February contract on the other hand settled with figures of 20,130 Rs/Bale and 20,510 Rs/Bale i.e. a range of 380 Rs/Bale. For the March Contract the settlement range was 20,420 Rs/Bale to 20,800 Rs/Bale whereas for the MCX April contract the settlement range was 20,700 Rs/Bale and 21,100 Rs/Bale.

ICE cotton future contracts will not be traded today in observance of a National Holiday. Trading will resume tomorrow i.e. 19th February 2019. The Nearby contracts traded mixed on Friday therefore settling at 70.22 cents/lb for the ICE March contract and 71.86 cents/lb for the ICE May contract. The changes were noted to be +9 and +15 points for the March and May contract respectively. The other ICE contracts for 2019 also traded within a range of 73.24 cents/lb and 72.80 cents/lb.



With respect to Border Security, President Trump signed a funding bill which was passed by congress earlier. A national emergency was also declared to avail the required funding for the border wall between USA and Mexico.



The MCX contracts on the other hand also ended with a slight decline. The MCX February contract ended with a slide of -30 Rs thus closing at 20,130 Rs/Bale. The MCX March and MCX April contract ended with -30 Rs and -40 Rs thus settling at 20420 Rs/Bale and 20700 Rs/Bale. The volume for the MCX February contract declined by -743 lots to 2393 lots, whereas the open Interest for the February contract also declined by 345 lots at 8484 lots.

The total arrivals in India are estimated to be 152,000 lint equivalent bales (source cotlook) including 45,000 registered in Maharashtra, 40,000 in Gujarat and 28,000 in Andhra Pradesh. The Prices of Shankar 6 are still on an average of 41,600 Rs/Candy. The cotlook Index A has been readjusted a tad higher to 79.95 cents/lb with a change of +0.30 cents/lb.

The country's oldest exchange, BSE Limited, will be launching cotton derivatives contract today, with a lot size of 25 bales making it the second product in the exchange's agri-commodity derivatives segment. BSE, in association with the apex cotton trade body Cotton Association of India (CAI), is also offering a waiver in the transaction charges for the initial year.

On the International front, the fund selling are driving the ICE March Futures below 70 cents/lb. There are two reasons that the market is now contemplating on. First is the US China trade talks which are ending up into vague results. In the recent trade Talks between the US and Chinese delegates, a concrete result was not declared but on the other hand an extension for another 60 days was considered. This could give a leeway to the Chinese but not to the Americans as the truce would continue in favour of the Dragon country. Second, the concern of demand is still looming around, as weakness is reported in France and Germany with respect to Growth. They both might end up into a recession. Along with the aforementioned points a slowdown in the Chinese economy cannot be ruled out.

ICE cotton May futures failed to hold the intermediate rising channel and declined with the formation of bearish flag pattern. In the weekly charts Earlier price is trading below the 61.8% Fibonacci retracement level 72.40 and extending towards the next support levels at 70.00 levels. More over price is still trading below the 13 weekly EMA AT 75.68, supporting the weakness in bias in cotton price. However RSI in weekly charts is near the oversold zone at 31, which may restrict the downside bias in price. So for the week price is expected to remain in the range of 70.00-73.60 with sideways to downside bias. In the near term strong supports exists around 70.00, followed by 69.40,69.00 levels. Likewise crucial resistance seen around 72.40,75.68, followed by 77.50 levels.
In the domestic markets trading range for Feb futures contract will be 19800-20450 Rs/Bale

Currency Guide

Indian rupee may witness mixed against the US dollar but general bias remains weak. Weighing on rupee is sharp rise in crude oil price. Brent crude trades higher above $66 per barrel and has tested the highest level since Nov.2018 supported by Saudi's supply disruption and sharp gains in US equity market. Increased geopolitical tensions between India and Pakistan post recent terror attack in Kashmir is also weighing on the currency. India raised duties on all goods imported from Pakistan following the withdrawal of most-favored nation status. However, supporting rupee is general strength in global equity markets and retreat in US dollar. The US dollar eased back against major currencies as US-China trade talks progress reduced safe haven demand. The US and China are said to have reached a consensus in principle on the main topics in their ongoing trade negotiations, with talks set to resume in Washington this week. Rupee may witness choppy trade amid mixed cues but general bias may be on the weaker side owing to strength in crude oil price. USDINR may trade in a range of 71-71.45 and bias may be on the downside.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Worst nine year drop in US retail sales
2	AFCFTA expected to come into force by mid-2019
3	GSP has little affect on Pakistan's apparel trade with EU
4	Chinese textile city a test for Egypt's industry
5	Vietnam's M&A market forecast to mark a banner year in 2019
6	Oman- Indian Embassy holds roadshow to promote terry towel expo
7	Pakistan: Textile exports rise 8.16pc to $1.16bln in Jan

NATIONAL NEWS	
1	Government launches online course, app to support potential exporters
2	Suresh Prabhu Chairs Board of Trade Meeting
3	Outlook for the rupee
4	Exporters seek govt support to offset losses in case US withdraws GSP benefit
5	Import duty hike may not hamper India-Pak cotton trade
6	'India Size' garments may hit the shelves soon
7	FIEO suggests series of measures to boost exports
8	Patanjali's fashion foray: Baba Ramdev's company turns to apparel after creating ripples in FMCG

INTERNATIONAL NEWS

Worst nine year drop in US retail sales

US retail sales fell in December. This is the worst drop in nine years. The value of overall sales fell 1.2 per cent from the prior month. Excluding automobiles and gasoline, retail sales slumped 1.4 per cent.

The steep drop however is at odds with figures showing a healthy job market and steady wage gains. The slump also may prove temporary as stocks have regained ground following December's plunge.

All but two of 13 major retail categories showed a decline, with non-store retailers — which includes online stores — falling 3.9 per cent, the most since November 2008. The broad-based weakening reflected lower sales from clothing stores and gasoline stations. Auto dealers and building materials stores were the only sectors to record increases.

Receipts at health and personal care stores fell two per cent, the most since October 2016. Sales at sporting goods, hobby, musical instrument and book stores tumbled 4.9 per cent, the biggest drop since September 2008.

Source: fashionatingworld.com- Feb 16, 2019

HOME

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AFCFTA expected to come into force by mid-2019

The African Continental Free Trade Area Agreement could be in force by mid-2019, given the current pace of ratification, according to trade experts.

Rwanda's department of trade and industry recently held the 2nd ordinary session of the specialised technical committee of the African ministers of trade, industry and mineral resources to discuss the agreement.

The meeting was themed 'The Entry into Force of the Agreement Establishing the African Continental Free Trade Area (AfCFTA) and its Implementation'.

The objective was to consider draft continental strategies, including the African Union Commodity Strategy, Africa Union Small and Medium Enterprises Strategy and Trade Facilitation Strategy.

The meeting also took note of the various technical reports and presentations in trade, customs, industry and minerals, according to reports by news agencies. Once established, AfCFTA will bring together 55 countries, availing a market of 1.2 billion people with a gross domestic product of about $3.5 trillion.

It is also expected to drive the transition from low productivity and labour-intensive activities to higher productivity and skill-intensive industrial and service activities across the continent.

The meeting was attended by member states, regional economic communities, experts from the Afreximbank, the African Development Bank (AfDB), the United Nations Economic Commission for Africa (UNECA), the United Nations Industrial Development Organisation (UNIDO) and the United Nations Conference on Trade and Development (UNCTAD).

AfCFTA, launched in March 2018 in Kigali, requires 22 ratifications for entry into force. The total number of ratifications now stands at 18, Rwanda's commissioner for trade and industry Albert Muchanga said.

Source: fibre2fashion.com- Feb 18, 2019

HOME

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GSP has little affect on Pakistan's apparel trade with EU

Pakistan's share in the European Union's imports increased by 0.5 per cent in both knitted and woven categories over 2013-2017. That means GSP Plus status, valid till 2023, hasn't helped much. However, over the same time the share of Bangladesh, Cambodia and Vietnam increased six per cent, two per cent and 1.1 per cent respectively.

The main challenges facing Pakistan's textile sector are lack of product and market diversification, low value addition and low export competitiveness. Among the measures contemplated are focusing on the domestic supply chain, adoption of latest technology, making access to industrial raw materials easy and affordable and capacity building.

One essential area is making access to credit convenient and easy, especially for the small and medium sector, and introducing policies to make the system of acquiring bank credit simple and friendly and doing away with complex procedures.

Pakistan's textile sector plays a vital role in the country's economy with 8.5 per cent share in GDP, a 40 per cent share in the industrial workforce, a 25 per cent share in industrial value addition and a 21 per cent share in large scale manufacturing. Pakistan's share in the global garment market is 1.1 per cent.

Source: fashionatingworld.com- Feb 16, 2019

HOME

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Chinese textile city a test for Egypt's industry

Mankai Textile Industrial Park will contain 592 factories, making it one of the largest specialised industrial zones in Egypt.

Producers and experts in the textile industry said the establishment of a Chinese textile city in Egypt will severely harm the debt-ridden local clothing manufacturing industry, which operates with dated equipment and machinery.

Mankai Textile Industrial Park will contain 592 factories, making it one of the largest specialised industrial zones in the country.

To expedite formal procedures and speed the project's implementation, its oversight was transferred from the Industrial Development Authority to the New Urban Communities.

"The beginning of May will see the start of the pilot operations of the Chinese industrial city's first-phase factories," said Egyptian Minister of Commerce and Industry Amr Nassar said.

He added that Sadat City, 90km north of Cairo, was chosen as the site of the Chinese industrial park, which will cover 3.1 million sq. metres. It is expected that all phases of the project will be completed within four years.

The Egyptian Army Engineering Corps has completed the first half of the initial phase of the project, covering about 600,000 sq. metres, for 150 factories. It will employ state-of-the-art spinning and weaving technology.

Former Minister of Industry Tariq Qabeel, who last year signed the agreement establishing the Industrial Park, said the value of the total production of the project, once it is operating at full capacity, will be approximately $9 billion per year.

Chinese government-owned Ningxia Mankai Investment Company, which will oversee the project, signed preliminary sales contracts with 48 Chinese factories for the first phase and is negotiating with more than 60 Chinese investors to sign contracts selling more factories for the same phase.

The company is having promotional and marketing trade shows for the project in several Chinese provinces. About 25 Chinese delegations recently visited the park.

Mufrih el-Beltagy, president of Misr Ameriya Spinning & Weaving Company, said new textile and clothing city spells the end of the Egyptian textile industry, especially because the project's output is meant for the local market instead of for exportation.

"The new factories and the textile will be using modern machines and equipment that reduce production costs and this will complicate matters for Egyptian factories and could drive them out of the market," Beltagy added.

The Egyptian Ministry of Business Sector allocated approximately $1.5 billion to update state-owned spinning and weaving companies whose production lines have aged but financial indicators show the process has been difficult.

Of the 32 companies of the state-run Cotton & Textile Industries Holding Company, 22 are operating at losses totalling nearly $152 million.

The local textile industry is suffering from economic reform measures, especially the lifting of energy subsidies, implemented by the government more than two years ago. The industry had grown since its inception in the cradle of governmental support and protection.

Factories import Indian yarn at about $3 per kilogram, while local yarn costs about $3.40 per kilogram, of which $1.70 goes towards workers' wages.

Furthermore, the new Chinese factories will rely on digital automation, which will greatly reduce labour costs and make matters more complicated for local manufacturers. In Egyptian textile factories, and especially the state-owned ones, about 74% of revenues go to wages, compared to 13% in international companies.

Mohamed el-Morshedi, head of the Textile Industries Chamber of the Federation of Egyptian Industries, said the Chinese Textile Industrial Park would not contribute to solving the problems of the spinning and weaving sector but would adversely affect it if production is directed to the local market.

Morshedi stressed the necessity to have the new park focus on foreign markets. "This is a step that we are expecting," he said, "but things have not been clear so far."

The government has begun a plan to develop the spinning and weaving sector and imported gins exceeding current production capacity. The sector's problem, therefore, does not reside in the number of factories available but rather in low production capacity.

The Ningxia Mankai Investment Company is establishing a school to bring workers up to speed with the spinning and weaving industry's latest technology to guarantee skilled labour to handle new production techniques in the textile park.

Source: thearabweekly.com- Feb 17, 2019

HOME

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Vietnam's M&A market forecast to mark a banner year in 2019

Experts have been upbeat about Vietnam's merger and acquisition (M&A) market this year, fueled by the government's continued initiatives to relax the foreign ownership ceiling and the country's adoption of new trade deals.

Seck Yee Chung from global law firm Baker & McKenzie said Vietnam's M&A value, especially in the retail, consumer goods, and food and beverage (F&B) sectors, will rise in 2019 as more foreign investors look to increase their investment and further expansion within the local market.

The amount of M&A and investment activities in the market indicate many trends, in particular, reflecting confidence in the market, Chung said, noting M&A activities in 2018 did not outpace 2017, which had two high-profile public company deals in the beverage sector. However, M&A activities in the retail, consumer goods and F&B sectors remain higher than other sectors.

Specifically, he said, within the consumer goods industry, convenience stores and mini-marts in Vietnam remain one of the fastest growing segments in the industry and it is expected to see continued investment.

"We have seen and can expect an increase in foreign investment into privatized state-owned enterprises due to the continued initiatives to relax the foreign ownership ceiling, which has been integrated into the government's desire to divest its ownership in big players in the consumer goods market," Chung said.

Echoing Chung, Vice Chairman of the Vietnam Association of Foreign Invested Enterprises Nguyen Van Toan, is also optimistic about the M&A market in 2019 thanks to recent positive developments.

According to Toan, M&A deals hit US$9.9 billion last year, making a record disbursement of foreign direct investment (FDI) of US$19.1 billion in the year.

This shows foreign investors' increasing confidence in Vietnam as well as achievements in state divestment and privatization.

Big push underway

Toan forecast Chinese enterprises will shift their investment strategies by pouring more capital into building plants in Vietnam to take advantage of its integration commitments within ASEAN and other free trade deals, which will contribute to pushing up M&A activities.

Chung also believed Vietnam will gain from the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in various ways, from lowered tariffs to exports to increased confidence in the Vietnamese market.

"The adoption of the CPTPP would result in a reduction of tariffs on consumer goods, such as certain milk and dairy products and textile products, leading to a potential overall increase in the growth of these consumer goods, thereby increasing incentives to invest and driving M&A activities in the areas," he explained.

In addition, Chung said, there are some positive trends from a regulatory perspective which may further build confidence for investors in M&A deals in the retail, consumer goods and F&B sectors, which include the government's increasing willingness to engage in state divestment; regulations to ease some of the requirements for foreign-invested traders; and the drafting of the Securities Law aiming to ease foreign ownership limitations and conditions.

However, in order to remain an attractive destination for foreign investors, Chung suggested the government should continue to embrace Industry 4.0 and prioritize making digital tools and services available to businesses besides cutting regulatory red tape to lessen unnecessary burdens for investors and entrepreneurs.

Besides, Nguyen Thi Viet Nga from the Academy of Finance recommended legal regulations should be streamlined as there are no full details for M&A in Vietnamese documents and laws, causing difficult for state agencies to manage and prevent local firms from finding suitable partners.

Serving as brokers for M&A deals, securities, financial and audit companies should enhance their roles in the deals as their human resources, professionalism and information have remained insufficient, Nga added.

Source: vietnamnet.vn- Feb 17, 2019

HOME

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Oman- Indian Embassy holds roadshow to promote terry towel expo

The Indian Embassy in Muscat, as part of its endeavour to promote business relations between India and Oman, last week organised a roadshow to promote Vibrant Terry Towel Global Expo & Summit 2019 (VTTGES).

The roadshow also facilitated business interactions between visiting Indian delegation and stakeholders in Oman. Eng Redha Juma al Saleh, member, Board of Directors of the Oman Chamber of Commerce and Industry, was the chief guest on this occasion.

Eng Saleh stressed on the immense potential for further increase in trade between India and Oman. Rakesh Adlakha, deputy chief of mission, in his welcome remarks referred to the historical trade links between the two countries and invited Omani businessmen to attend VTTGES 2019.

Representatives of Textile Development Foundation (TDF), Solapur, gave a detailed presentation on VTTGES 2019, which will be held from September 25 to 27 in Solapur, Maharashtra.

Solapur, known as 'The Towel City of India' for its crafty terry towels and bath linen being manufactured at reasonable costs, possesses a rich blend of culture, interesting mythology and a thriving cottage and small-scale industry.

The unique design of Solapur's terry towels and bath linen is protected and recognised 'Geographical Indication' under the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

'VTTGES 2019 and Make in Solapur' organised with the support of Ministry of Textiles, Government of Maharashtra will bring together all stakeholders from 'yarn to fabric' viz cotton growers, manufacturers, traders, exporters and importers both domestic and international, and consumers to a unique platform to harness export opportunities of towel manufacturers for their foray into national and international markets.

Source: menafn.com- Feb 17, 2019

HOME

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Pakistan: Textile exports rise 8.16pc to $1.16bln in Jan

Pakistan's textile and clothing exports recorded 8.16 percent year-on-year surge to $1.167 billion in January, taking the total exports for the first seven months of the current fiscal year to $7.81 billion, up 1.19 percent, as easing duties on raw materials' imports gave impetus to the industry, official data showed on Saturday.

In January, textile exports recorded a growth of 2.46 percent compared with $1.139 billion in December, the Pakistan Bureau of Statistics (PBS) reported.

Mirza Ikhtiar Baig, senior vice president of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) said the rupee devaluation and reduced duties on imported raw materials would help the country's annual exports reach $25 billion.

"(But), there is no way that the target of $27 billion could be achieved for the current fiscal year," Baig added.

FPCCI official, citing the central bank's data, said private sector credit stood at Rs570 billion during the period under review, of which Rs470 billion was working capital, which was usually invested in real estate and stock markets.

"Only Rs100 billion would be spent on imports of plant and machinery," he said. "Having said that, with 14 percent markup and US dollar hedging at over Rs150, import of plant and machinery is not feasible at all." In January, textile machinery imports fell 1.36 percent to $55.93 million, while imports of textile machinery declined 10.64 percent to $308.608 million in the seven months of the current fiscal year, according to the PBS.

In January, cotton yarn exports increased 11.33 percent year-on-year to $86.614 million. Knitwear exports rose 16.25 percent to $248.58 million. Bedwear exports increased 6.69 percent to $193.30 million. Readymade garments' exports surged 9.94 percent to $256.31 million, while cotton cloth fetched $181.369 million in exports revenue during the month under review, down 0.59 percent over the same month a year earlier.

An industrialist said exports are largely dependent on imported inputs. "Fluctuation in rupee value and costlier utilities rendered local products uncompetitive in the international markets."

Furthermore, recurrent energy crisis remains unaddressed, as lack of availability of system gas and costlier re-gasified liquefied natural gas forced several smaller mills to close operations, which was another negative for textile exports sector.

"We expect the performance of textile sector to remain upbeat in the coming months owing to government's commitment towards the improvement of the sector," analyst Taimoor Asif at brokerage Pearl Securities said.

"The decrease in duties on raw materials, concessionary gas and electricity prices along with the withdrawal of duties on imported cotton would likely to have positive impact on country's textile exports."

Analysts also expect the impact of rupee depreciation to start reflecting during the second half of the current fiscal year. Pakistani firms also received good response at a recently-held Heimtextil 2019, a world's famous fair for home and contract textiles in Germany, paving way for further international orders.

Source: thenews.com.pk - Feb 17, 2019

HOME

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NATIONAL NEWS

Government launches online course, app to support potential exporters

The online course is funded under the 'Niryat Bandhu' scheme of Directorate General of Foreign Trade (DGFT) and is launched in partnership with the Indian Institute of Foreign Trade

Commerce & Industry Minister Suresh Prabhu has launched "Anytime-Anywhere" online export awareness course for potential exporters to train, mentor and hand-hold them to tap international trade opportunities, Ministry of Commerce & Industry said in a release.

Prabhu announced the course in a meeting of the Board of Trade (BOT) chaired by him recently.

The online course is funded under the 'Niryat Bandhu' scheme of Directorate General of Foreign Trade (DGFT) and is launched in partnership with the Indian Institute of Foreign Trade, the ministry said.

The Niryat Bandhu scheme help entrepreneurs exploring business in exports through training, counselling and information sessions through the network of DGFT offices across India, according to details available on DGFT website.

The participants would receive a certificate in Export Import Management under Niryat Bandhu Scheme post course completion.

Prabhu also launched DGFT's mobile app during the occasion to allow exporters share their grievances, apply for different licenses, view their status apart from information pertaining to latest trade notices, circulars, Foreign Trade Policy and trade fairs.

"Through concerted efforts of improved logistics, trade facilitation, increased digitization to reduce human interface and increase transparency, implementation of GST, capacity building through skilling etc., the government has been able to arrest the downturn (in exports) affecting India," commerce secretary Dr Anup Wadhawan said highlighting the need for the course.

DGFT Director General Alok Chaturvedi, claiming government's commitment for end-to-end IT enablement and paperless process, said the Department of Commerce has approved a project for the revamp of entire IT system of DGFT.

India's exports grew marginally by 3.74% in January to $26.36 billion, compared with $25.41 billion in January 2018 due to subdued performance of key sectors including engineering, leather, and gems and jewellery, PTI reported quoting data from the commerce ministry.

On the other hand, trade deficit at $14.73 billion widened in January as compared to December 2018 when it stood at $13 billion. However, the deficit has lowered when compared to $15.67 billion in January 2018.

Source: financialexpress.com- Feb 17, 2019

HOME

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Suresh Prabhu Chairs Board of Trade Meeting

Minister for Commerce & Industry and Civil Aviation, Suresh Prabhu, chaired a meeting of the Board of Trade (BOT) today at VigyanBhawan. The meeting was attended by Commerce Secretary, Secretary DPIIT, DGFT, Secretaries and other senior officials of key line ministries including, Finance and Agriculture, all major trade and industry bodies, Export Promotion Councils and industrialists.

On this occasion, Commerce & Industry Minister launched a new online "Anytime-Anywhere" export awareness course to train, mentor and hand-hold potential exporters so as to help them to tap international trade opportunities.

This Online Course has been funded under the 'NiryatBandhu' scheme of DGFT and is in collaboration with the Indian Institute of Foreign Trade, New Delhi.

On successful completion, a Certificate in Export Import Management under NiryatBandhu Scheme will be awarded to participants.

In another e-initiative, Commerce Minister also launched a Mobile App of DGFT. Exporters can now log their grievances, apply for various licenses, view their status using this app, besides accessing information about latest trade notices, circulars, Foreign Trade Policy and trade fairs.

In his address, Commerce Secretary, Dr. AnupWadhawan welcomed the delegates to the Board of Trade and mentioned that India's exports have faced a very challenging period in recent years, on account of developments arising from the global financial crisis of 2008-09, which accentuated after 2013-14, when the world economy, including China experienced a major trade slowdown.

Thus, after achieving a turnaround from the initial shock and reaching a peak export figure of US$ 314.4 billion in 2013-14, our exports came under immense pressure again in the post 2013-14 period due to accentuation of the global economic / financial crisis in the second phase when countries like China also got adversely affected.

However, since then concerted efforts through improved logistics, trade facilitation, increased digitization to reduce human interface and increase transparency, implementation of GST, capacity building through skilling etc., the government has been able to arrest the downturn affecting India.

As a result, barring a few stray months, our merchandise exports have been growing on a secular basis since 2016-17 for almost three years and are likely to reach a new peak in 2018-19.

He highlighted the detailed export promotion strategy, which has been prepared by Department of Commerce and is under implementation in consultation with and with the support of wide-ranging stakeholders, including Export Promotion Councils, exporters and financial institutions.

Click her for more details

Source: pib.nic.in- Feb 15, 2019

HOME

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Outlook for the rupee

The currency can stabilise between 68 and 74 until the elections, before resuming the downtrend

It was a roller-coaster ride for the rupee in 2018. The currency plummeted over 14 per cent during the year to record an all-time low of 74.48 against the dollar in October 2018. However, it managed to clawback from these depths, to close 2018 at 69.77, with 8.5 per cent loss.

The year 2019 has not been too good for the rupee so far. The currency has failed to gain momentum and reversed lower again, after making a high of 69.23 against the dollar in early January; it is down about 2 per cent so far this year.

What drove the rupee in 2018 and what's in store for it in 2019? An analysis.

The drivers in 2018

Crude oil is India's biggest import component. As such, oil price remained the most important mover of the rupee all through 2018. Brent crude oil prices surging 45 per cent from $60 a barrel to $87 a barrel made India's oil import bill soar 38 per cent from $10.3 billion in December 2017 to $14.2 billion in October 2018. The trade deficit widened from $14 billion to $17 billion over the same period. As a result, the current account deficit (CAD) rose from $13.7 billion in December 2017 to $19.1 billion in September 2018. The widening twin deficits (trade and current account) dragged the rupee to its all-time low of 74.48 against the dollar by October last year.

However, the crash in oil prices by about 43 per cent from $87 to $50 by December eased the trade deficit towards $13 billion by December. This, in turn, helped the rupee recover from its all-time low towards the end of 2018.

The second major driver of the rupee in 2018 was foreign portfolio investors' (FPIs) sales in Indian debt and equities. After pumping in a robust $23 billion in the Indian debt segment in 2017, FPIs pulled out $6.9 billion in 2018 — the highest outflow since 2013 and the second highest outflow on record from the data available since 2002. The equity segment saw an outflow for the first time since 2011.

The FPIs sold $4.3 billion in Indian equities last year. Indeed, the combined (debt and equity) outflow of $11.25 billion is the highest recorded from the data available since 2002.

Along with the oil price and the FPI money outflow, the strength of the dollar also weighed on the rupee. Though the US dollar index fell in the initial part of 2018, it managed to reverse sharply higher from February. The index surged 10 per cent from around 88 last February to the current levels of 97.

What's in store in 2019?

Oil price will continue to largely influence the rupee movement. But the outlook for oil prices remains mixed. The supply glut and weak demand due to slowdown in global growth may keep prices subdued.

The US Energy Information Administration (EIA) forecasts the world oil supply to exceed demand by 0.44 million barrels per day (mbpd) in 2019 and by 0.63 mbpd in 2020. It also expects oil prices this year to remain subdued compared to 2018. Brent crude oil prices are expected to average around $61 a barrel this year and $62 a barrel in 2020; way lower than the average prices of $71 per barrel seen in 2018.

This will keep a lid on the country's oil import bill and, in turn, stabilise both the current account and trade deficits and avert the sharp depreciation of the rupee against the dollar.

But any further production cuts from the Organization of the Petroleum Exporting Countries (OPEC) and event risks such as the on-going supply disruption from US sanctions on Venezuela may trigger a rise in oil prices.

In such a scenario, the rupee can fall since the currency has a strong negative correlation with oil.

Global slowdown

The other major concern that has been emerging over the last few months is the global economic slowdown. The International Monetary Fund (IMF) has slashed the global growth outlook for 2019 to 3.5 per cent from its earlier forecast of 3.7 per cent. Major economies such as the US, the UK and the European Union (EU) have also cut their growth forecast for 2019.

The Federal Reserve expects US growth to slow down to 2.1 per cent in 2019 after growing at a pace of 2.5 per cent in 2018. Similarly, the EU and the UK's growth forecasts have also been slashed recently. The Bank of England cut its growth forecast for the UK in 2019 to 1.2 per cent from its earlier projection of 1.7 per cent. The EU, on the other hand, expects the euro zone to grow at a much slower rate of 1.3 per cent, down from its previous forecast of 1.9 per cent growth.

On the one hand, global slowdown can result in low oil demand which, in turn, can bring down the prices. This is a positive for the rupee. On the other hand, the dollar may gain on safe-haven demand in such a scenario. Also, slowdown in the UK and the EU may hit India's exports as Europe accounts for an average of 20 per cent of India's total exports and the share of the North American region averages about 17 per cent. So broadly, global slowdown will have a net negative impact on the rupee.

The US rate decision

The Fed has projected two rate hikes for 2019. Any change in the rate hike pace may impact the dollar. The dollar may strengthen if the Fed decides to increase the rates more than two times, in which case the rupee may reverse lower.

Reserves to the rescue

The Reserve Bank of India (RBI) had built a record forex reserves of $426 billion by April 2018. The central bank used these reserves to arrest the rupee fall last year. It has been intervening in the market using the reserves to protect the rupee from a free fall.

This is evident from the consistent selling since April 2018, which brought down the forex reserves from $426 billion in April 2018 to the current levels of $398 billion as on February 8, 2019. Strong reserves may continue to come to the rescue of the rupee in case of any abnormal volatility in currency market.

Event risks

Two major global events could impact the dollar movement — the Brexit and the US-China trade war.

One, increasing uncertainty on finalising the Brexit deal is raising concerns, as the March 29 deadline nears. Two, developments in the on-going trade war between the US and China are likely to influence the global currency movements.

The US had announced that it would double the tariffs on Chinese imports worth $200 billion, which is coming into effect from March 1. There are noises on the US considering to push-back the March 1 deadline by 60 days.

The Presidents of the US and China are expected to meet towards the end of this month. Failure to strike a deal will increase the nervousness in the market and can trigger a sharp sell-off.

There are chances that a trade deal may be negotiated between the two countries before this month end. Failure to reach a deal will result in additional tariffs being imposed by the US on Chinese goods from March 1, 2019.

Uncertainty over both these events will provide support to the dollar as risk aversion rises. So, the rupee can trade under pressure as a result of a strong dollar.

Election and foreign flows

On the domestic front, the upcoming general election in May will impact the rupee. On the one hand, if the current ruling party gets re-elected or a stable government is formed by any party, the market could get a boost.

This will create a positive sentiment and increase foreign portfolio flows. However, the quantum of flow will be determined by the global growth outlook and the pace of interest rate hikes from the US.

On the other hand, a mixed outcome from the elections with no majority for any single big party, resulting in the formation of a coalition government, will be negative for the market, which could trigger a strong sell-off.

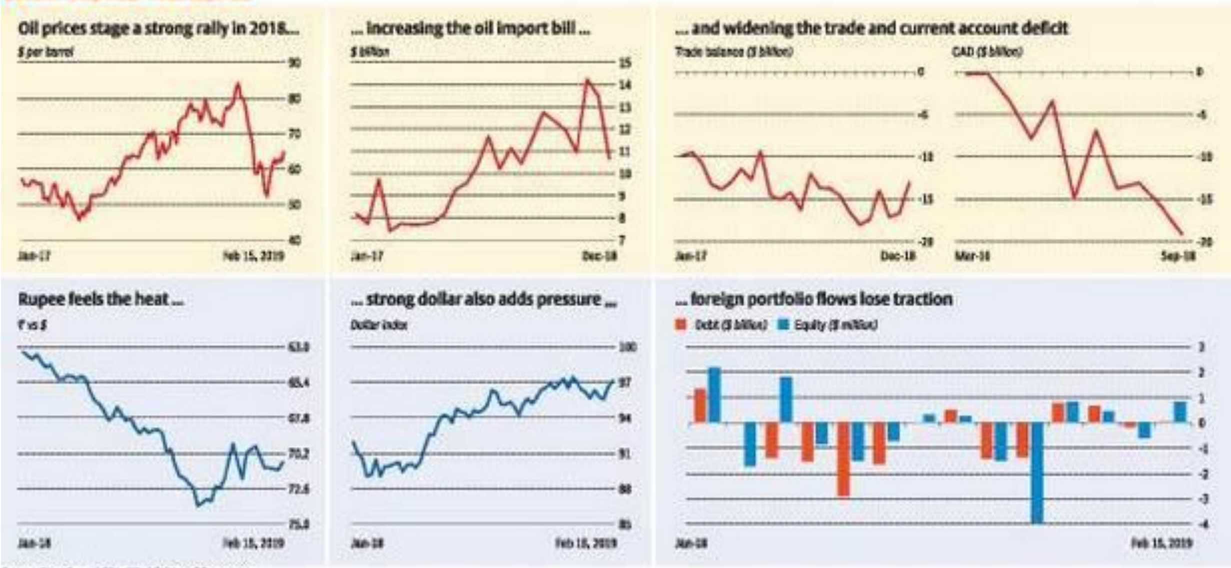
The FPI will also pull-out money from the country at a much faster pace, which can increase the likelihood of the rupee falling to new record lows.

Takeaway

The global growth slowdown can keep the lid on oil prices and provide some breather for the rupee on the deficit front. However, the dollar, which may gain on safe-haven demand, can make the rupee vulnerable while capping the upside.

This, coupled with the outcome of the general election, will determine the trend for the rupee for the second half of the year. Broadly, the rupee may remain range-bound between 68 and 74 until the elections, with the bias on the negative side for the currency to decline below 74 from a medium to long-term perspective.

WHAT MOVED THE RUPEE



Source: Bloomberg, NSDL, RBI, Ministry of Commerce

THE READING ON THE CHARTS

Though the fundamental picture is mixed for the rupee, the bias is slightly negative from a medium-term perspective

US dollar index

The US dollar index has been broadly range-bound between 94 and 98 since July 2018. It currently heads towards 98 — the upper end of the range. Inability to breach 98 in the coming weeks will trigger a pull-back move to 96 and 94 once again and keep the sideways move intact.

A breakout on either side of 94 or 98 will only determine the direction of the next move for the dollar index. A strong break above 98 will boost the bullish momentum and increase the likelihood of the index revisiting 100 and 101 in the coming months. Such a rally in the US dollar index can keep the rupee under pressure.

On the other hand, if the dollar index declines below 94, it can fall to 92 or even 90. In such a scenario, the rupee can gain strength.

Bullish outlook for crude

Although the fundamental picture is mixed for Brent Crude, on the charts, the outlook is bullish both from a short- and medium-term perspective. The prices are currently testing the near-term resistance level of $66 .

An inverted head and shoulder bullish reversal pattern is visible on the charts. The neckline support of this pattern is around $63. A strong break and a decisive close above $66 will pave way for a fresh rally to $68-$70 or even $72 over the medium term. Such a rally in oil can drag the rupee lower.

Rupee outlook

The rupee has a major resistance at 69 against the dollar. This hurdle has held well by halting the corrective rally that had begun from the all-time low of 74.48 in October 2018. Also, historically, any corrective rally in the rupee from a major low has not breached the 50-61.8 per cent Fibonacci retracement region of the prior fall. This region is in between 69 and 68.

As such, the rupee strengthening beyond 68 is less likely. However, any fresh and sharp fall breaking below the previous low of 74.48 also looks less probable on the charts. Therefore, the rupee can remain range-bound between 68/69 and 74, at least until the general election.

A prolonged sideways move within this range also cannot be ruled out. A breakout on either side of 68 or 74 will then determine the direction of the next move. The bias on the chart remains bearish for a break and fall below 74 towards 76 over the medium to long term.

Source: thehindubusinessline.com- Feb 18, 2019

HOME

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Exporters seek govt support to offset losses in case US withdraws GSP benefit

There are speculations that the popular scheme may be revoked soon for India

Indian exporters are apprehensive of losing their competitive edge in the US market, especially in labour-intensive products, if Washington decides to withdraw the popular generalised system of preferences (GSP) scheme, and have asked the Centre for support.

"In the recent Board of Trade meeting, several exporting sectors raised concerns over the imminent withdrawal of the GSP benefit by the US. While some suggested that the government should lobby further with the US government with the help of American industry for its continuation, most wanted some alternative schemes devised by the Centre to support exporters in case the benefits are revoked," a government official told BusinessLine.

India is the largest beneficiary of the US government's GSP scheme, devised to promote exports of developing countries, which allows duty-free access to about 3,500 items from the country. In 2017, Indian exports to the US benefiting from GSP were worth $5.7 billion, of its total exports to the country worth $49 billion.

New Delhi's eligibility for the scheme, however, came under cloud last year when the US Trade Representative's (USTR) office started a review process for India, Indonesia and Kazakhstan. The eligibility review was initiated on the basis of complaints against perceived trade barriers made by the US dairy industry and the medical equipment industry.

Although there has been no official communication from the USTR on withdrawal of GSP benefit to India, there are speculations based on media reports that the move could be soon as Washington is unhappy with the recent tightening of Foreign Direct Investment (FDI) rules on e-commerce by India.

"We have proposed to the government that in case the GSP benefits are withdrawn, losses to exporters could be offset by giving some additional incentives to certain labour-intensive sectors," said FIEO Director-General Ajay Sahai.

According to industry body CII, continuation of GSP benefits will also help boost the competitiveness of American manufacturers by lowering their costs.

"Approximately two-thirds of the US imports under GSP are raw materials, components, or machinery and equipment used for manufacturing goods for domestic consumption or for exports," pointed out Sanjay Budhia, Chairman, CII National Committee on EXIM.

Source: thehindubusinessline.com- Feb 17, 2019

HOME

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Import duty hike may not hamper India-Pak cotton trade

Traders assuage the possibility of reciprocal hike in duty by Pakistan.

While the withdrawal of Most Favoured Nation (MFN) status by India and the 200 per cent hike on goods imported from Islamabad has put an end to the import of cement from Islamabad, ginned cotton and cotton yarn exports to the neighbouring country may remain impervious of the current turmoil. A shortage in domestic output and the favourable cotton market provided by India will keep Pakistan a key buyer of Indian cotton.

"Cotton export is unaffected so far and we don't expect Pakistan to pose hurdles as their cotton industry requires raw material from India. India is the most accessible and price-lucrative market for them," Atul Ganatra, president of the Cotton Association of India, told ET. He said that Pakistan is expected to import around one-million bales of cotton from India in the current financial year.

Traders assuage the possibility of reciprocal hike in duty by Pakistan on the purchase of cotton from India. “It will be detrimental for Pakistan as it faces a shortage in domestic output of the natural fibre and growth of its textile industry will be hampered,” Ganatra said.

Exporters believe that the cotton export to Pakistan will continue even in the event of increase in duty as the consignments would be routed via ports in Dubai and Singapore. “It has happened in the past, but we don’t see the possibility of such a step by Pakistan as it will raise the cost of raw material for their local industry,” he said.

Cotton purchase by Pakistan has grown in recent years due to the growth of the local textile industry and price advantage due to geographical proximity with India. “Consignments from India through road route are available within two weeks to manufacturing plants in Pakistan, while it may take up to twomonths if they are shipped,” a cotton exporter based in Amristar said.

Wary of turmoil in relations between the two countries, exporters are expecting a temporary slump in flow of consignments for a few days. “ Traders are going slow and may keep a tab on the situation for a week to see if the situation escalates,” Pradip Jain, president of the Khandesh Cotton Gin/Press Association said.

Most Indian textile makers feel that the cotton trade will survive the prevailing situation. The cotton yarn export to Pakistan has been unaffected. “Cotton yarn exports will remain untouched as Pakistan gets most affordable fine count cotton yarn from India,” an executive of Vardhman Group, India’s leading cotton yarn maker said.

Meanwhile, the import of cement from Pakistan has come to abrupt end along the Wagah Attari border. “ The 200 per cent increase in import duty has put an end to cement trade as it has doubled the cost of 50 kg bag to Rs 500 now.

The trade will no more be viable and it is the end of cement trade,” DK Trading, a Amritsar-based cement trader said.

Source: economictimes.com- Feb 18, 2019

HOME

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'India Size' garments may hit the shelves soon

In March, the government will launch an exercise to measure a group of people to prepare a comprehensive 'India Size' chart, which can be adopted by the country's apparel industry.

You may soon be able to walk into a shopping mall and try on clothes with the 'India Size', tailored to suit the body measurements of the country's populace.

The government will also begin collating information for "trend forecasting" for textiles this month, using commercial intelligence to determine what could be in vogue in the near future, a move bound to exert major influence on global fashion trends, a top official said.

In March, the government will launch an exercise to measure a group of people to prepare a comprehensive 'India Size' chart, which can be adopted by the country's apparel industry.

"We want that we should have Indian size for two things. It can boost our retail market.

South Asian size will also get fillip, plus our own diaspora which is outside, we will become influence drivers for foreign companies also. We are actually rolling out the exercise in March itself," Textiles Secretary Raghvendra Singh told PTI.

He said the government is trying to complete the "sizeable" project as soon as possible, so that a standardised size chart can be prepared for the ready-to-wear industry, based on body measurements of the domestic population.

The project approved earlier by the government will entail measuring of 25,000 male and female Indians in six cities across six regions of the country: Kolkata (East), Mumbai (West), New Delhi (North), Hyderabad (Central India), Bengaluru (South) and Shillong (North-East). Using 3D whole body scanners and computers that will extract hundreds of measurements from scan.

Providing well fitting garments in the absence of standardised size chart is proving to be a big challenge for the domestic textile and apparel industry, which is projected to reach USD 123 billion by 2021 and holds 5th position in apparel imports.

At present, India's apparel industry uses size charts which are tweaked versions of sizes of other countries, so returns of the garments are in the range of 20 per cent to 40 per cent and increasing with the growth of e-commerce with the main reason for returns being poor garment fit.

A large percentage of shoppers face difficulty in finding clothes that fit perfectly according to their body measurements, as there is no standard size chart at present.

Moreover, there are differences in anthropometric built of people in different geographical regions across the country.

Once ready, the standardised size chart will impact various other sectors like automotive, aerospace, fitness and sport, art and computer gaming, where insights from this data can produce ergonomically designed products, which are suited for the domestic population.

Till date 14 countries have successfully completed national sizing surveys: the US, Canada, Mexico, the UK, France, Spain, Germany, Korea, China and Australia.

Source: thehindubusinessline.com- Feb 17, 2019

HOME

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FIEO suggests series of measures to boost exports

Exporters body FIEO Sunday suggested a series of measures including outright exemption from GST, interest subsidy for agri-sector, and more funds for MSME players to boost outbound shipments.

With increasing protectionism in several countries, domestic exporters need incentives to increase shipments, Federation of Indian Export Organisations (FIEO) President Ganesh Kumar Gupta said.

"These support measures, if provided on time has the potential to take the country's exports to USD 375 billion in 2019-20 and create lakhs of jobs. This fiscal, we will cross USD 325 billion to USD 330 billion," he said on Sunday.

On Goods and Services Tax (GST), he said, it is necessary that an outright exemption window may be provided to exporters as was in existence before the GST regime to mitigate the liquidity problem.

"Though, the government has taken several measures to provide quick GST refunds to exporters, but due to one reason or the other, substantial GST refunds remain outstanding for long time causing acute liquidity problem which adversely affect our exports growth," he said.

There is a good potential for agricultural produce in overseas markets and, for that there is a need to extend the interest subsidy scheme to the sector, he added.

Besides, the FIEO president sought more funds for improving trade related infrastructure in states, incentives to promote shipments of value added branded products, steps to increase trade with neighbouring countries like Nepal and Bangaldesh, and benefits on sales to foreign tourists.

"To reduce transaction time and cost simultaneously increasing competitiveness, there is a need to provide more facility to the MSME exporters in the forthcoming foreign trade policy particularly of non-fiscal nature," Gupta said adding exemption from IGST under advance authorization scheme. Under this scheme, manufacturers are allowed to import inputs at zero duty but only for the export purposes.

During the April-January period of the current fiscal, exports grew 9.52 per cent to USD 271.8 billion. Several key sectors like gems and jewellery, rice, marine product, leather, tea, coffee and cashew has recorded negative growth for the current period.

Since 2011-12, India's exports have been hovering around USD 300 billion. During 2017-18, the shipments grew by about 10 per cent to USD 303 billion.

Source: business-standard.com- Feb 17, 2019

HOME

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Patanjali's fashion foray: Baba Ramdev's company turns to apparel after creating ripples in FMCG

Patanjali is planning to open 100 apparel stores across the country in the next 12-18 months.

After creating ripples in the FMCG category, Patanjali Ayurved, promoted by spiritual leader Baba Ramdev, turned its focus on fashion with the launch of Patanjali Paridhan in November last year. Its maiden apparel store in New Delhi houses three sub-brands — a menswear brand Sanskar, womenswear brand Aastha and a unisex sportswear brand Livfit.

Much like its other product offerings, Patanjali is riding on Indianness for its foray into fashion, too. A recently launched ad campaign for its fashion range is aimed at creating a 'movement' towards embracing swadeshi fashion.

Going places

Patanjali is planning to open 100 apparel stores across the country in the next 12-18 months and is also looking at creating an online retail presence by the end of FY19. Simultaneously, the apparel range will be made available on e-commerce platforms such as Paytm, Flipkart and Amazon.

Apart from exclusive brand outlets (EBOs), the company will open small stores (800-1,000 sq ft) in multiple cities. KN Singh, CEO, Patanjali Paridhan, says, "The concept behind the small stores is to stock only one of our sub-brands at a time." For example, one such small store could contain only womenswear, and not the complete Patanjali Paridhan range. "We are gradually trying to promote sub-brands individually, but our EBOs are aimed at building our brand," explains Singh.

That apart, Patanjali is looking at varied retail channels — multi-brand outlets (MBOs), the shop-in-shop model, distribution through unorganised retailers and distributors, online retail, as well as institutional business, through which companies can buy in bulk.

So far, Patanjali Paridhan has eight operational outlets in New Delhi, Berhampur, Haridwar, Meerut and Aurangabad. The company is hoping to have 20 operational stores by the end of 2019, covering Jaipur, Agra, Patna and Nasik.

Swadeshi thread

Fashion is an unusual business arena for a spiritual guru, but a lucrative one, assures Singh. “The food and beverages sector commands around 12% of the total retail industry, while the second largest category is fashion and accessories, which accounts for 10% share.”

With an eye on the middle and upper-middle-class consumers, Patanjali Paridhan has kept its price range at Rs 699-Rs 1,499 for menswear, and at Rs 999-Rs 2,499 for womenswear.

Patanjali is leaving no stone unturned in promoting the apparel brand. According to industry estimates, a budget of Rs 1 crore has been set aside for advertising in FY19. “We are going to go all out. Apart from digital, print, TV and radio, we are also trying to promote our brand in movie theatres,” Singh informs.

The campaign, Tann Maan Dhan Indiapan, has been crafted “to remind people of the rich heritage of fashion that we have surrendered in the blind pursuit of western fashion”.

Will the emphasis on ‘Indianness’ work? Saurabh Uboweja, CEO of management consulting firm Brands of Desire, says while Patanjali has been successful in the FMCG category, a similar approach will not work in the fashion category. “When it comes to fashion, it can’t rely on Indianness or ethnicity as the differentiator, as there are plenty of established brands in the market,” he says. “Patanjali Paridhan has no clear positioning; I don’t think it’s going to be a viable long-term business proposition,” Uboweja adds.

Source: financialexpress.com- Feb 18, 2019

HOME

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