



**IBTEX No. 257 of 2018**

**December 18, 2018**

USD 71.29 | EUR 80.87 | GBP 89.97 | JPY 0.63

<b>Cotton Market</b>		
<b>Spot Price ( Ex. Gin), 28.50-29 mm</b>		
Rs./Bale	Rs./Candy	USD Cent/lb
21148	44200	<b>78.22</b>
<b>Domestic Futures Price (Ex. Gin), December</b>		
Rs./Bale	Rs./Candy	USD Cent/lb
21890	45750	<b>80.96</b>
<b>International Futures Price</b>		
NY ICE USD Cents/lb ( March 2019)		78.54
ZCE Cotton: Yuan/MT ( May 2019)		15,355
ZCE Cotton: USD Cents/lb		<b>101.09</b>
<b>Cotlook A Index - Physical</b>		<b>87.80</b>
<p><b>Cotton Guide:</b> The most active contract ICE March fell by 106 points at 77.90 cents/lb, settling at 78.54. The trading range for ICE March contract was between 79.80 and 77.90 cents/lb. The other ICE future contracts also plunged between (-46) and (-95) points. The reason for such a drastic fall was attributed to a drop in US Equity of more than 2% overnight, a probable shutdown of the US government over issue the Border wall, a probable hike in interest rates by the Fed, and falling Crude Prices (WTI below 50).</p> <p>MCX December contract plunged by (-190) Rs to 21890 Rs/Bale. January, February and March contracts also showed negative figures of (-170), (-160), (-50) at 22150, 22380, 22550 Rs /Bale respectively. December contract Volume saw a rise of 969 at 2853 lots and Open Interest saw a decline of (-565) at 4361 lots.</p>		

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Arrival figures are estimated to be 172,500 lint equivalent bales (source cotlook) and prices of Shankar 6 at an average were around 44200 Rs/Candy. Cotlook index A is adjusted at +0.05 at 87.80 cents/lb CFR Far Eastern ports.

When we speak of correlations among commodities, the highest is usually witnessed between crude and cotton. Falling crude prices has therefore had an impact on cotton prices. Cotton has plummeted as a result. Fundamentally speaking there was not much change witnessed in the supply and demand factors for cotton. However, here correlation has resulted in victory for the bears.

On the Technical front, ICE March futures witnessed decline as it breached the crucial support at 78.40. The downside support for the March futures exists around 77.20, followed by 76.50. Likewise immediate resistance exists around 80.20 and 81.20. Meanwhile RSI in daily charts as trading below 45, suggests a phase of weakness in coming 1 or 2 trading sessions. So in a near term price is expected to trade in the range of 77.20-81.20 with sideways to downside bias. The cotton market is expected to be labile in a 4 cent range today. In the domestic markets trading range for the day will be 21,550-22,010 Rs/Bale.

### **Currency Guide**

Indian rupee- Indian rupee has opened 0.3% higher in early trades today to trade near 71.34 levels against the US dollar. The major factor lending support to the currency is weakness in global crude oil prices. Brent crude is trading 1% lower today following more than 1% slide yesterday amid worries of oversupply in face of weakening demand.

Also supporting Indian Rupee is retreat in US Dollar amid caution ahead of US FOMC meeting tomorrow. Uncertainty over Fed's stance on pace of future rate hike is weighing on US Dollar. The gains in Rupee may however be capped amid weakness in domestic equity markets following 2% drop in US indices overnight. For the day we expect Rupee to witness mixed movement amid mixed cues. USDINR may trade in a range of 71-71.5 and bias may be on the downside.

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

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## INTERNATIONAL NEWS

### **Trade Tensions, Slowing Growth Underline Top 10 Economic Predictions for 2019**

Global economic growth will edge down to 3 percent in 2019 from a rate of 3.2 percent in 2018, according to the annual Top 10 Economic Predictions from business information provider IHS Markit.

While global growth will continue to decelerate, the economy will also become increasingly vulnerable to shocks.

“Policy mistakes remain the biggest threats to global growth in 2019 and beyond,” said IHS Markit chief economist Nariman Behravesh in a recent webinar. “Simmering trade conflicts are dangerous, not because they have done damage so far—they haven’t—but because they could easily escalate.”

Here are the top 10 global economic predictions for 2019, according to IHS Market.

#### **1. U.S. economic growth will stay above trend**

IHS Markit says the potential growth in the U.S. economy to be around 2.6 percent for 2019. In 2018, U.S. economic expansion was 2.9 percent compared to 2.2 percent in 2017, with the acceleration driven by fiscal stimulus put in place at the beginning of the year. The impact of this stimulus will still be felt in 2019, but with diminishing potency.

In the next year, Behravesh said there are likely to be countervailing pressures on growth, including a strong dollar, higher tariffs, tighter credit conditions and weak housing on the downside, and fiscal stimulus, lower oil prices and still low interest rates on the upside.

#### **2. Europe’s expansion will slow even more**

Eurozone growth peaked in the second half of 2017 and has since declined steadily. Growth in 2018 was 1.9 percent compared to 2.5 percent in 2017. IHS Markit predicts a further decline to 1.5 percent in 2019.

Heightened trade tensions and a deceleration in world trade growth have hurt exports and the manufacturing sector, as has the appreciation of the euro against most currencies except the dollar. IHS said political risks have risen significantly and contributed to the decline in business sentiment. The continuing turmoil around Brexit will hurt U.K. growth, which is predicted to drop to 1.1 percent in 2019 after declining to 1.3 percent in 2018.

### **3. Japan's recovery remains weak**

Japanese economic expansion in 2018 is expected to come in at a much slower rate of 0.8 percent and inch up to 0.9 percent in 2019 after a rate of 1.7 percent in 2017. While monetary policy continues to be “ultra-accommodative, there are two big drags on Japanese growth: the slowdown in China’s economy, and the fallout from the trade tensions between the United States and China,” Behravesh said. “The expected rise in construction spending ahead of the 2020 Olympics will sustain growth in 2019, but the boost will fade by the end of the year.”

The Japanese government is expected to proceed with raising the sales tax to 10 percent from 8 percent, but “buy-in-advance behavior” will raise consumer spending growth before the tax hike in October.

### **4. China's economy will keep decelerating**

In the third quarter of 2018, China’s real gross domestic product grew at a year over year rate of 6.5 percent, the lowest since the financial crisis 10 years ago. On an annual basis, the pace of expansion has slowed from 6.9 percent in 2017 to 6.6 percent in 2018, and will fall to 6.3 percent in 2019.

“The underlying dynamic behind this deceleration is the government’s attempt to reduce ultra-high debt levels,” Behravesh said. “That said, the Chinese government is sensitive to a too-rapid decline in growth—6 percent growth is often referred to as the ‘line of defense,’ as well as the recent rout in the stock market and the trade conflict with the United States.

In response, policymakers have unleashed a series of monetary and fiscal measures to help support growth and stabilize financial markets.”

## **5. Growth in emerging world will slide**

At 4.9 percent, emerging-market growth in 2017 was the strongest since 2013, but it declined to 4.8 percent this year. IHS Markit expects another decline in growth during 2019 to 4.6 percent.

Economies like Brazil, India and Russia experienced a mild pickup in 2018, while others such as Argentina, South Africa and Turkey suffered recessions or near-recessions.

“Emerging markets face a number of headwinds,” Behravesch said. “Growth in the advanced economies is slowing, global financial conditions are getting gradually tighter, the dollar is expected to remain strong, commodity prices will be flat at best and political risks in key economies (Brazil and Mexico) are rising.”

## **6. Volatility in commodity markets presents downside risks**

Weaker global growth, the gradual tightening of credit conditions and strength in the dollar will pose challenges for commodity markets in 2019, IHS said. However, demand growth in 2019 still looks strong enough to provide markets with support and avoiding the kind of price collapse seen in 2015 unlikely. IHS predicts that oil markets, in particular, will experience continued volatility.

## **7. Inflation will not rise much, if at all**

In the near term, IHS Markit expects global inflation to remain close to 3 percent, and developed economy inflation close to 2 percent. As output gaps close and unemployment rates fall, there will be upward pressures in many economies.

But there are downward pressures, too—“outside the United States, growth is weakening, commodity prices will be relatively flat and with the trade war in a temporary truce, the upward push from tariff increases will be on hold,” IHS said. Given these trends, IHS expects inflation in key markets to remain under control.

## **8. Fed stays the course**

With the world's key economies at different points in the business cycle, their central banks are moving at different speeds and in different directions, notably China. In the case of the Fed, IHS Markit expects three interest rate increases in 2019.

Other central banks that might increase rates in 2019 are the Bank of Canada, the Bank of England and a few emerging market central banks. "Meanwhile, we do not expect the European Central Bank to hike rates until early 2020 and we do not believe that the Bank of Japan will end its negative interest rate policy until 2021," IHS said.

## **9. Dollar maintains strength against most currencies**

After the dollar rose roughly 6.5 percent from the fourth quarter of 2017 to the fourth quarter of 2018, IHS expects the dollar to hold at current elevated levels for much of 2019, driven by above-trend U.S. economic growth and more rate hikes by the Fed.

"However, another big appreciation of the dollar seems unlikely and the potential for volatility remains high," Behravesh said. "In particular, we expect that the euro-dollar rate will end 2019 at around \$1.10 compared with \$1.14 at the end of 2018. At the same time, we predict that the renminbi-dollar rate will hold steady."

## **10. Policy shocks risks rise, but likely not enough to trigger a recession**

Policy mistakes, especially on trade, remain the biggest threats to global growth in 2019 and beyond, Behravesh said. With such a large deficit, he added, "the U.S. will have little room for fiscal stimulus when the economy next goes into recession."

He cited low interest rates as troubling because they could "severely limit the ability of central banks to cut rates in a downturn"—this is especially the case in the Eurozone and Japan, where policy rates are either at zero or below."

“The good news is that the probability of such policy mistakes seriously hurting global growth in 2019 is still relatively low, Behravesch added, “but will rise in 2020 and beyond.”

Source: sourcingjournal.com- Dec 17, 2018

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## **Chinese Factories Cut Prices, Lay Off Workers in Trade War**

Chinese factories are responding to threats of a trade war by reducing prices, workers and investment, according to UBS Group AG.

Some 86 percent of companies affected by U.S. tariffs reported a decline in orders, according to a survey of 200 chief financial officers in manufacturing firms with significant export business. While most have plans to diversify into less trade-heavy sectors, they don't expect to fully offset weaker demand. Of the 125 companies saying business has already been hurt:

68 percent cut prices on products subject to levies 23 percent laid off staff 27 percent slashed capital expenditures 18 percent cut wages

A squeeze on corporate margins and employment threatens to deepen a slowdown in the world's second-largest economy. UBS predicts a 90-day truce agreed between U.S. President Donald Trump and China's leader Xi Jinping is only a temporary respite, putting the probability of a lasting agreement before March at less than 15 percent.

“Most companies expect the trade war to escalate,” analysts led by Wang Tao wrote, predicting that export growth will slow to 4 percent in 2019 from 11 percent this year. With that will come more price cuts and more layoffs in the next six months, according to the report.

The Chinese government has rolled out measures including tax breaks and subsidies to cushion the impact of tariffs on exporters, a strategy UBS expects will continue in 2019.

“We see the government easing macro policies to support growth, and provide some subsidies and tax cuts to support employment,” the analysts wrote.



Source: sourcingjournal.com- Dec 17, 2018

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## **US alters date for tariff hike on \$200 billion Chinese goods**

The US Trade Representative's (USTR) officially changed the scheduled date of tariff hikes on \$200 billion worth of Chinese goods to March 2, 2019 as the United States and China pursue talks on trade and intellectual property.

The change was made in a Federal Register filing from a previously scheduled effective date of January, 1, 2019 for increase to 25 from 10 per cent.

The notice does not affect the 25 per cent tariff already levied on \$50 billion worth of Chinese technology items, including semiconductors, printed circuit boards and other electronic components, machinery and vehicles.

The change was attributed to new US-Chinese engagement with the goal of obtaining the elimination of the acts, policies, and practices covered in the investigation following a December 1 meeting between US President Donald Trump and Chinese President Xi Jinping in Buenos Aires.

The USTR statement made reference to goals set forth by the White House to negotiate over a 90-day period structural changes by China on forced technology transfer, intellectual property protection, non-tariff barriers, cyber intrusions and theft, services and agriculture.

Source: fashionatingworld.com- Dec 17, 2018

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## **Explained: Why China's Make in 2025 is a paper tiger**

*The country has a better chance of climbing the technology ladder by exposing its companies to the rigours of world-class competitors.*

China's industrial ambitions have the US on edge. But what has actually come of its plans for global technology domination? Beijing is considering delaying targets in its "Made in China 2025" programme, Bloomberg News reported last week.

The roadmap, which seeks to advance domestic production of critical technology, has been a key bone of contention in president Donald Trump's trade war. Other reports said China may replace the programme altogether and give foreign companies more access to its market.

On the same day, though, the State Council said it had decided to boost "mechanised farming" and upgrade agricultural machinery (while also noting that farmers would be subsidised whether buying foreign or Chinese brands).

And the ministry of industry and information technology said it would roll out policies to upgrade manufacturing with "cutting-edge technologies". Both announcements were in line with Made in China 2025 goals. The reports make one thing clear: China isn't going to rein in its industrial objectives anytime soon. At the same time, it is a long way from achieving those targets.

By the numbers, China increasingly doesn't need the world's factories. The foreign content of its exports, based on the ratio of imported components, has been dropping for the last 20 years.

Most basic inputs are now made in China. But that is also true for foreign companies. Consider ABB Ltd. The Swiss industrial giant sources locally almost 90% of the parts it uses to manufacture transformers, robots and electrical equipment in China, and sells most of its output there, according to Morgan Stanley.

Made in China 2025, published in summer 2015, laid out how and why China would need to move up the technology ladder and close the gap with developed countries in higher-end or intelligent manufacturing.

The plan identified 10 key sectors and set out targets to raise domestic content in core components and materials. The global community has balked at the proposal, seeing it as a type of stealth import substitution policy. Its financial scale has sent shudders, with hundreds of billions of dollars in funds backed by state banks and other pools of government capital.

But Beijing doesn't have much to show for all this. China's research and development expenditure, while growing, remains well below the likes of the US and Japan as a percentage of GDP. R&D intensity, a proxy for how effectively the country has spent its money, has barely budged in the past two years.

At a recent business forum, a senior official with the financial and economic affairs committee of the National People's Congress said China was likely to miss its targets for R&D spending as a portion of GDP in the five-year plan ending 2020. The nation will effectively end up spending \$100 billion less than it had budgeted.

Speak to CEOs of German machinery makers, and they will tell you China's expertise may have reached the second or third level, but it is nowhere close to the highest tier. Chemical companies in southern China say every local entrepreneur wants to make the compounds but when it comes to the high-end they can't quite cut it, producing formulations that are often unstable.

In 2017, high-tech manufacturing accounted for just under 13% of total industrial value-added. More than half of China's technology standards for smart manufacturing don't match internationally accepted ones. That might hinder foreign players, but it also impedes the nation's own companies on the global stage.

A look at the state of the new energy vehicle, or NEV, industry suggests China is unlikely to race ahead. Domestic production is supposed to have an 80% share of the NEV market by 2025.

Yet for all the millions of NEVs China now churns out, it has yet to produce a global or even a domestic champion. Instead, subsidies have led to swaths of low-quality electric cars. Several would-be "Tesla killers" have come and gone. Ultimately, China brought in Tesla itself to manufacture locally.

Despite the trade tensions and the apparent barriers, foreign investment in China has continued to pour in. In the first 11 months, it rose 1.1% to more than \$120 billion and the number of newly approved foreign-invested enterprises increased by almost 78%. Funds going into the high-sector climbed 30%.

Clearly, foreign investors aren't overly concerned by Made in China 2025. After all, other countries have industrial policies. The US-Mexico-Canada trade agreement has local content rules. India has exorbitant import tariffs. And the Committee on Foreign Investment in the US now targets all of the industries China has listed in its 2025 plan.

China's openness to foreign investment has served it well—and overseas companies such as BMW AG, DowDuPont Inc. and Apple Inc. that have profited there. The country has a better chance of climbing the technology ladder by exposing its companies to the rigours of world-class competitors than by seeking to shut them out with rhetoric-heavy and substance-light strategy documents. There is little to fear from Made in China 2025.

Source: [financialexpress.com](http://financialexpress.com)- Dec 18, 2018

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## **US, China spar again over respective trade policies**

China and the United States clashed again over their respective trade policies Monday at a time the two countries are trying to iron out their differences so further U.S. tariffs are not imposed on Chinese goods.

Dennis Shea, the U.S. ambassador to the WTO, said criticism from China about the U.S.'s "unilateralist and protectionist" approach to trade was unwarranted.

He also insisted the U.S. wants to reform the global trading system to make it fairer for U.S. citizens and defended America's long role in supporting that system for seven decades, at the World Trade Organization and its predecessors.

"The United States is raising serious concerns with the functioning and direction of this important institution, and the fundamental challenge posed by China's state-led, mercantilist approach to the economy and trade," Shea said during closed-door remarks for the WTO's 14th and latest regular "trade policy review" of the United States.

He said the global trade environment was "heavily skewed" in favor of China.

The U.S. and China are locked in a trade standoff, though President Donald Trump agreed this month to postpone more U.S. tariff hikes on Chinese goods for 90 days while negotiations continue.

Shea's Chinese counterpart at the WTO drew upon lessons from Spider-Man to remind the U.S. of the need to be responsible in trade affairs: "'With great power comes great responsibility.' And Spider-Man certainly lived up to that."

Zhang Xiangchen upbraided the U.S. over tariffs and blocking appointments to the WTO's appeals body, which could stop working by December next year because a term expiration would reduce its membership below the minimum of three people.

He also said Trump's tariff increases on steel and aluminum products were "based on dubious national security concerns" and blasted U.S. efforts to put WTO's appeals body "in paralysis."

"Whether it is a small family or an international organization, a top dog should act like a top dog," Zhang said, in an apparent allusion to the United States. "It cannot only see a narrow spectrum of its own self-interest, and it certainly should not do whatever it wishes at the sacrifice of the others."

Marc Vanheukelen, the European Union's ambassador to the WTO, noted how in 2016, at the last review of the U.S., he had hoped that President-elect Trump's "protectionist rhetoric would end" after he took office.

"Today, unfortunately, rhetoric has turned into reality and the repercussions of tariffs and other restrictions are being felt at the heart of this organization, and more generally in global growth prospects," he said.

"The multilateral trading system is in a deep crisis and the United States is at its epicenter for a number of reasons."

Source: miamiherald.com- Dec 17, 2018

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## **Global spandex market growing at eight per cent**

The global spandex market is estimated to grow at a CAGR of more than eight per cent from 2016 to 2023. It is also commonly known as elastane. The spandex market is expected to grow with the recovery in the US economy post recession.

Technology advancement with moisture management properties coupled with performance efficiency is likely to benefit elastane market growth.

Factors such as superior elasticity, regaining original shape, durability, lightweight, resistance to UV light are likely to favor spandex market demand.

Spandex is used in textile manufacturing applications such as leggings, gloves, cycling jerseys and competitive swimwear. Strenuous movements are involved in active sports that may require garment stretch. This stretch can result in movement restriction for the wearer. This can be overcome by using spandex material.

Increase in automobile production, particularly in the Asia Pacific, is likely to drive market growth. In the Asia Pacific, the Chinese spandex market size accounted for more than 60 per cent of the total volume in 2015.

In 2012, China had around 30 manufacturing units with a total capacity of 520 kilo tons with domestic production exceeding 320 kilo tons in the same year. 40D and 20D are major products manufactured in China.

Source: fashionatingworld.com- Dec 17, 2018

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## **Trade war shifting apparel focus to Bangladesh**

The trade spat between Washington and Beijing has been prompting more companies to move away from China to avoid US tariffs and sanctions, Nikkei Asian Review reports.

Despite being the world's largest garment exporter, China's share in global apparent exports came down to 30 per cent or \$158.4 billion, last year, from around 40 per cent at the beginning of the decade.

This is, the report said, because apparel companies are gradually migrating to neighbouring countries with cheaper labour costs.

With cheaper labour still, Bangladesh is one of the alternatives and the country is the world's second-largest apparel exporter, with a 6.4 per cent share, according to the report titled 'Trade war buoys apparel industry in Bangladesh and Vietnam'.

American apparel companies are reportedly diversifying suppliers out of China.

During a period between July and September, the US-bound apparel exports from Bangladesh grew 14 per cent. Vietnam's apparel and textile exports are expected to climb 16 per cent to a record \$36 billion in 2018, according to an industry association.

The rising trend of production rise in apparent exports of Bangladesh and Vietnam is expected to accelerate further as, Nikkei pointed out, American companies continue to move production beyond China in light of the trade war.

Apparel from China is currently not subject to extra US tariffs, but it soon could be, the report said referring signal from the Donald Trump administration.

"Even the companies that were reluctant before are moving production out of China," Nikkei quoted a source at a logistics company in Vietnam as saying.

For a nation like Bangladesh, where apparel makes up roughly 80 per cent of exports, the economic benefits of this migration will be significant, the report said.

The report added, Bangladesh is home to numerous contractors handling production for big apparel companies like Zara owner Inditex, Hennes & Mauritz and Uniqlo operator Fast Retailing.

Source: en.prothomalo.com- Dec 17, 2018

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## **Sri Lanka apparel exports down 1-pct in Oct**

Sri Lankan apparel exports fell 1 percent from a year earlier to 403 million dollars in October 2018 due to a slow US market, an industry body said.

Sri Lanka Apparel Exporters Association data showed the US market fell 6.5 percent for local apparel manufacturers from a year earlier to 188 dollars.

"It's not a serious fall. There's always been a slowdown in that month," Joint Apparel Association Forum Secretary General Tuli Cooray said.

The US market has been fluctuating for local apparel manufacturers over the past two years due to weakening of the L Brands Group, whose lingerie subsidiary Victoria's Secret dominates US sales for Sri Lanka, industry experts have previously said.

L Brands is currently in trouble with declining consumer interest in Victoria's Secret products, and thousands have taken to social media over the past month to boycott the flagship Victoria's Secret Fashion Show, due to the brand's refusal to include size diversify of women.

Chief Executive Jan Singer resigned last month, and was replaced by retail expert John Mehas.

L Brands last week announced the divestment of the La Senza lingerie subsidiary in January and will be closing its Henri Bidel accessories brand this month to collect some cash. However, the two subsidiaries combined had just a tenth of the sales of Victoria's Secret.



Victoria's Secret sales for October was flat from a year earlier, while growing 2 percent in November, according to financials filed.

L Brands posted a loss per share of 0.16 dollars for the 3rd quarter ended November 3, 2018, compared to 0.30 dollar earnings per share a year earlier, with closure of subsidiaries and impairment charges from Victoria's Secret eating into the bottom line.

Competing brands such as Calvin Klein and American Eagle Outfitters (AEO) have capitalized on the reducing consumer demand for Victoria's Secret products by offering trendier alternatives. AEO earnings for the third quarter grew 30 percent.

Many Sri Lankan manufacturers are now switching production volumes more towards Victoria's Secret's competitors.

Meanwhile, the European market for Sri Lankan apparel grew 3 percent from a year earlier to 167 dollars.

Cooray said that due to disturbances in the European market, exports are now growing slower compared to the previous year, when exports grew at double digits immediately after regaining the GSP Plus preferential trade benefit.

"There are problems in individual countries in the EU, and on top of that there's Brexit, which are causing challenges in the market," Cooray said.

Despite regaining the 12 percent tariff benefit from GSP Plus, he said Sri Lanka has to manage the rise of e-commerce platforms, which do not place much importance in building long-term relationships with apparel manufacturers, he said.

The lack of local production capacity to pull in larger orders and rising local costs is also slowing down growth, Cooray said.

"The industry has been challenged in the past and overcome them and it is confident in meeting these challenges going forward," he said.

Apparel exports for the first 10 months of 2018 grew 4.4 percent from a year earlier to 4.1 billion dollars.

January through October, exports to the US grew 4.5 percent to 1.9 billion dollars, while exports to the EU grew 4.2 percent to 1.7 billion dollars.

Source: economynext.com- Dec 17, 2018

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## **Vietnam emerges a strong FDI destination**

With major trade deals on the horizon, Vietnam has the potential to attract investment and generate new cross border business opportunities. Among these are: the CPTPP, EU-Vietnam FTA and Asean-Hong Kong FTA.

However, additional regulatory reforms, continued domestic investment and improvements in manufacturing and labor standards are needed to fully capture the benefits from these and other trade agreements. Vietnam could be one of the major beneficiaries of the escalating US-China trade spat.

The country will be the prime beneficiary of increased cross-border investment in the Asia Pacific and already attracts the highest consistent growth rates of foreign direct investment among Asean nations.

While the level of net intended investment into Vietnam is slightly down on last year, the net figure is six percentage points higher than in 2015, when Vietnam was seventh on the list of intended foreign investment nations in the Asia Pacific, behind the Philippines, Singapore, Hong Kong and Indonesia, which have all since dropped out of the top five.

Vietnam has been named by region's leading business executives as the busiest territory for foreign investment in the coming year – ahead of China, the United States, Australia, Thailand and Indonesia. The country has had consistent positive growth over recent years.

Source: fashionatingworld.com - Dec 17, 2018

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## **Pakistan: Textile exports remain flat at \$5.5 billion in five months**

Textile exports remained flat at \$5.506 billion during the first five months of the current fiscal year of 2018/19 as the value-added sector couldn't perform up to the mark despite constant rupee devaluation against the US dollar.

Pakistan Bureau of Statistics (PBS) data on Monday showed that knitwear was the only product in the textile sector that saw a double-digit growth in exports in the July-November period.

Knitwear exports increased 10.58 percent to \$1.214 billion in the first five months over the corresponding period a year earlier.

Exports of readymade garments inched up 0.3 percent to \$1.022 billion in the first five months of the current fiscal year. Bedwear exports were up around two percent to \$966.007 million during the period under review.

Ehsan Malik, chief executive officer of Pakistan Business Council said the flat growth might be attributed to the lagged impact of rupee devaluation. Rupee has lost a quarter of its value against the US dollar since December last year. The latest major spell of devaluation occurred in October when the local currency plunged as much as seven percent against dollar.

“New season may see some recovery,” Malik said, referring to spring and summer sales in the western markets.

In July-November, towel exports fell 2.24 percent to \$314.576 million. Exports of made-up articles, however, rose around two percent to \$285.100 million during the period under review. Raw cotton exports witnessed a significant drop of 73 percent to \$13.773 million. Total exports, during the five months, amounted to \$9.119 billion, up 1.29 percent year-on-year.

In November, textile sector's exports stood at \$1.1 billion, down two percent year-on-year and falling three percent month-on-month.

PBS data showed that food exports increased 1.27 percent to \$1.514 billion in the first five months period. Rice exports decreased around six percent to \$614.193 million despite a 24 percent jump in exports of flagship rice brand

Basmati. Exports of leather goods, carpets and rugs remained almost flat at \$1.422 billion in the July-November period.

PBS data further showed that imports of petroleum, oil and lubricants soared around 18 percent to \$6.534 billion during the period under review. All other major import groups saw decrease in import bills as the regulatory duties on non-essential merchandises teed off a slide in inbound shipments.

In July-November, imports of machinery plunged around 18 percent to \$3.729 billion with significant decreases of 53 percent and 29 percent witnessed in imports of power generation machinery and construction and mining machinery, respectively.

Food imports slid 9.3 percent to \$2.468 billion in the July-November period. Transport group's imports fell 22 percent to \$1.283 billion. Total imports, during the period, amounted to \$23.632 billion, down one percent year-on-year.

Source: thenews.com.pk - Dec 18, 2018

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## **Pakistan: Proposal under study to raise additional customs duty**

The government is examining a proposal to increase the rate of additional customs duty from 2 to 3 percent on imports across the board to generate revenue to the tune of Rs 25-28 billion during 2018-19.

Among other taxation measures under consideration, sources said that the Federal Board of Revenue (FBR) is examining a proposal to raise additional customs duty from 2 to 3 percent on imports having impact on 7200 customs tariff lines. The raise in import duty subsequently results in increase in sales tax and withholding tax at import stage.

If the measure is finalized for amendments in the Finance Act, 2018, it would have revenue impact of Rs 25-28 billion. In budget (2018-19), the FBR has increased additional customs duty from 1 to 2 percent on imports and reviewed regulatory duties on 731 customs tariff lines. The regulatory duties were increased on 100 tariff lines.

On October 16, 2018, the FBR had imposed regulatory duties on the import of 570 goods including vehicles, SIM cards (5 percent RD), wheat (60 percent RD), cotton yarn (5 percent), betel leaves (Rs 400/kg) and wide range of imported food items and dairy products.

The RDs on the import of these 570 items would remain applicable till June 30, 2019. RDs were imposed within the range of 5 percent to 90 percent. The 10 percent, 20 percent and 40 percent RD were imposed on different items.

A tax expert said that the question arises whether the FBR is in a position to again raise taxes on sectors which were affected by the supplementary budget including salaried class, tobacco sector, vehicles (1800cc and above) and additional customs duty/regulatory duties on imports.

Source: fp.brecorder.com - Dec 17, 2018

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## **Pakistan: Competitiveness crisis continues to weave havoc through textiles**

Though the government has resolved the gas price disparity between five exporting sectors operating in Punjab and other regions of the country, the disparity still exists as gas prices for the most populous province are in dollars, while the rest pay in rupee.

Punjab textile sector and the federal government after lengthy negotiations agreed that the gas tariff for all provinces in the country would be brought at par.

The official gas tariff for Sindh, Khyber Pakhtunkhwa, and Balochistan at that time was Rs650 per unit (mmBtu). This amount at the time of negotiation was equivalent to \$6.50 at the value of dollar at the time of negotiation.

Both agreed that Punjab-based five exporting sectors would be charged \$6.50 per mmBtu. This was a big relief as Punjab industries were paying Rs1350 per mmBtu for the imported regasified liquefied natural gas (RLNG) that they were using.

The federal government agreed to provide Rs44 billion subsidy per year to rationalise gas prices. The government has since released a subsidy of Rs2.5 billion for this purpose.

However the gas price disparity between Punjab and other provinces still exists because of sharp decline in the value of rupee against the dollar. The price has shot up from Rs650 to Rs910 as the current dollar rate is Rs140.

This is much higher than what entrepreneurs in other province pay for gas. The price officially is Rs650/mmBtu but the entrepreneurs in these provinces have obtained stay order against Gas Development Surcharge and increase in gas tariff from high courts and for several years are paying Rs480/mmBtu.

This disparity has again placed Punjab-based industries at disadvantage against their peers operating from other parts of the country.

The textile sector after the acceptance of its demand on bringing the gas and power rates at par with regional rates are now hard-pressed to deliver on their promise to increase exports; but they face another dilemma which is that of declining crude oil rates.

After the decline in crude oil rates from \$65 to \$50 a barrel the competing economies are set to bring down energy and petroleum products rates. The Punjab-based industries would however continue to get gas at \$6.50 per unit irrespective of crude oil rates.

That would again place them at a disadvantage against regional competitors and industries established in other province where they pay unchanged price in rupee that is constantly declining.

Pakistani exports have not picked up in recent months despite high devaluation of rupee. The exports in fact declined in the month of November 2018 by over 6 percent compared with exports achieved in November 2017. The exports are unlikely to surge under the current circumstances. The decline in energy and power rates at best could stem the decline but are unlikely to boost much needed exports. There is gloom in global textile market.

The perception of the country has also not improved and there are reports some US importers are reluctant to place repeat orders with Pakistani exporters probably under the influence of lobbying by forces that be.

The domestic mills consume only 75 percent of yarn and fabric produced in the country while the remaining quantity has to be exported. If the mills throw this exportable surplus in the domestic market for sales then the market crashes to very low prices due to supply glut.

They have to produce carefully so as not to create surplus in the market. Exports of yarn are constantly on decline, while the fabric exports are stagnant, making life difficult for the basic textile sector.

The industry badly needs technology upgrade but the textile crisis in the country occurred at a time when the third generations of textile entrepreneurs were joining their family business. Many of them got disgusted with the turmoil that prevailed in the textile sector for seven years.

They do not want to invest in textiles and are looking for other businesses. Real estate has fascinated them because they earned much more than in it during the last seven years than textiles. The sector would be doomed its technology is not immediately upgraded.

Moreover textile sector is in another fix as it has to import 30 percent of its basic input that have become costly after the devaluation of rupee. The industry fulfills 30 percent of its cotton needs through imports and also imports polyester fiber because of short production of both cotton and manmade fiber.

They have to bear high incidental charges like custom duty, advance income tax and other levies that further increase their cost. They want the incidentals waived for commodities that are short in Pakistan.

Source: thenews.com.pk- Dec 18, 2018

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## **Nigeria: Textile manufacturers target massive fabric production to revive industry**

The Nigerian Textile Manufacturers Association (NTMA) has set a 1.7-billion metre finished fabric production sector target for 2019 to resuscitate the industry and increase its contribution to the nation's gross domestic product.

Mr Hamma Kwajaffa, Director-General of NTMA made the disclosure in an interview with the News Agency of Nigeria (NAN) on Monday in Lagos.

He said the association also set a target to capture a short to long-term local market share of between 35 to 70 per cent in finished fabrics, and 100 per cent off take of locally produced raw cotton.

Kwajaffa said commensurate investments to achieve the set target would be generated, adding that idle production lines in existing factories would start operating toward boosting production and restoring the sector's waning position.

According to him, enablers required from government to shore up its present 500 million metres per annum finished fabric production to its set targets are: infrastructure support, fiscal incentives, financing, anti-smuggling and regulatory.

“VAT exemption on locally produced textiles for five years to improve competitiveness, and existing Common External Tariff (CET) policy should be sustained without individual based waivers.

“Plant and machinery should be exempted from customs duty and VAT for five years, zero duty on importation of dyestuff and chemicals, packaging materials and spare parts for textile industry for five years,” he said.

He advocated that gas pipelines be extended to the North considering the concentration of mills there, adding that low pour fuel oil (LPFO) should be supplied at concessionary price until gas pipelines were extended to the region.

Kwajaffa urged government to harmonise power tariff for textile mills from DISCOs across the country and consider supply of power to textile manufacturers at globally competitive tariff of eight US cents per kilowatt.



The NTMA boss called for market assistance for garment producers to gain access and leverage the United States market under the African Growth and Opportunity Act (AGOA) and capacity building for textile industry operators.

He urged the government to enforce compliance with local sourcing of uniforms and other textile goods in line with Executive Order 3, and extant law should be made punitive to recognise smuggling as a criminal economic offence. Kwajaffa noted that implementing this strategies would assist the industry create more employment, wealth and contribute to economic growth as it did in the past.

Source: vanguardngr.com- Dec 17, 2018

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## **Vietnam to become major source for Asean buyers**

As more export orders shift from China to other countries, Vietnam will become one of the next major sourcing destinations for buyers from Asean-member countries, experts said at a meeting on Friday in Ho Chi Minh City.

Ho Chi Minh City Investment and Trade Promotion Centre (ITPC) director Pham Thiet Hoa said trade relations between Vietnam and Asean countries had grown rapidly in recent years.

“Asean is Vietnam’s fourth largest export market, after the EU, the US and China,” he said.

Asean economies have a combined population of around 660 million and high economic growth, and Vietnamese firms now have greater opportunities than ever to export to them, according to Hoa.

The establishment of Asean Economic Community (AEC) three years ago is expected to open up many opportunities for Vietnamese businesses.

Compared to other trade agreements, commitments on tariff reductions in the AEC are the most favourable.

Vietnam plans to complete the AEC tariff-reduction schedule by the end of the year, when tariffs will be cut to zero.

To tap into the Asean market, Hoa said that Vietnamese exporters should engage in more trade promotions and market surveys, and strengthen linkages with enterprises in target markets.

Exporters should also study prices, tastes and trends of consumers in other markets, and offer labels and packaging in English and in local languages.

### **China market**

China is the biggest trading partner of Vietnam. Vietnamese exports to China reached \$38.1 billion in the first 11 months, up 23.2 per cent year-on-year, which was higher than any other markets.

As of the end of October, bilateral trade between Vietnam and China reached \$86.9 billion, up 19 per cent year on year.

Last year, bilateral trade between the two countries totalled \$93.7 billion. Exports of agricultural, forestry and fishery products were worth more than \$8 billion, accounting for 35 per cent of Vietnam's total export turnover.

At the Apec summit held in Da Nang last year, Chinese President Xi Jinping said China would import goods worth more than \$24 trillion over the next 15 years.

China has been Vietnam's largest trading partner for more than 10 consecutive years, and Vietnam is one of China's 10 largest trading partners, according to the consul general of China in Ho Chi Minh City.

The Chinese consulate said Vietnam's government should research different trends in consumption markets and then issue suitable policies to help local exporters.

Exporters must learn about changing markets to sell the products that the market needs, instead of selling products the market already has, the consulate said.

Vietnamese enterprises should also improve the marketing of their products, especially to the Chinese market, through major events like the China-Asean Fair and Canton Fair, among others.

A traceability system to protect consumers and higher investment in warehousing and logistics to ensure faster delivery were also important.

Businesses and individuals should not sell poor quality products for short-term benefits, and instead should have a long-term vision to protect the reputation of the industry, according to the Chinese consulate.

Speaking at the meeting, Nguyen Thi Ngoc Hang, head of the marketing division of the Halal Certification Agency, said halal was a thriving industry worth \$2.3 trillion in revenue each year globally, attracting not only Islamic countries but also non-Muslim countries.

The number of Muslims worldwide is 1.6 billion. With half of Asean's population as Muslim, the halal industry in the Asean market has great potential and is continuing to grow, according to Hang.

Bilateral trade between Vietnam and Asean last year reached US\$49.5 billion, a rise of 19.6 per cent over 2016, accounting for 11.7 per cent of the country's total import and export turnover, according to the General Department of Customs.

Last year, total exports from Vietnam to Asean were \$21.51 billion, a surge of 23.9 per cent compared to 2016, accounting for 10 per cent of the country's total exports.

The key exports included telephones and components, computers, electronics and components, iron and steel, machinery and spare parts, textiles, crude oil and petroleum, among others.

Vietnam's imports from Asean were \$28.02 billion last year, up 16.4 per cent compared to 2016, accounting for 13.3 per cent of the country's total imports from all markets.

The GDP of Asean reached \$2.551 billion in 2016. The area is expected to become the world's fourth largest market by 2030.

Source: phnompenhpost.com- Dec 17, 2018

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## NATIONAL NEWS

### **Less than 1 lakh bales cotton procured**

The Cotton Corporation of India (CCI) has so far procured 98,900 bales (of 170 kg) of cotton in the current season till December 10 as compared to 3.9 lakh bales purchased in the previous season, the Government has informed the Rajya Sabha.

Much of this procurement made at minimum support price -- 86,000 bales – happened in Telangana, Minister of State for Agriculture Parshottam Rupala, told Trinamul Congress MP Derek O’ Brien in a written reply on Friday. In the last cotton season too, Telangana accounted for 68 per cent of the cotton procured by the public sector firm.

As per the estimates made by the Cotton Advisory Board, cotton production this year is projected at 361 lakh bales, nearly 20 lakh bales more than that estimated by the Cotton Association of India (CAI). CAI revised its yield projections downwards last week as it feared that crop losses in major cotton production States such as Gujarat, Maharashtra, Telangana and Karnataka.

Source: thehindubusinessline.com- Dec 17, 2018

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### **Lens on Dragon’s projects export sans funds**

Chinese investment in India is as low as US \$5 billion, but Chinese companies are executing projects of Indian entities pegged at a whopping \$63 billion. A parliamentary panel has pointed to this “projects export” by China without “bringing any actual investment” and pushed for an immediate stress on investments by Chinese companies in India.

The Committee has also outlined the security implications of Chinese projects saying they should be examined with circumspection on a sectoral basis. The trade deficit between the two countries stand at nearly \$52 billion.

“While cumulative Chinese investments in India are substantially low at round \$5 billion, the value of Indian projects currently executed by Chinese companies is estimated to be as high as \$63 billion.

China is engaged in project exports in India without bringing its own capital for investment. Such a trend is not healthy for the overall growth of Indian economy,” said the parliamentary committee on External Affairs, headed by Congress MP Shashi Tharoor in its report. The report was tabled in the Lok Sabha on Monday.

The Committee pointed out that trade deficit with China is totally loaded against India. The factors which is responsible for this include non tariff barriers imposed by China to Indian goods and services, dumping of goods, lack of genuine investment profile on the part of China, security imperatives are some of the concerns which India faces on the matter.

In its report, the Committee recommended that India should persuade Chinese companies to bring more investment into India rather than merely resorting to project exports. “The continuously rising trade deficit which has increased to \$52 billion in 2016-17 and is at present \$63 billion is unsustainable and requires concrete steps to be taken for redressal,” it said.

Foreign Secretary Vijay Gokhle, who appeared before the Committee, had submitted that there has always been a difference between the Indian figures and the Chinese customs statistics. “The Chinese calculate the data on calendar basis while India calculates on financial year basis. It is virtually impossible to reconcile the figures.

As far as the Indian Government data is concerned in the three previous financial years of 2014-15, 2015-16, 2016-17, the deficit was \$48.47 billion, \$52.69 billion and \$51.09 billion. In each case, the Chinese exports were around \$60 billion and the Indian exports were in the range of nine billion to \$10 billion. According to the Chinese customs statistics, in that same period for 2014, 2015 and 2016 calendar years, the deficit was \$37 billion; \$44 billion and \$47 billion,” the Foreign Secretary had submitted told the Committee.

On the issue of Chinese ease of entry to Indian markets and project exports, the Ministry of External Affairs said the value of projects currently under execution is estimated to be \$63 billion. So while the cumulative Chinese investments in India are substantially low which is about \$5 billion, the project exports are substantial and the Government’s effort has essentially been to persuade the Chinese to invest into the country and not to utilise Indian capital by bringing projects into the country.

The Committee questioned as to why the Government has not been able to leverage with China the fact of a massive \$80 billion market next door as to compel it to bring some degree of equity in the bilateral trade.

Source: [dailypioneer.com](http://dailypioneer.com) - Dec 18, 2018

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### **Export growth to surge 7% in Oct-Dec: Exim Bank**

The Export Import Bank of India (Exim Bank) Monday said the country's export growth will surge to 7 per cent for the October-December quarter.

The release of the estimates, done by the city-headquartered policy bank using in-house modelling method, comes days after official data showed merchandise exports growth slumping to 0.8 per cent for November on a base effect.

The Exim Bank estimate said merchandise exports will go up to USD 82.39 billion for the third quarter of the fiscal year, as against USD 77 billion. Non-oil exports will grow 7.20 per cent to USD 71.45 billion during the same period, as against the USD 66.65 billion in the year-ago period.

In a statement, the bank said it has developed an in-house model to generate an export leading index (ELI) for India to track and forecast the movement in exports on a quarterly basis.

The ELI modelling will keep getting updated and the findings will be released by the bank on a regular basis, the statement added. The model and forecast have been reviewed by a standing technical committee of domain experts, it said.

The country's exports growth slid sharply to 0.8 per cent in November from October's 17.86 per cent growth in what was attributed to base effects.

There was a double-digit contraction in exports of gems and jewellery and engineering goods in November, which impacted the overall growth.

Source: [economictimes.com](http://economictimes.com) - Dec 17, 2018

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## **Commerce Ministry working on new e-commerce policy to boost online retail**

The draft had suggested to introduce a pre-set timeframe for offering differential pricing or deep discounts by e-commerce players to customers

The commerce and industry ministry is working on a new e-commerce policy to boost the fast-growing online retail as well as protect the interest of small retailers, sources said.

The government has already set up a group of secretaries to look into the issues of the sector.

The ministry is committed to preparing the policy to boost the growth of the sector, sources said.

The move came after concerns were raised on some proposals of the draft e-commerce policy, which was prepared after consultations with several stakeholders, including industry chambers.

The draft e-commerce policy had suggested several steps to promote the growth of the sector. It had stated that online retail firms may have to store user data exclusively in India in view of security and privacy concerns.

It had also said that any group company of an online retailer or marketplace may not be allowed to directly or indirectly influence the price or sale of products and services on its platform, a move that could completely restrict e-tailers from giving deep discounts.

The draft had suggested to introduce a pre-set timeframe for offering differential pricing or deep discounts by e-commerce players to customers.

Meanwhile, Commerce and Industry Minister Suresh Prabhu informed Parliament the formulation of e-commerce policy is under consideration of the government for which no timeline has been fixed.

Traders body Confederation of All India Traders (CAIT) has time and again raised concerns over heavy discounts being provided by certain online-retailers.

CAIT Secretary General Praveen Khandelwal said that they have written to finance and commerce ministers suggesting them to take steps to check these discounts as they are leading to predatory pricing.

"We have recently met officials of the ministry, who are making the new e-commerce policy. We have urged to put certain clauses to check e-commerce firms giving huge discounts and freebies as it is damaging the trade fabric of the country," he said.

He added that e-tailers are giving discounts for the last four-five years and these were seriously damaging small retailers.

Framing of a new policy also assumes significance as rich member nations of the World Trade Organisation (WTO) are pushing to frame global norms for e-commerce trade.

Source: business-standard.com- Dec 17, 2018

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## **India's potential for export to SAARC countries must be tapped : Suresh Prabhu**

In order to incentivise and encourage Indian companies to compete globally by improving their exports, the Commerce Ministry is working on various fronts like creation of new policies, improving Ease of Doing Business, scrapping irrelevant regulations and formulating the concept of growth of GDP in every district of the country. This was stated by Union Minister of Commerce & Industry and Civil Aviation, Suresh Prabhu, in New Delhi today.

The Minister was speaking at the inauguration of the National Forum organized by Department of Industrial Policy & Promotion (DIPP) and Confederation of Indian Industry (CII) where discussions were held on India moving towards 'USD 1 Trillion manufacturing economy by 2025'.

The Minister further stated that India has not realized its full potential of exports and cooperation with neighbouring countries like Bangladesh and Sri Lanka and we must strive to work closely with these countries who have managed to become a part of the global value chain in industries like



textiles. As the Indian economy continues its growth trajectory and strives to reach USD 5 trillion by 2025, the manufacturing sector is expected to play a key role by contributing USD 1 trillion to the overall target, requiring the sector to grow 2.5 times in next 7 years.

The country needs to build further momentum and target at maximizing local value add, creating scale, capturing global market share and fulfilling India's job creation needs.

Prime Minister of India on many occasions has reiterated the need to collectively work towards realising the goals of Make in India and make the country a global manufacturing & innovation hub.

To further strengthen an integrated approach, DIPP with the CII in close association has initiated the exercise towards developing a roadmap for achieving USD 1 Trillion Manufacturing Economy and has designed an action-oriented national level Workshop-cum-policy dialogue forum involving key manufacturing sectors.

The two-day forum will discuss issues that are restricting growth in the manufacturing sector, identify growth drivers and create the roadmap. The sectors shortlisted for the roadmap based on their contribution, size and potential are automotive, textiles, chemicals, electronics, capital goods, food processing and metals & mining.

In addition, there will be a significant focus of this exercise on various horizontal pillars of manufacturing, including cost of doing business, EoDB and trade policy, technology and R&D, job creation and skilling.

The inputs derived from the deliberations will make space in the actionable roadmap, which, as an outcome of the 2 days-workshop would be shared with the key nodal ministries, DIPP and PMO.

Source: 5dariyanews.com- Dec 17, 2018

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## **FDI Rises To USD 60.97 Billion In 2017-18**

Foreign Direct Invest (FDI) has increased constantly from USD 45.15 billion in 2014-15 to USD 60.97 billion in 2017-18. This information was given by Minister of State for Commerce & Industry C.

R. Chaudhary in a written reply in the Lok Sabha. To boost the investment environment and to bring in foreign investments in the country, the Government has brought in FDI related reforms and liberalized various sectors of the economy.

Government plays an active role in investment promotion through dissemination of information on the investment climate and opportunities in India, and by advising prospective investors about investment policies.

Source: business-standard.com- Dec 17, 2018

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