TEXPROCIL NEWS CLIPPINGS

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US 71.09 | EUR 79.14 | GBP 93.15| JPY 0.65

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
18660	39000	**69.90**

Domestic Futures Price (Ex. Warehouse Rajkot), December

Rs./Bale	Rs./Candy	USD Cent/lb
19170	40065	**71.81**

International Futures Price

NY ICE USD Cents/lb (March 2020)	66.44
ZCE Cotton: Yuan/MT (May 2020)	13,355
ZCE Cotton: USD Cents/lb	86.58
Cotlook A Index – Physical	**76.20**

Cotton Guide- There is a classic situation that we have noticed yesterday. Prices were sensitive and rose due to Geopolitical news but declined back marginally due to no action. The Market is again thinking whether an “All talk no walk” situation has again risen! There have been many instances throughout this one and a half year of trade war where similar situations like this have led to an initial rise followed by a marginal decline. From now on, with Christmas season approaching we can consider these figures as the price levels at which cotton would enter the new year; which can only be challenged by [good] US export sales figures to be released tomorrow.

We need to understand that whether it is the bulls or bears, there needs to be consistent factors that keeps driving them in either direction. This consistent factors [news] is again seen missing. This certainly impacts the strength of the overall trend. Notwithstanding the fact that

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signed papers are still not seen, some analysts still consider that the bullish trend will continue. Based on various technical indicators, the trend looks positive.

The ICE March contract settled at 66.44 cents per pound with a change of -53 points, whereas the ICE May contract settled at 67.61 cents per pound with a change of -52 points. The spread is still around the 1 cent figure, to be precise 117 points. The volumes have again turned low to the early 20k figure at 22,852 contracts.

The MCX contracts followed the trend of ICE. However, the overall trend for the MCX contracts should remain sideways. For the ICE contracts we expect the prices to show some positivity till Friday, after which it should either be consolidated or negative.

On the technical front, in daily chart, ICE Cotton March, could witness a pullback towards the breakout level of Double Bottom formation, & resume its positive bias. However, price has the immediate resistance as 67.50/67.90 (61.8% Fibonacci extension level). Meanwhile, price is around the daily EMA (5, 9) at 66.54, 66.31 with a positive crossover acting as an immediate support for the price. The momentum indicator RSI is at 56, also supports sideways to bullish bias. The immediate support would at 66.30/66.00 (38.2% Fibonacci extension level & breakout of double bottom). Thus for the day we expect price to trade in the range of 67.50-66.00 with a sideways to positive bias. In MCX Dec Cotton, we expect the price to trade within the range of 18900-19200 with a sideways bias.

The Cotlook Index A has been updated at 76.20 cents per pound with a change of +25 points. According to the Cotton Corporation of India, total arrivals from the current marketing year by December 13 amounted to the lint equivalent of 7,230,297 bales (170 kgs). This emanates an increase since November 18 of 4,339,303 bales. Supply is in full swing which may put pressure on the domestic prices.

While speaking about External Factors, WTI Crude is trading high and has already crossed the 60 $ per Barrel Levels which is impacting Cotton Prices. Also, the Indian currency is back to its levels of over 71 Rs per USD.

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	What the Global Economy Has in Store for 2020
2	USA: These Factors Could Impact Retail, Apparel Credit Risks in 2020
3	US November retail sales up 2.1% year-over-year
4	USA: Getting legs under this young bull market
5	Bangladesh: RMG export drops 6.61pc in July-Nov
6	East Africa wants place in global supply chains
7	Pakistan: APTMA for 5-year policy for textile, clothing to attract new investment
8	Pakistan: Textile exports slightly up 5pc to $5.8bln in five month
9	Pakistan-China FTA: Jury's out!

	NATIONAL NEWS
1	Govt seek suggestions on new textile policy, aims to make India export hub
2	CII report paints a bleak picture of trade scenario
3	Day 2: Industry wants more measures to boost exports, improve ease of doing business
4	Industry demands export promoting measures, simplification of labour laws
5	Budget 2020 may include gift for traders; India's exports much below desired level of growth
6	GST Council meet today: Sitharaman-led panel may announce measures for real estate, exporters
7	Govt decides to go slow on FTAs to avoid RCEP-like impasse
8	CII report paints a bleak picture of trade scenario
9	Need more regional trade deals, tax exemption for SEZs: CII report
10	Facing losses, garment exporters tear into govt
11	FinMin sets monthly target of ₹1.1-lakh cr GST mop up
12	India's apparel market to reach USD 85 bn by 2021: Report
13	Revenue de-growth for cotton spinners seen
14	Coimbatore companies urged to study investment opportunities in Africa

INTERNATIONAL NEWS

What the Global Economy Has in Store for 2020

Following a turbulent year that saw global economic growth weaken to 2.6 percent from 3.2 percent in 2018, amid trade wars and struggling emerging economies, the outlook for 2020 is for greater stability, barring jarring external factors, IHS Markit said in its annual economic forecast.

"The bright spots in the global economy are consumer spending and improved financial conditions," Nariman Behravesh, IHS Markit chief economist, said in a webinar Tuesday offering his top 10 economic predictions for the coming year.

They are:

1. U.S. economy will grow at trend–around 2 percent.

Real U.S. gross domestic product (GDP) growth was above trend from 2017 to 2019, thanks to fiscal stimulus, Behravesh said. However, with the effects of this stimulus wearing off, growth is returning to trend, with second- and third-quarter growth rates at 2 percent and 2.1 percent, respectively.

"For the fourth quarter, we estimate an even weaker 1.6 percent rate," he said.

Noting a rebound in production at General Motors, the "phase one trade deal will help some," Behravesh said, and an expectation that consumer spending–roughly 70 percent of the economy–will increase about 2.7 percent in 2020, "putting a floor on growth in the broader economy."

IHS forecasts real GDP to expand 2.1 percent in 2020, 2 percent in 2021, and an average of 1.6 percent in 2022 and 2023.

2. Europe's economy will stabilize and recover a little

"The slump in Eurozone growth in 2019 to 1.2 percent compared with 2018 (1.9 percent) was alarming, with some large economies, notably Germany and Italy, coming perilously close to recession," Behravesh said. "Nevertheless, there are some signs that the worst may be over."

Consequently, IHS Markit expects Eurozone growth to stabilize around 0.9 percent in 2020 before picking up a little to 1.1 percent in 2021.

Meanwhile, notwithstanding the results of the recent election, the U.K. faces a hard slog and growth is predicted to drop from 1.2 percent in 2019 to 0.6 percent in 2020, before rising to 0.8 percent in 2021.

3. Japan's post-tax-hike growth stumble will be cushioned by more stimulus

Japan's real GDP growth rate strengthened to 1.1 percent in 2019 from 0.3 percent in 2018, but Behravesh said fourth-quarter real GDP will likely decline quarter on quarter in response to the hike in the sales tax to 10 percent from 8 percent.

"The good news is that the increase in the sales tax will help to stabilize Japan's government debt ratio, the largest in the developed world," he said. "After slowing to 0.3 percent in 2020, Japanese real GDP growth is projected to recover to 0.5 percent in 2021.

4. China's growth rate will fall below 6 percent

China's growth rate has been falling steadily since 2010, Behravesh said, when it was 10.6 percent, and the expected 6.2 percent expansion in 2019 will turn out to be the slowest since 1990.

"Policymakers are currently engaged in a balancing act," he said. "They would like to cut the debt ratio, or at least keep it from rising, while providing enough stimulus to keep growth from falling too fast."

IHS Markit predicts that China's growth rate will slide even further to 5.8 percent in 2020 and 5.6 percent in 2021.

5. Emerging markets will continue to tread water as debt reaches new peaks

While the long slide in China's growth rate has been a key drag, emerging markets also faced two other stiff headwinds–lackluster expansions in the developed world and falling commodity prices, IHS noted.

“Fragile recoveries in the developed world and sliding commodity prices, along with the simmering trade war and the continued decline in China’s rate of expansion, mean that there is little scope for growth in the emerging world to rise much, if at all, from current low rates,” Behravesh said. “A growing concern is the record level of debt in the emerging world, encouraged by low global interest rates.”

6. Commodity prices will trend down

The push-pull forces in commodity markets remained in full force during 2019, with prices rising in the first half and falling in the second half of the year, Behravesh said.

Oil markets have been buffeted by news regarding weak global growth, OPEC production cuts, non-OPEC production increases, an attack on Saudi production facilities and the trade wars, he said.

IHS expect the average prices of crude oil to drop to $57 a barrel in 2020 from $64 per barrel in 2019.

7. Inflation will remain subdued

There is early evidence that the underlying rates of price and wage inflation may be creeping up in the developed world, but the chances of a major “breakout” are remote, Behravesh said. “Weak growth and sliding commodity prices will keep inflation at bay.”

Global inflation in 2020 is expected to be just 2.6 percent.

8. The global monetary easing cycle will probably come to an end

The Fed lowered the federal funds rate three times in 2019, while the European Central Bank began a renewed bond purchase program and more interest rate cuts.

The argument could be made, Behravesh said, that the 2019 monetary easing cycle helped to put a floor on growth in many parts of the world.

9. The U.S. dollar will rise a little more

The dollar, adjusted for inflation and trade-weighted, has risen around 9 percent since the beginning of 2018. This rise is almost entirely due to economic fundamentals and has little to do with currency "manipulation," Behravesh said.

"The U.S. economy has been growing faster than most other developed economies and interest-rate differentials between the United States, on the one hand, and Europe and Japan, on the other, favor dollar-denominated assets," he said. "Going forward, these dynamics are likely to stay in place, but ease some."

IHS Markit expects that the dollar will climb another 3 percent during the next two years before beginning a long and gradual retreat.

10. Despite historically high levels of policy uncertainty, recession still not the most likely scenario

"Recession fears were pervasive in early 2019," Behravesh said. "By the summer, IHS Markit was assessing the risks of a recession at nearly 30 percent. However, the global economy seems to have dodged a recession– manufacturing activity appears to have reached a trough and financial conditions have eased considerably. This has led us to lower the risk of U.S. and world recessions to about 20 percent."

However, he added that "a big threat to the global economy remains either an escalation of the U.S.-China trade conflict or its spread to other parts of the world, notably Europe.

Another potential for a policy mistake is the hesitation from many governments, especially in the Eurozone, to provide more fiscal stimulus."

Source: sourcingjournal.com - Dec 17, 2019

HOME

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USA: These Factors Could Impact Retail, Apparel Credit Risks in 2020

Global trade tensions and continued protectionist posturing continue to pose a risk for credit conditions in 2020, testing consumer confidence and potentially affecting the U.S. retail and apparel sectors.

While credit analysts from Moody's Investors Service don't expect a recession in 2020, they note in a new report that recession risks run high, given the uncertain backdrop connected to trade policy, and the unpredictable political and geopolitical environment.

For now, the outlook is stable for both the retail and apparel sectors, despite plenty of risks like high leverage, numerous debt issuers with weak credit quality and possible consumer pullback. The supply chain will continue to be a big focus for retailers, while the apparel sector will find the North American market to remain a challenge due to bankruptcies and store closures.

On the environment, social and governance front, companies will need to continuously work toward "sourcing transparency while making investments in sustainable supply chains," the analysts wrote, noting that responsible product sourcing can affect an apparel company's brand image over time.

Terms of the phase one trade agreement between the U.S. and China have not been revealed, providing little clarity on what could be an enforcement trigger that would allow U.S. President Trump to reinstate certain tariffs. The agreement calls for a hold on the 15 percent tariffs that was to go into effect on Dec. 15 on certain Chinese imports, and it lowers the tariffs that went into effect on Sept. 1 to 7.5 percent from 15 percent. Tariffs that were in place earlier this year remain in place. There's also the possibility of retaliatory tariffs against France, following French lawmakers' decision to institute a digital tax on foreign firms.

"Increased trade friction could trigger spikes of volatility in financial markets and further disrupt trade flows," the report said, noting that the offsets to price increases within the industrial supply chain now available to companies may not last if tensions persist. That, in turn, could result in higher prices and constrain consumers' willingness to buy, at least for those accustomed to steady price reductions, the Moody's credit team said. An "enduring U.S.-China trade deal will remain elusive and trade disputes will weigh on credit conditions," the analysts said of what could remain an important theme for the year ahead.

Barring material, industry-wide supply chain disruption, the credit analysts expect the U.S. retail sector to remain "stable" in 2020, although the department stores and drug segments will remain a drag for the group as a whole. Department store operating income is expected to decrease by 1 percent, following a major contraction in 2019. The sector still hasn't transformed enough to meet changing consumer needs, and debt reduction remains critical due to the challenges to stabilizing earnings growth, the analysts concluded.

Companies that have made strategic investments in e-commerce will continue to see gains from improved operating efficiencies. Discounters, such as Walmart and Target, and warehouse clubs are expected to see operating income gains in 2020: Walmart for its ability to extract share in its grocery business, and Target primarily for its investments in exclusive and private-label merchandise. Also expected to see operating income gains next year is the off-price sector, both for its value proposition and ability to drive traffic through its treasure-hunt format.

As expected, e-commerce sales are projected to grow at a rate of 14 percent to 15 percent annually through 2022, although growth could decelerate by 1 percent starting in 2023, the report said without elaborating.

For the apparel sector, international markets and the direct-to-consumer channels are expected to remain the key growth drivers for 2020. One negative will be the continued challenges in the North American market, including wholesale customer bankruptcies, store closures and ongoing inventory management issues.

On the other hand, innovation and new product introductions, along with improved marketing efforts, are expected to help drive sales. However, while a decline in tariffs or other input costs would be a positive for the companies, a weakening in global economic conditions or continued tariff increases could cause a decline in sales.

Another risk for the apparel sector could be input costs, currently mixed. While cotton prices have declined as demand has slowed and supply has increased, synthetic and polyester fibers remain elevated. And a strong dollar–the typical currency used to determine costs for sourced goods–will likely lead to higher costs in 2020, but it won't get any offset as the goods in overseas markets are sold in local currencies.

Source: sourcingjournal.com - Dec 17, 2019

HOME

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US November retail sales up 2.1% year-over-year

Retail sales in November increased 0.1 per cent seasonally adjusted over October and were up 2.1 per cent unadjusted year-over-year in United States, marking first half of the holiday season with billions of dollars in shopping left to be done, the National Retail Federation (NRF) said. The numbers exclude automobile dealers, gasoline stations and restaurants.

"November showed modest growth on the surface, but you have to remember that the late timing of Thanksgiving delayed the beginning of the busiest portion of the holiday season and pushed Cyber Monday's billions of dollars of retail sales into December," NRF chief economist Jack Kleinhenz said. "These numbers are more about the calendar than consumer confidence. Consumer spending has been solid, and there's still a lot of spending to be done. With strong employment and higher wages, we're on track for a strong holiday season."

Kleinhenz noted that the year-over-year comparison was challenging because November 2018 was up an unusually strong 4.7 per cent over the year before. But December 2018 was down 0.2 per cent from the year before, making it likely that next month could show a strong comparison.

In addition, many consumers began their shopping early this year, with some starting before November. NRF surveys showed that 39 per cent planned to begin by Halloween, and that consumers on average had completed 52 per cent of their shopping as of the Thanksgiving Day weekend.

NRF's forecast predicts that holiday retail sales during November and December will increase between 3.8 per cent and 4.2 per cent for a total of between $727.9 billion and $730.7 billion.

November's results build on October's increase of 0.2 per cent month-over-month and a strong 4.1 per cent year-over-year. As of November, the three-month moving average was up 3.3 per cent over the same period a year ago, compared with 4.2 per cent in October.

NRF's numbers are based on data from the US Census Bureau, which said today that overall November sales – including auto dealers, gas stations and restaurants – were up 0.2 per cent seasonally adjusted from October and up 3.3 per cent unadjusted year-over-year.

According to NRF, online and other non-store sales were up 7.2 per cent year-over-year in November and up 0.8 percent month-over-month seasonally adjusted.

The clothing and clothing accessory stores were down 2.9 per cent year-over-year and down 0.6 per cent month-over-month seasonally adjusted.

The National Retail Federation, the world's largest retail trade association, passionately advocates for the people, brands, policies and ideas that help retail thrive. From its headquarters in Washington, DC, NRF empowers the industry that powers the economy.

Source: fibre2fashion.com - Dec 17, 2019

HOME

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USA: Getting legs under this young bull market

The new baby bull, now just some five weeks old and falling with almost every step, finally completed a few successful steps this week. As we have said for two weeks...keep the faith.

USDA came forth with its second consecutive bullish supply demand report. And just like the response to the November report, the market was very slow to react. Yet, by midweek – and in reaction to a very positive export sales report – prices pushed higher. Then, some two hours later, Washington announced it would compromise slightly with a portion of the Chinese tariff requests. That announcement was all that was needed to send prices on a triple digit parade. Prices surged higher, reminding us again to "keep the faith."

The bullish December supply demand report, coupled with the strong export sales report and the limited temporary tariff compromise, led cotton to triple digit gains. Thus, prices broke above the long standing 67-cent price resistance barrier.

The bear is of the past. Yet, the bull remains just a bit wobbly legged. Don't look for the market to enter an exciting new breakaway phase. In fact, I don't foresee that in the near to mid future. Yet, one should expect the market to now mount a challenge of the 72-73 cent level, basis May.

Yet, we note that after challenging 68 cents, basis the March contract, the market sold off and finished the week just below 67 cents. There was a two-sided meaning in the weekly settlement slipping below 67 cents. The new bull remains a bit weak and will continue to need care if it is to mature. More importantly, the market finally received a boost from real tariff resolution news, and all it could muster was a very short-lived boost of only less than 100 points.

We have warned repeatably that cotton fundamental news had control of the cotton market and that soothsayers should no longer expect any price boost from political-related news about tariff resolution. Speculative buying was energized by the tariff resolution announcement, but fundamental reality kicked in, and the "tariff price boost" all but evaporated. Don't expect tariff news to be more than a bit player in the cotton market.

The important activity on the week was that the market was able to finally close above 67 cents (one day only) and settled the week essentially at 67 cents. Now, the gut-wrenching teeth pulling can begin as the market attempts to move up to the 72-73 cent trading range.

The bullishness began back in October and was first reported in the November world supply demand report. Since October, USDA has noted the following very bullish changes in market fundamentals:

- U.S. production reduced 1.5 million bales
- U.S. carryover reduced 1.5 million bales
- Indian production reduced 1.0 million bales
- Chinese production reduced 500,000 bales
- Pakistan production reduced 1.3 million bales
- World production reduced 3.6 million bales

- World consumption reduced only 1.3 million bales
- World carryover down 3.3 million bales

Note that the world's largest producing countries have experienced significant reductions in crop size while world consumption has remained considerably more stable. The resulting 3.3 million bale drop in world carryover was the market fundamental that killed the bear and birthed the new bull. Since its October estimate, USDA now expects a 300-point higher average farm price for the 2019-20 marketing season.

U.S. export sales and shipments are ahead of the five-year average. U.S. sales to date remain the second highest on record and are 16% ahead of the prior year's pace.

Significant sales this week were made to Turkey, China, Pakistan, Vietnam, Bangladesh, India and Malaysia.

Source: cottongrower.com- Dec 17, 2019

HOME

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Bangladesh: RMG export drops 6.61pc in July-Nov

The country's ready-made garment (RMG) export to major non-traditional markets witnessed a negative growth of 6.61 per cent during the first five months of current fiscal year (FY), 2019-20, according to data.

Industry people said Australia, Brazil, Chile, China, India, Japan, Korea, Mexico, Russia, South Africa and Turkey are 11 prospective markets for local RMG items beyond their three traditional export destinations - the European Union (EU), the US and Canada.

Export of apparel items to non-traditional markets, including these 11 prospective ones and excepting India, Korea and Mexico, witnessed a negative growth, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) data revealed.

Bangladeshi RMG sector earned US$ 2.24 billion from the non-traditional markets during July-November period of FY 20, which was $2.40 billion in the corresponding period of last fiscal.

Export to Brazil, China, South Africa and Turkey witnessed a negative growth of 34.12 per cent, 21.47 per cent, 19.47 per cent and 34.92 per cent respectively during the period.

RMG export declined by 7.17 per cent, 4.50 per cent and 2.74 per cent to Australia, Japan and Russia respectively, while it fell by less than 1.0 per cent in Chile during the first five months of current FY, data showed.

The non-traditional markets accounted for 16.66 per cent or $5.68 billion of the country's total garment export volume worth $34.13 billion in FY 19.

Export receipts from the non-traditional markets witnessed a 21.77 per cent growth in last FY. More than 76 per cent of the earning from the non-traditional markets came from these 11 potential ones.

The RMG export in traditional markets - the EU, the US and Canada - also fell by 8.51 per cent, 5.17 per cent and 13.15 per cent respectively during July-November period of FY 20.

Apparel exporters attributed the poor performance of RMG sector to a number of factors, including sluggish global demand, decline in price of products, the US-China trade war tension, devaluation of currencies in major competitor countries, and high duty in some non-traditional markets.

When asked, BGMEA President Dr Rubana Huq said "We need product diversification as well as shifting our over-concentration on cotton items."

There are product mismatches in new markets too, she said, suggesting paying more attention to new markets.

Citing data, she noted that knitted cotton t-shirt was the top export item this week, and its export witnessed negative growth both in terms of value and volume.

On the other hand, knitted non-cotton jersey and pullovers were the top declining products of the current week, whereas prices of the items increased.

Ms Huq added that export values of 13 out of the top 20 items have declined this year, while prices of nine out of the top 20 items have also dropped.

Terming Brazil one of the potential markets, an exporter blamed high duty and absence of continuous efforts behind failure to grab the largest among the South American markets.

Besides, export to Turkey is also declining, as the country has taken safeguard measures for its local industry by imposing supplementary duty on apparel products, he added.

Source: thefinancialexpress.com.bd- Dec 18, 2019

HOME

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East Africa wants place in global supply chains

At the 10th edition of the annual textile event Origin Africa (Dar-es-Salaam, October 28-30), representatives from the cotton farming sector, the creative industries (fashion design) and several governments—all stressed the importance for East Africa to get more deeply involved in global value chains. How to get there? Easy question, difficult answer.

Textile was once a thriving industry in East Africa. And once again, according to Jas Bedi, honorary chairman of the African Cotton & Textile Industries Federation (ACTIF), it has a window of opportunity for growth.

Antoinette Tesha, director (textiles & apparel) of consulting company Msingi East Africa Ltd, from Nairobi, supports the optimistic vision of ACTIF. Msingi designed a textiles industry strategy for the Ugandan government and tried to estimate the impact of the textiles and apparel industry on exports and employment in East Africa (not including Ethiopia and other countries from the Horn of Africa) focusing on Kenya, Tanzania, Uganda and Rwanda. The Msingi consultants expect high growth rates in the East African textiles and apparel industry resulting in $2.7 billion exports and 200,000 jobs by 2030.

ICAC App for Small Farmers

The cotton boards of the East African countries are expecting much from the hundreds of thousands of small cotton farmers in East Africa. They hope that farmers will be able to at least double the yield per hectare, adapt farming practices to climate change and increase the share of organic cotton.

Kai Hughes, executive director of the International Cotton Advisory Committee (ICAC), argued during Origin Africa that seed development has to be a priority. However, small farmers don't need Bt cotton to increase their productivity. He said: "Bt cotton does not increase yields, it only protects cotton from pests. It makes sense to grow Bt cotton in large fields of 200 hectares or more, not in the very small fields." He pitied the African smallholder farmers who mostly don't have any information about the impact of climate change.

ICAC wants to change this. Hughes announced the introduction of an ICAC app that will be given for free to the member governments. It will be an exceptional analytic tool which will inform smallholder cotton farmers, in their own language, about local weather forecasts and pests, and what to do about it. Hughes also insisted that the governments would have to play a more active role in teaching farmers best practices and in financing cotton research.

Though it's generally admitted that African cotton is of fairly good quality, often it is internationally sold at a discounted price. So, it's not surprising that many farmers shift to other crops. In Malawi, for instance, the number of cotton farmers decreased from 300,000 to 80,000 in the last few years, while cotton production fell from 100,000 metric tonnes to 15,000 metric tonnes.

Fortunately, organic cotton gets a premium price. With a share of only 1 per cent, organic cotton is still a marginal phenomenon in the global cotton market. But in Africa, organic cotton is strongly on the rise (per cent in the last two years). According to Marco Mtunga, director-general of the Tanzania Cotton Board, in Tanzania the share of organic cotton is nearly 10 per cent. After China, India and Turkey, Tanzania is the world's biggest producer of organic cotton. Also in Uganda, production of organic cotton is achieving high growth rates. It's clear that organic cotton is a market niche in which East Africa can be successful.

African Cotton, African Textiles

Much to the regret of East African governments, most of the region's cotton is exported to countries like China and India. That's not what the governments want. They want to develop a complete cotton textile supply chain in their respective countries.

Their development strategies are not totally similar. Just like Ethiopia in the Horn of Africa, also Kenya, Tanzania and Zambia are East African countries with a strong desire not only to increase significantly their cotton production, but also to retain much more added value in the country. Some other countries, like Botswana, want to become successful garment exporters but don't dream of building a supply chain with spinning, weaving and textile processing mills. They think it's more realistic to import yarns and fabrics at sharp prices from the most competitive (Asian) textile countries.

Tesha remarked during Origin Africa that East Africa has a comparative advantage compared to countries like Bangladesh, Vietnam, Sri Lanka and Cambodia, which built successful garment export industries though they have never been cotton-growing countries.

In Tanzania, the government is of course happy with the growing number of jobs created by companies like JD United Manufacturing from China (denim articles, mainly for VF), the Tanzanian-Sumitomo (Japan) 50:50 joint-venture A to Z Textile Mills (knitted garments), or Mazava, a company of the Winds Group, with headquarters in Hong Kong (15,000 employees, focus on performance wear).

However, the government would be pleased if, instead of CMT (cut, make, trim) garment factories, a number of local and foreign investors would set up FOB-oriented companies in Tanzania, producing yarns, fabrics and apparel in integrated hi-tech factories that would enjoy economies of scale.

The government's textile vision is not yet clear. Should Tanzania specialise in bed linen and napkins, or rather in clothing textiles, or in both? Should the country try to attract denim manufacturers? Or should, after all, the government of Tanzania use its scarce financial resources to boost investments in a highly labour intensive CMT garment industry? Tanzania, with its 60 million inhabitants needs jobs, the more so since President John Magufuli has urged women to stop taking birth control pills, saying the country needs more people.

Click here for more details

Source: fibre2fashion.com - Dec 17, 2019

HOME

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Pakistan: APTMA for 5-year policy for textile, clothing to attract new investment

All Pakistan Textile Mills Association (APTMA) Punjab Senior Vice Chairman Abdul Rahim Nasir on Tuesday urged the government to provide five-year policy for textiles and clothing to attract long term investment.

He was speaking to a delegation of Trade & Development Authority of Pakistan (TDAP) including 15 probationary Officers from 26th Specialized Training Programme (STP) here at APTMA Punjab office.

Abdul Rahim Nasir said the textile industry was planning to establish as many as 1,000 garments plants near major textile manufacturing cities including Lahore, Sheikhupura, Faisalabad, Kasur, Multan, Sialkot, Rawalpindi, Karachi, and Peshawar.

The government should allow Long Term Finance Facility (LTFF) to both direct and indirect exporters for building infrastructure in addition to existing scheme for plant and machinery, he added.

He said the prospective investors reluctant to make new investment decisions due to high cost of doing business and textile industry had lost technological advantage over its global and regional competitors, who were enjoying various investment incentives to promote investment, production and exports.

Unfortunately, Pakistan's textile and clothing export share in global trade had dropped from 2.2 per cent to 1.7 per cent, therefore, fresh investment was direly needed, he argued.

However, he said, the textile exports could increase to US $ 50 billion in 2019 from existing level of US $ 13 billion provided that the government ensured long term policy for the textile industry.

According to him, only the availability of regionally competitive energy i.e. Gas at US $ 6.5 mmBTU and electricity at 7.5 US cents/kWh could materialize the dream of fresh investment in the country.

The government should also extend duty drawback scheme for five years and drawbacks should be increased every year by one per cent for garments (up to 12 per cent) and made-ups (up to 10 per cent), he suggested.

APTMA Punjab Senior Vice Chairman hoped that the government would ensure skill enhancement facilities in collaboration with the industry. He also sought amendment in labour laws to encourage productivity and implementation of social standards.

Source: urdupoint.com - Dec 17, 2019

HOME

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Pakistan: Textile exports slightly up 5pc to $5.8bln in five month

Textile exports posted a slight recovery of around five percent to $5.76 billion in the first five months of the current fiscal year of 2019/20 with stakeholders now betting on Chinese tariff concessions and ease of doing business to unlock potential foreign exchange revenue from the key sector.

Pakistan Bureau of Statistics (PBS) data showed on Tuesday that textile exports fetched $5.5 billion in the corresponding period a year earlier. In November, textile exports clocked in at $1.17 billion, up 7.03 percent year-on-year, but down 3.1 percent month-on-month.

Karachi-based brokerage JS Global Capital said growth in textile exports remained stagnant in recent months and "it remains to be seen whether the phase-II of China-Pakistan free trade agreement (CPFTA II) can provide some fresh impetus to the sector".

Brokerage Pearl Securities said implementation of CPFTA II could be a key catalyst to export volumes as it includes multitude of positives such as concessionary tariff lines and greater market access.

Exporters, however, said costs of doing business, especially energy tariffs, need to be reduced. "Electricity should be supplied at a flat rate round the clock to the industrial sector in winter season to meet to government's aims to increase production, uplift exports and create more jobs," Jawed Bilwani, chief coordinator of Pakistan Hosiery Manufacturers and Exporters Association said.

In July-November, value-added textile sector showed increase in exports. Readymade garments' exports rose 13.2 percent year-on-year to $1.56 billion. Knitwear exports increased 8.7 percent to $1.32 billion, while exports of bed wear increased 4.7 percent to $1 billion.

In November, readymade garments fetched $250.65 million, up 18.13 percent from the same month last year and showing 4.7 percent growth month-on-month. Knitwear exports rose 5.76 percent year-on-year, albeit falling 2.84 percent month-on-month to $266.85 million. Bedwear exports marginally increased 0.39 percent year-on-year and decreased 9.97 percent month-on-month to $195.45 million, and towel exports stood at $65.37 million, up 1.05 percent year-on-year and down 8.54 percent month-on-month.

Raw cotton exports stood at $2.06 million, up 24.91 percent on yearly basis, while cotton yarn exports surged 23.9 percent to $98.5 million in November 2019.

Exporters expect liquidity and working capital for the sector to improve going forward with the government now scrapping the flawed mechanism of bonds to clear refund payments and instead opting to make cash payments.

"Also with the announced enhancement in threshold of export finance scheme and long-term financing facility for export sector by a further Rs100 billion, we believe implementation on this enhanced facility will provide much needed financial assistance to the sector in the prevailing high interest rate scenario, thereby paving the way for further accretion in country's exports," Pearl Securities said in a report.

PBS data further showed that food exports surged 16.2 percent year-on-year to $1.75 billion in the July-November. Rice exports got the biggest jump of around 39 percent in the group.

In November, food exports increased 16.3 percent to $397.70 million. In November, total exports were up 9.36 percent year-on-year and down around one percent month-on-month. Total exports increased five percent in July-November to $9.5 billion.

During five months, petroleum products imports were recorded at $5.11 billion, down 21.79 percent as against imports of $6.53 billion in the corresponding period last year. Meanwhile, petroleum products imports during November 2019 clocked in at $930.4 million, down 31.48 percent from $1.35 billion recorded in November last year.

Source: thenews.com.pk- Dec 18, 2019

HOME

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Pakistan-China FTA: Jury's out!

The second-phase of the Pakistan-China FTA is due to be implemented in t minus 14 days and the official word from Prime Minister's Advisor for Commerce and Investment Abdul Razak Dawood is that the FTA would generate an additional $500 million in export dollars in the first year.

The agreement is a full 10 year deal with both countries eliminating tariffs to zero by 2030 across 6000-8000 tariff lines (at 8-digit HS code) and China eliminating tariffs on Pakistani exports across some 313 priority tariff lines from day-1. Pause for applause? Let's reserve judgement.

Based on comparable trade numbers from International Trade Center's data portal, the 313 tariff lines across which Pakistan enjoys zero duty access in China immediately does not seem to be a carefully curated list. In fact, it contains items which Pakistan has never exported to the world ever before. Such items are 48 percent that makes up the entire 313 item list.

If Pakistan has never exported nearly half the items anywhere in the world, these items are unexplored. Will the sudden concession make them competitive? Does Pakistan even have the capability to produce and export these items? Did the industry contribute to creating this list, because after all, it is the industry that will be making this “exportable" products?

In addition, 73 percent of this priority list contains items which Pakistan has never exported to China. Let's assume that the new concessions would make these 230 products more attractive in the Chinese market. But the curious thing is: of the $867 million total Pakistani exports to China across 313 tariff lines (in 2018), nearly 70 percent of that amount comes from exporting just one product in that offer list (HS 52051200: uncombed cotton yarn). Another curious observation: the top 24 items in the list (by dollar value) consist of only cotton and value-added textile products (aside from one item: cement). Of total exports to the world across these 313 items, these 24 items took up 81 percent of the share. In short: Pakistan is barely exporting these products *(read more: “313 grains of salt: Pakistan-China FTA" May 24, 2019)*

A last quick observation is that the big ticket items in the list—where China is actively and heavily importing from the world—are products Pakistan has little to no experience exporting to the world—aside from the aforementioned cotton yarn product. Sure, it is definitely possible that due to these concessions Pakistan will be able to export many of these items—which include automotive parts, home appliances and electronic items including fans and air conditioners.

The deal with China was to give Pakistan concessions along the lines of ASEAN countries so that Pakistan will be at par with them. But, even if we ignore that Pakistan has never exported so many of these products where China has given Pakistan full market access, will Pakistan gain parity with just that?

Recall in the first phase of the agreement, Pakistan had zero-rated duty across nearly 3000 products, of which 95 percent were items where Pakistan never exported in throughout the five years the agreement remained operational. That's a big share to swallow. It's true that not all products are exportable in any given FTA around the world. But consider the other side of the picture.

In the same agreement, Pakistan offered China zero-rate concessions on about 2500 products. China was able to utilize 55 percent of this deal i.e. it exported across 1332 products. Many of these products were those that China had never exported to Pakistan, so the possibility of Pakistani exports growing in products it has never exported in—exists, though China and Pakistan are two dramatically different countries with different knowledge base and production possibilities.

One could hope that this time, the Ministry of Commerce negotiated a better deal by having those products included which Pakistan has domestic capabilities in, or there is some optimism that it would spur new investment inflows into local production. The experience from Phase-I reveals that competitiveness cannot be developed overnight with just market access. For starters, it will take into account competitors' cost efficiency, compared to Pakistan's input costs.

Even at zero-rate, price parity may not be possible for Pakistani manufacturers at their current level of efficiencies. In addition, if the concessions spur new production avenues, let's not forget economies of scale come with volumes. Unless Chinese companies and importers take out large contracts, Pakistani manufacturers cannot compete with established manufacturers in other Asian countries. That will take time. But if the deal lasts a decade, it seems time is something we can spare.

Source: brecorder.com- Dec 17, 2019

HOME

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NATIONAL NEWS

Govt seek suggestions on new textile policy, aims to make India export hub

Last month, Textiles Minister Smriti Irani said in the Rajya Sabha that the Centre is considering formulation of the National Textiles Policy after consultations with states

The textiles ministry has sought suggestions for formulating the much-awaited new National Textile Policy for the next 10 years, which will envisage positioning India as a fully integrated, globally-competitive manufacturing and exporting hub.

The policy will entail the strategy and action plan for the country's textile and apparel sector.

Last month, Textiles Minister Smriti Irani said in the Rajya Sabha that the Centre is considering formulation of the National Textiles Policy after consultations with states.

The formulation of the new policy has been under consideration for some time now. In 2016, then textiles minister Santosh Gangwar had said the new policy will envisage creation of additional 35 million jobs.

The existing National Textile Policy 2000 was framed about 13 years ago. Since then, the industry has undergone various changes on the domestic and international front. The domestic textile industry has seen large-scale modernisation and technological up-gradation in the last decade and faces new challenges.

"The Ministry of Textiles, Government of India, is in the process of formulating a New Textile Policy for the next decade. This will include vision to position India as a fully integrated, globally competitive manufacturing and exporting hub, strategy and action plan for Indian textile and apparel sector," according to the ministry's website.

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

HOME

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CII report paints a bleak picture of trade scenario

International trade is expected to slow down both internationally and domestically according to a report by the Confederation of Indian Industry.

The report titled 'India's Exports: Trends, Challenges and Future Strategy', said that this slowdown traces itself to an increase in protectionism across the world, as the ongoing US-China trade war shows. "Also there has been a slowdown in growth in the EU region.

Additionally, due to a lack of nominations, the appellate body of the WTO has only one remaining member. These actions together have resulted in a slowdown of international trade," the report said.

The report said that imports were negatively impacting the domestic capacity at the present, and it was also negatively impacting plans for increasing the capabilities in domestic industries and augmenting capacity. Iron and steel, non-ferrous metals, chemicals and petrochemicals are among the major industries raising these issues.

The report also noted that there is no clarity on import of intermediates. "Industry is aware that a number of imports are used as intermediates and value addition is done in India. However, there is no clarity on how much of the import is happening because the domestic capacity is lacking, versus cost competitiveness."

Losing market access

In addition, India has lost its preferential market access in two of its largest export destinations — the US and EU.

India has graduated out for most products it used to export to the EU through the EU's GSP programme. This has impacted its textile exports.

Also, as on June 2019, the US has withdrawn all GSP benefits to India. While in terms of percentage of trade volume this will be small, in terms of total trade, it is potentially around $ 5 billion worth of exports while India's retaliatory tariffs are only on products worth a few million dollars, the report said.

Addressing problems

Among its recommendations, the CII suggested developing new schemes to help diversify export markets and products.

Speaking at the CII- Exports Summit 2019, Minister for Commerce and Industry, Piyush Goyal said that the NIRVIK scheme also known as Export Credit Insurance Scheme (ECIS) is an initiative of the Government meant to address the problems of export financing that industry was facing.

Goyal also noted that the government is stepping up engagement with the EU, the US and the UK separately, to secure markets for Indian exports even as it withdrew from the Regional Comprehensive Economic Partnership.

Source: thehindubusinessline.com- Dec 17, 2019

HOME

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Day 2: Industry wants more measures to boost exports, improve ease of doing business

India Inc has sought more measures for ease of doing business and export promotion coupled with simplification of labour laws. Industry chambers also advocated for expansionary fiscal policy to arrest the slowdown.

At a pre-Budget meeting with representatives of Indian industry, export business and services industry called by Finance Minister Nirmala Sitharaman, the industry bodies made this pitch.

Discussions were also held on the regulatory environment impacting private investment, measures for promotion of exports amidst rising protectionist tendencies, Industrial production, logistics, media and entertainment services, and IT and IT-enabled services among others.

CII President Vikram Kirloskar said that the current economic situation calls for an expansionary fiscal policy, with a range of around 0.5-0.75 per cent deviation from the target (3.3 per cent of GDP) of fiscal deficit.

The proceeds should be spent on asset creation, especially in rural infrastructure. “In the subsequent years, there can be a glide path to converge with the FRBM trajectory over a 2-3years’ timeframe,” he said.

Further he added that ministers and government officials understood the headwinds in the economy and they have looked at all the possible suggestions including fiscal easing, improving tax collection and demand.

PHD Chamber of Commerce and Industry President DK Aggarwal suggested creating complementarities in reforms such as making land available for industry, time-bound single window clearances, full transmission of policy rate cuts, a dedicated fund for MSMEs, tax reliefs for exports, and review/upgradation of India’s FTAs.

To boost exports, sectors such as agro and food processing, dairy products and sea food, automobiles and automotive components, defence including arms and ammunition, parts and accessories, electrical machinery and equipment, gems and jewellery, oil and gas, pharmaceuticals, sports goods, textile garments, handlooms and handicrafts and IT & ITeS must be given concessional duties to import raw materials, facilitation in production processes etc. Assocham Secretary-General Deepak Sood said several suggestions were made to increase demand in the economy and inject liquidity into the system.

FIEO President Ajay Sahai said the exporters’ body highlighted the liquidity concerns of exporters and sought rollout of e-wallet recommended by the GST Council to ease liquidity to exporters.

Source: thehindubusinessline.com– Dec 17, 2019

HOME

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Industry demands export promoting measures, simplification of labour laws

Finance Minister Nirmala Sitharaman on Tuesday held discussions on regulatory environment impacting private investment and measures for promoting exports in a pre-budget consultation with stakeholder groups from industry, trade and services sectors. The representatives submitted suggestions concerning reduction of compliance burden and tax litigation, allowing self-certification in low risk industry, decriminalisation of tax and company laws.

Besides, they demanded reduction of cost of equity capital, simplification and rationalisation of duties and labour laws, adoption of international standards of alternative dispute resolution, export development funds for helping MSME exporters and ease of investment flow into manufacturing sector.

"The main areas of discussion during the aforesaid meeting included regulatory environment impacting private investment, measures for promotion of exports amidst rising protectionist tendencies, industrial production, logistics, media & entertainment services & IT & IT enabled services among others," an official statement said.

Speaking to reporters after the meeting, CII President Vikram Kirloskar said:"They (ministers and government officials) have understood the situation, the headwinds in the economy and they have looked at all the possible suggestions whether it is to have fiscal easing which is what we have suggested, various ways to improve tax collection, improve demand".

Ficci President Sandip Somany said the meeting delved into infrastructure bottlenecks in terms of the rules, regulations which can help free up business.

Assocham Secretary General Deepak Sood said a common suggestion was how to increase the demand side of the economy and inject liquidity into the system.

PHD Chamber of Commerce and Industry President D K Aggarwal said the chamber has sought creation of a Rs 25,000 crore fund for stressed micro, small and medium enterprises sector which faces difficulty in availing funds from banks and NBFCs.

FIEO President Ajay Sahai said the exporters' body has highlighted the liquidity concerns of exporters and sought rollout of e-wallet recommended by the GST Council to ease liquidity of exporters.

The meeting was also attended by Minister of State for Finance and Corporate Affairs Anurag Thakur; Finance Secretary Rajeev Kumar; Economic Affairs Secretary Atanu Chakraborty; Revenue Secretary Ajay Bhushan Pandey; among others.

Source: economictimes.com– Dec 17, 2019

HOME

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Budget 2020 may include gift for traders; India's exports much below desired level of growth

Increasing exports may play a vital role in taking India a step closer to Narendra Modi-led government's $5 trillion economy goal but it has been muted in recent months. To pursue export-led growth, the coming Budget is likely to include various steps on how the exports from India can be pushed. Finance Minister Nirmala Sitharaman held the third pre-budget consultation meeting today, which included discussions on various areas including measures for promotion of exports amid rising protectionist tendencies. Exports form the backbone of a country's current account and thus it becomes important to maintain its momentum.

"If India has to be a 5 trillion-dollar economy by 2025, exports of goods and services should at least be around 1 trillion dollars. With the current level of performance, India will not be able to pursue an export-led growth needed to drive the high GDP growth, says FICCI Pre Budget Memorandum report. It also says that through the coming Budget 2020, India needs to adopt a more strategic approach, especially with rising protectionism around the world.

Sharp moderation in exports of goods and services along with a few other factors such as private consumption and capital formation have led to slower growth in the last two quarters. India's total merchandise exports contracted by 1.5 per cent during April-August 2019, compared to 15.7 per cent growth on-year. Similarly, imports contracted by 4.4 per cent, compared to 8.7 per cent growth in the same duration.

However, amid the ongoing trade war, with costlier goods and reduced efficiency of China to export, the global importers may look at India to fulfill their demand. Importers have already reached out to Indian sellers in sports goods, toys, stationery, cables, and electronics parts categories, according to FICCI.

Ahead of the Budget 2020-21, the government has recently announced various measures such as export-related incentives, finance, credit, and facilitation, which may help in boosting India's exports.

Apart from this, the FICCI report suggests that comprehensive trade and economic cooperation agreement with the EU should be expedited as it will provide greater market access for India's exports. Also, it is said that negotiating existing Free Trade Agreements at the time of their review can also work to overcome the restrictions faced by India and its partners.

Source: financialexpress.com– Dec 17, 2019

HOME

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GST Council meet today: Sitharaman-led panel may announce measures for real estate, exporters

Union Finance Minister Nirmala Sitharaman led Goods and Service Tax (GST) Council will hold its meeting today to discuss keys issues including revenue shortfall, a boost to real estate sector, refund for exporters and tax rates on lotteries.

The Council could also announce measures to balance revenue collection between states and Centre. Besides, the Council may impose 2 per cent cess on certain goods, which fall under 5-18 per cent tax slabs.

The GST Council is contemplating the creation of a single window for all refunds and disbursal for exporters. To provide a boost for real estate, the all-powerful GST Council could simplify rates on long-term leases by exempting lease up to 30 years or more if the plot is provided by a state government or if Centre's stake on land is 20 per cent, says the agenda note, reported The Economic Times. The GST Council could fix the tax rate at 5 per cent on the lease of land owned by an individual.

Currently, a GST rate of 18 per cent applies to all long-term leases. The measure is expected to provide a major boost to hospitality, manufacturing and real estate businesses.

Today's GST Council meet could bring some bad news for those in lottery business as the Council thinks lotteries come under sin goods, and hence should be taxed higher. As per the agenda note, GST on lotteries could be rationalised to 18 per cent or 28 per cent instead of current 12 per cent - those run by states - and 28 per cent, those authorised by states and are run in multiple states.

Several reports suggest the Council may also implement 2 per cent additional cess on goods that fall under 5 per cent and 18 per cent tax brackets to make up for a revenue shortfall. Amid concerns over lower GST collections, the Centre had earlier sought suggestions and proposals from the states to increase revenue.

The Centre had also sought "suggestions/inputs/measures" from the states on issues relating to a review of items currently under exemption, GST and compensation cess rates on various items, rate calibrations for addressing the inverted duty structure, compliance measures other than those currently under implementation and any other measures to augment revenue.

Separately, five states including Delhi, Punjab, Rajasthan, Kerala and West Bengal voiced their concerns over the delay in payment of compensation cess by the Centre. "GST compensation for August and September, required to be paid by the central government sometime in October, continues to be outstanding till date," a joint statement issued by the five states had said.

The GST Council is the top policy-making body of GST-related matters. The council is headed by the Union Finance Minister and includes Union Minister of State in the ministry and one minister from the 28 states each as well as the three union territories.

Source: businesstoday.in– Dec 17, 2019

HOME

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Govt decides to go slow on FTAs to avoid RCEP-like impasse

Commerce and industry minister Piyush Goyal on Tuesday said that India will not sign any free trade agreement (FTA) in a hurry or to the disadvantage of industry and exporters.

At CII's Exports Summit, Goyal said that New Delhi is talking to the EU and UK for trade pacts.

"I can assure all of you that going forward, none of the FTAs will be settled in a hurry or will be settled to the disadvantage of Indian industry and exporters," he said.

Talking about the US, he said: "Even the first leg of our trade deal with them is for the benefit of both countries equitably."

Referring to the Regional Comprehensive Economic Partnership (RCEP) trade agreement, which India opted out of last month after negotiating it for seven years, Goyal said it had been reduced to an India-China FTA which nobody wants.

"RCEP had become nothing but an India-China FTA which nobody wants. This was a bold decision as for the first time it reflected the resolve of the government that diplomacy will not prevail over trade. Trade will stand on its feet, on its leg."

In RCEP, Goyal said India's point of view was not being adequately addressed, national interest was being compromised and the country was not getting balanced outcomes. That is why India took the decision to stay out of the pact.

The minister also said walking out of RCEP does not mean that India does not want to be a part of the global value chain. "But are the global value chains only in China...global value chains are across the world," he said, and stressed "lets first prepare our industry" and empower those who want to be part of the global chain.

He said industry should focus on becoming part of value chain with Europe, the US, ASEAN nations, Japan and Korea, among others. Goyal said that Indian business and industry have been put to disadvantage over the years and instead of addressing some of the real issues that industries face, more and more distress was caused to them.

Simultaneously, India's export faced huge amount of trade barriers in other countries, he said.

Goyal said after 2011 when FTAs were finalised, India's exports barely inched up while imports shot up drastically and therefore the country's trade imbalance became manifold.

The minister also said that the government was working relentlessly to support and strengthen domestic manufacturing. He said India will have to prepare itself for a rules-based multilateral trading system and for that, it will have to look at ways which are WTO-compliant, support industry from the base and then stand on its own feet.

Source: economictimes.com– Dec 17, 2019

HOME

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CII report paints a bleak picture of trade scenario

International trade is expected to slow down both internationally and domestically according to a report by the Confederation of Indian Industry.

The report titled 'India's Exports: Trends, Challenges and Future Strategy', said that this slowdown traces itself to an increase in protectionism across the world, as the ongoing US-China trade war shows. "Also there has been a slowdown in growth in the EU region. Additionally, due to a lack of nominations, the appellate body of the WTO has only one remaining member. These actions together have resulted in a slowdown of international trade," the report said.

The report said that imports were negatively impacting the domestic capacity at the present, and it was also negatively impacting plans for increasing the capabilities in domestic industries and augmenting capacity.

Iron and steel, non-ferrous metals, chemicals and petrochemicals are among the major industries raising these issues.

The report also noted that there is no clarity on import of intermediates. "Industry is aware that a number of imports are used as intermediates and value addition is done in India. However, there is no clarity on how much of the import is happening because the domestic capacity is lacking, versus cost competitiveness."

Losing market access

In addition, India has lost its preferential market access in two of its largest export destinations — the US and EU.

India has graduated out for most products it used to export to the EU through the EU's GSP programme. This has impacted its textile exports.

Also, as on June 2019, the US has withdrawn all GSP benefits to India. While in terms of percentage of trade volume this will be small, in terms of total trade, it is potentially around $ 5 billion worth of exports while India's retaliatory tariffs are only on products worth a few million dollars, the report said.

Addressing problems

Among its recommendations, the CII suggested developing new schemes to help diversify export markets and products.

Speaking at the CII- Exports Summit 2019, Minister for Commerce and Industry, Piyush Goyal said that the NIRVIK scheme also known as Export Credit Insurance Scheme (ECIS) is an initiative of the Government meant to address the problems of export financing that industry was facing.

Goyal also noted that the government is stepping up engagement with the EU, the US and the UK separately, to secure markets for Indian exports even as it withdrew from the Regional Comprehensive Economic Partnership.

Source: thehindubusinessline.com– Dec 17, 2019

HOME

****

Need more regional trade deals, tax exemption for SEZs: CII report

A month after the government stepped out of talks on the proposed Regional Comprehensive Economic Partnership, a report by the Confederation of Indian Industry (CII) has argued that India sign more regional trade deals to unlock export markets for diverse products and exploit established value chains.

Submitted to the commerce department, the report has pointed out that global trade is happening increasingly via the preferential route and India should commit to signing more trade deals in the new upcoming Foreign Trade Policy (FTP), which is set to go live on March 31, 2020. Interestingly, CII has supported the government's move to sign trade deals with the US and European Union.

The report has suggested full income tax exemption for 10 years be provided to units in Special Economic Zones (SEZs), lower cost of credit for exporters, and fast-paced growth in high-tech shipments.

The report, however, has batted for a clear review of existing Free Trade Agreements (FTAs) but also panned industry's unwillingness to take advantage of FTA benefits. India is currently negotiating its trade deals with the Association of Southeast Asian Nations bloc, Japan and South Korea.

"For the ongoing one with Korea, we should use the opportunity to get not only additional market access in terms of further tariff reductions but also the necessary side letters signed to ensure that tariff reductions so given don't get negated by non-tariff barriers," the report said.

India's poor performance in exporting to FTA partners has been attributed to third country partners having secured even deeper agreements with them.

CII also suggested a clear time-bound process, giving easier access to generics approved by American and European drug regulators, getting a level-playing field with Asean nations on marine products and improved access for cut and polished diamond exports.

Major suggestions

- Creation of a new National Shipping Regulatory Body to determine freight rates
- Establishment of Market Access Facilitation cell to help exporters penetrate new markets
- Strict standards to help exporters face technical barriers to trade in developed markets
- Need to diversify services exports beyond tradition Information technology and IT-enabled sectors

Diversification deadlock

CII has stressed the need to diversify the export basket, currently dominated by raw materials, agro-products and low-value items. In its first stint, the Narendra Modi government had focused on exporting higher value-added products such as mobile phones through the phased manufacturing programme. But the report noted that share of high-tech exports in India's exports baskets remained stagnant between 2000 and 2017, at only 4.8 per cent while it made up just 8 per cent of manufacturing exports. This is lower than key emerging economies of Asia.

It emphasised that exports of aerospace, electrical machinery, telecommunication equipment, pharmaceuticals, and scientific instruments, among others from India need to grow fast. Globally, exports of these categories stood at $2.15 trillion in 2014. While China has emerged the largest exporter, India's high-tech exports fell in 2015.

The report has made a strong case for the demand to provide higher interest subvention of 3-5 per cent to all exporters to boost liquidity.

The subvention is currently received only by micro, small and medium scale businesses while merchant exports typically have to pay 6 to 7 percent minimum interest charges.

The commerce department had been unwilling to restart income tax exemptions for SEZs after the earlier 10-year period (2006-16) ended. Now, CII has suggested that units may become unviable due to added financial burden and thus demanded they be releived from paying Minimum Alternate Tax.

Source: business-standard.com– Dec 176, 2019

HOME

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Facing losses, garment exporters tear into govt

Apparel Exporters' Promotion Council held a meeting here on Monday evening in which about 100 garment exporters from across the region participated.

Exporters underlined the grim scenario of readymade garment exports, which fell by more than 6% in November as compared to the previous year.

The businessmen said it was due to the centre and the departments concerned ignoring garment exporters' problems, including delay in the issuance of thousands of crore worth incentives of readymade garment exporters under the Rebate of State and Central Taxes and Levies Scheme (ROSCTL) and Merchandise Exports from India Scheme (MEIS).

As a result, exporters were facing severe cash crunch and were not able to compete with the garment manufacturers of other countries who have various advantages, they added.

Commissioner of customs, Ludhiana, Arvinder Singh Ranga was the chief guest and the meeting was presided over by the council chairman, HKL Magu.

Magu said, "India's apparel sector has been an important contributor to foreign exchange. Despite this, our industry is recording a decline for the past few months. November exports declining by about 7% is a huge setback.

It is a concern that India is not able to capitalise on the opportunities available in the world market after the space vacated by China. This is largely due to the severe working capital crunch that the industry is facing due to non-receipt of ROSCTL and MEIS benefits. Over Rs 5,000 crore of reimbursements of exporters are pending with the government.

We are continuously in discussion with the government for fast resolution of the problems, so that we can increase exports in the coming peak season. But a decent growth of readymade garment exports is possible only if policy benefits are passed on to the exporters in time."

Harish Dua and Narinder Chugh, executive committee members of the council, said the government must act fast as time and money both were running out for readymade garment exporters. What was worse was that they were not been given their hard-earned incentives for months, they added.

Source: timesofindia.com– Dec 18, 2019

HOME

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FinMin sets monthly target of ₹1.1-lakh cr GST mop up

Revenue Dept stepping up effort to improve collections in the rest of the fiscal year

With a high possibility of fiscal slippage, the Finance Ministry has drawn a fresh strategy to boost the tax collection during the remaining period of the current fiscal ending on March 31, 2020.

Data shows that the net direct tax collection for the period from April to November was Rs 5.56 lakh crore, as against Rs 5.47 lakh crore. Similarly, the net GST collection (CGST+IGST+Compensation cess) was Rs 3.98 lakh crore as against Rs 5.82 lakh crore during last fiscal.

These figures are below expectations and there is strong possibility that the fiscal deficit might widen at least 50 basis points (100 basis points means one percentage point) more than the budget estimate of 3.3 per cent of GDP (Gross Domestic Product).

Setting targets

According to sources, Revenue Secretary Ajay Bhushan Pandey chaired a meeting with all the Members of the Boards – CBIC (Central Board of Indirect Taxes and Customs) and CBDT (Central Board of Direct Taxes), Principal Chief Commissioners and Chief Commissioners and other senior officers. He is learnt to have told them that the GST target for the next four collection months are put at Rs 1.10 lakh crore for every month, besides the target of Rs 1.25 lakh crore for one of these four months.

Sources also mentioned that Revenue Department is taking measures to augment revenue collections for the next four collection months and has exhorted its senior officers, including Members of the Boards — CBIC and CBDT, Principal Chief Commissioners and Chief Commissioners — and other field machinery to achieve tax targets both for direct and indirect taxes.

“Officers have been particularly urged to ensure that during such field enforcement drive and visits, no taxpayer is overreached or troubled,” one of the sources said on the condition of anonymity.

It was clarified to the officers that the corporate taxes relief worth Rs 1.45 lakh crore should not be taken as an excuse for lesser direct tax collection target. Officers must exhort themselves to reach the target of Rs.13.5 lakh crore in the direct taxes as well.

Field visits

The senior officers including Members of the Boards — CBIC and CBDT, Principal Chief Commissioners and Chief Commissioners — and other field machinery were urged to make field visits on a regular basis every week.

“The Revenue Secretary, despite pressures of budget preparation, will himself be visiting across the regions every weekend to monitor and peruse the collections efforts,” source added.

The plan

The plan is that information regarding GST, income tax and other financial dealings will be shared, and the tax evaders will be brought to book.

If any taxpayer has missed out on sharing the correct tax information, s/he will be asked to file the revised return. Efforts are to exhort officers at all levels to maximise tax collection, and at the same time ensure that genuine taxpayers are not troubled or harassed.

Source confirmed that the GST officers have been told to make sure if the GSTR-1 and GSTR-3B are filed by the taxpayers, failing which strict action will be taken against them. These include blocking of e-way bill, blocking input tax credits and cancellation of registration.

The industry and traders have been advised to ask their suppliers to file their GST returns, including GSTR-1, in a timely manner, failing which buyers may not able to get input tax credits on those supplies for which tax has not been paid by their suppliers.

Also, the data from the GST return information will be provided to income tax departments, so that any cases of suppression of turnover and income tax can be detected, and proper tax can be recovered.

Further, a drive will also be conducted to recover past arrears during the next three months.

Source: thehindubusinessline.com– Dec 17, 2019

HOME

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India's apparel market to reach USD 85 bn by 2021: Report

The estimates are part of a study by Rajat Wahi, Partner, Deloitte India, titled 'Apparel and fashion industry and the importance of innovation and sustainability' for the report.

India's apparel market is expected to grow at nearly 11 per cent to reach USD 85 billion by 2021, according to the India Business of Fashion Report released on Tuesday.

The estimates are part of a study by Rajat Wahi, Partner, Deloitte India, titled 'Apparel and fashion industry and the importance of innovation and sustainability' for the report.

"The Indian apparel market, pegged at around USD 65 billion, is the second largest retail market after food & grocery in India. It grew at a Compound Annual Growth Rate (CAGR) of 11.5 per cent in the period from 2012-17 and is expected to grow at nearly 11 per cent CAGR in 2017-21 period to reach a value of USD 85 billion by 2021," the report said.

The report further illustrates that the country's fashion market is majorly driven by key growth drivers, including young demographics, rising urbanisation, increasing affluence and a growing middle income segment, greater brand awareness, better accessibility and availability and increased formalisation of the sector

Source: economictimes.com– Dec 18, 2019

HOME

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Reveneue de-growth for cotton spinners seen

It's now the turn of the cotton spinning industry to take a hit from the demand slowdown. Both revenues and operating profits of domestic spinners are likely to drop. Spinners expect that the overall FY20 performance will be weighed down by the tepid volumes and weak earnings seen so far.

"The Indian cotton spinning industry's performance has been severely constrained in the current fiscal, being adversely impacted by the demand slowdown, unfavourable raw material prices and rising funding requirements.

While export volumes have seen some uptick in recent months, as against the sharp de-growth witnessed between May-September 2019, they remain lower than the levels seen in the preceding fiscal," said Jayanta Roy, Senior VP and Group Head, Corporate Sector Ratings, Icra.

The rating agency expects a revenue de-growth of around 6 per cent for spinners due to weak export demand amid increasing competition from other countries and sluggishness in domestic consumption levels.

Significantly, the credit profile of spinners has weakened in the recent quarters, with earnings from operations and liquidity position facing pressures in H1 FY2020, amid rising debt levels.

The scenario is quite similar to FY2012, when cotton prices fell sharply, resulting in high inventory losses and tight cash flows for spinners.

The impact on debt-coverage metrics and liquidity is expected to be more adverse for leveraged companies that have undertaken a sizeable debt-funded capital expansion in recent years and have higher repayments scheduled.

Source: asianage.com– Dec 18, 2019

HOME

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Coimbatore companies urged to study investment opportunities in Africa

There is immense opportunity for light manufacturing industries: Dorothy Tembo

Nearly 80 % of the raw materials that will go into powering the electric vehicles of tomorrow originate in Africa, said Dorothy Tembo, Deputy Executive Director of International Trade Centre (ITC), here on Monday.

Addressing a group of industry representatives from different sectors, she said there was immense opportunity for light manufacturing industries because of the resource industry and also because of the demand for industrial goods. Ms. Tembo said the largest resource discoveries in the world, during the preceding decade were in Africa.

Industries in Coimbatore have taken efforts to trade and invest in Africa. More needs to be done for expansion in to the continent (Africa). By 2030, Africa will have over 600 million consumers below the age of 30.

“I encourage you to seize, and not lose, if not first mover, at least a fast mover, advantage in Africa,’ she said.

The continent has a land mass that is undepleted and capable of producing food for the rest of the planet. In 2018, almost half million people from the African continent travelled overseas for medical treatment. Nearly 20 % of them travelled to India. This is unsustainable and highly competitive. The biggest gainer in 2018 in medical tourism for people from Africa was Turkey. Apart from good standard of expertise and services, the fall in the value of Lira helped.

Further, 50,000 African students are pursuing bachelor and masters programmes in India.

This is an indicator of the demand in the continent and the current inability of the national providers to match demand with supply. She urged the institutions in Coimbatore to explore actively setting up capacities in Africa.

The African Continental Free Trade Area by 54 member States of the African union is expected to be operational by July next year. This will offer Indian companies a single market with purchasing power and scale.

The ITC currently has a programme called Supporting Indian Trade and Investment for Africa (SITA), which is funded by the UK, to promote trade and investment between India and the five East African countries - Ethiopia, Kenya, Rwanda, Tanzania and Uganda. This is across the agri value chain, textiles, apparel, and leather. SITA works at the government, institutional and business levels to fulfil its

In the next few months, there will be two events in which Coimbatore companies will feature - ITME Africa 2020 in Addis Ababa in February 2020, and visit by a delegation, which will attend the expo, to Uganda to study the investment scope.

In this regard, SITA is preparing a feasibility study for setting up one lakh spindles in that country, she said.

Source: thehindu.com – Dec 18, 2019

HOME

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