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IBTEX No. 161 of 2019 August 19, 2019

US 71.22| EUR 78.97 | GBP 86.58| JPY 0.67

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20478	42800	**76.62**

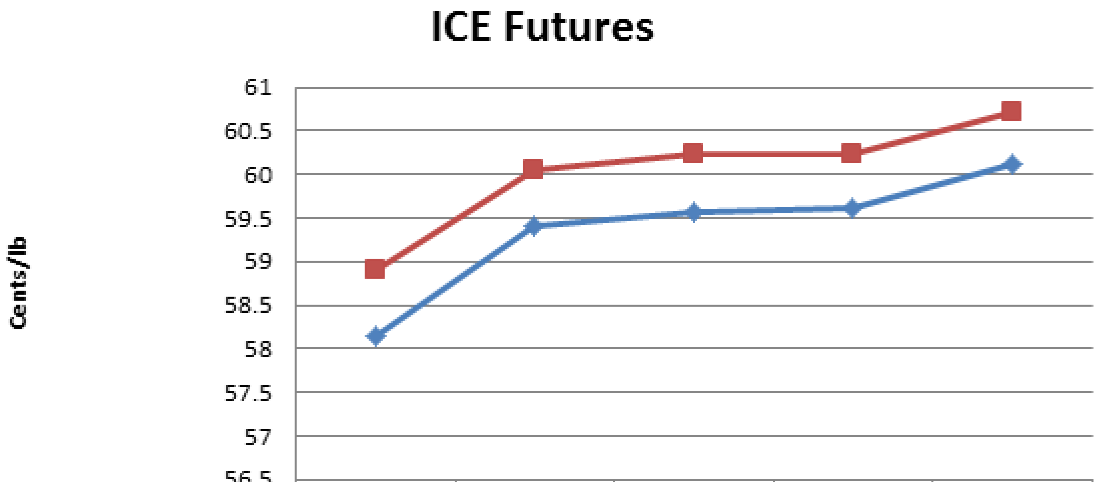
Domestic Futures Price (Ex. Warehouse Rajkot), August		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20780	43430	**77.75**

International Futures Price	
NY ICE USD Cents/lb (December 2019)	60.13
ZCE Cotton: Yuan/MT (September 2019)	12,370
ZCE Cotton: USD Cents/lb	79.64
Cotlook A Index – Physical	**70.90**

Cotton Guide: The slow bullishness that was seen in the international markets last week was caused due to the news of adverse weather conditions reported in the West Texas region of the United States and the Xinjiang Province of China.

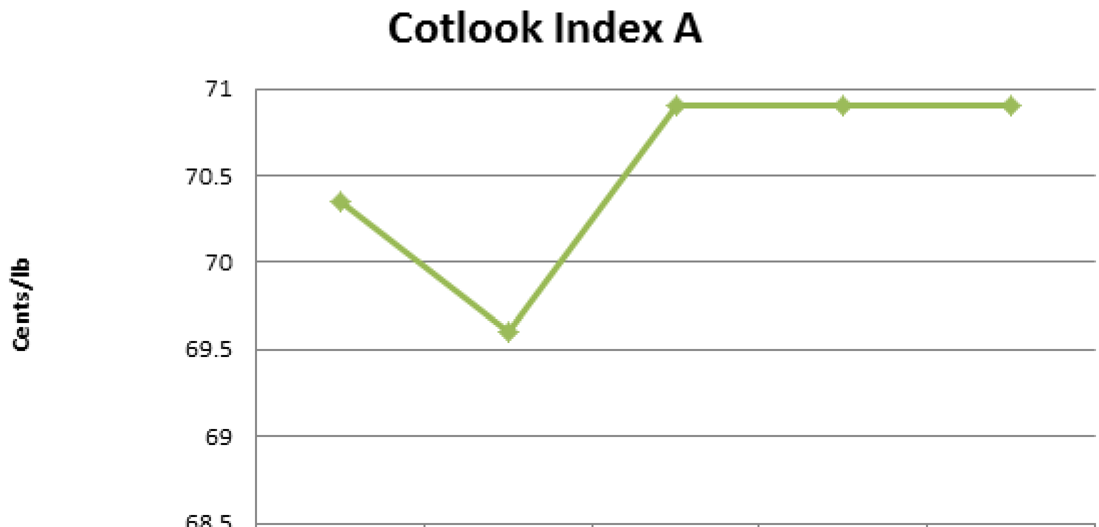
On the other hand, every time market sees a reversal move onto the higher side, the inherent global supply pressure pulls the cotton price lower which can be witnessed right now. Also, with sufficient rains in India, the chances of a higher crop have increased which has caused this morning's bearishness.

Nevertheless, cotton price in the global market is at deep discount and much below the average price. With price of cotton hovering below or near 60 cents, does not exactly attract much of trade except that some of the countries might shift focus from India to US and other competitive countries for their import demand. Given the scenario India's export competitiveness in the world market has declined sharply due to premium pricing and MSP which has been maintaining for the past several months.



	12th August 2019	13th August 2019	14th August 2019	15th August 2019	16th August 2019
ICE December 2019	58.14	59.41	59.57	59.62	60.13
ICE March 2020	58.9	60.05	60.24	60.24	60.72

As per CFTC report, commercial players hold the highest long position while non-commercial have the highest short position. It is generally perceived that non-commercial positions in the market determine the price trend of any underlying. In fact, if we further look at the trading pattern both the volume and open interests are supportive.



	12th August 2019	13th August 2019	14th August 2019	15th August 2019	16th August 2019
Cotlook Index A	70.35	69.6	70.9	70.9	70.9

An interesting fact to notice here when ICE cotton was trading at 65 cents the aggregate open interests were 0.176 Million contracts while the price of Cotton has plunged below 60 cents and the OI has increased sharply to 0.215 Million contracts which clearly indicates the market is in the sellers grip and every possible rise due to short covering of positions or any other reasons market gets supressed with a bearish flag. Further to break down, on a bearish trend if both volume and open interests are on a rising trend, indicates that the ongoing price trend may be continued for some time unless there is significant change in the market factors which could turn the price direction. Overall it is indicative of the fact that Global cotton price may remain under stress, however, there may be minor pullback in the price.

While analysing the previous week, we can come to a conclusion that the week started off with bearish figures but later shifted out to a bullish-tinged consolidated tone for the rest of the week. We could see higher peaks along with higher troughs. The figures were nevertheless high, but, the intensity of bullishness was not strong enough to drive the prices to new levels.

Fundamentally speaking, the ICE price would be in the range of 58-61 for the day.

The cotlook Index has remained unchanged at 70.90 cents/lb, whereas the domestic averaged prices of Shankar 6 are at 42,800 Rs/Candy. These increases in prices were seen last week due to some shortage of available supply in the Domestic Indian Market.

Technical Analysis based on the Hourly Chart - When we analyse the hourly chart this morning (8:30 am), the prices have been dragged from the previous settlement figure of 60.13 cents/lb, back to 59.33 cents/lb. This primarily indicates that the market participants from the Eastern countries are dragging the prices down. A huge red candle real body indicates the same coupled with a bearish engulfing pattern. The RSI at 8:30 am is at 36 which indicate weakness.

Technical Analysis based on the Daily Chart - Prices are consolidating and trading in a range of 58-60 with a DEMA (5,9)=59.53,59.68 are flattening suggesting a sideways trend. Meanwhile the recent fall after the breakdown of the bearish flag has completed the 100% (Fibonacci extension) mark at 58.00 also providing an immediate support for price to rebound towards the near term resistance zone at 60. RSI (Relative strength index) trading below 38.60 indicates the sideways to negative bias for the day. So for the day we recommend to trade in the range of 58-60 with a sideways view to negative bias. Sustaining below 57.50 will intensify its selling pressure and closing above 60 will negate our bearish view. In the domestic market MCX Aug future is expected to trade in the range of 20200-20800 with a sideways note. While a close below 20200 will weaken the price trend.

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

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INTERNATIONAL NEWS

Make Price Adjustments on Imports from China Now to Minimize Tariff Impact

The additional 10 percent tariff set to be imposed on hundreds of billions of dollars' worth of products imported from China (List 4A goods) will be triggered by the date of entry. As a result, there will be no reprieve for such goods that are currently on the water but unable to reach the U.S. before Sept. 1. Importers thus have mere weeks to renegotiate prices with their vendors to minimize the impact of this tariff increase.

It is critical that importers properly document and execute any discounts or price reductions so they are incorporated into the value on which the additional tariff will be assessed. In particular, importers should ensure that (a) the discount or price adjustment is agreed prior to the importation of the goods and (b) related supporting documentation complies with U.S. Customs and Border Protection guidelines.

Source: strtrade.com- Aug 19, 2019

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Myanmar: Export earnings from CMP garment increase by one billion USD

From October 1 of 2018-2019 fiscal year, the CMP garment industry earned over 3.8 billion US dollars, up over one billion US dollars compared with the same period last year, according to an official of the Commerce Ministry.

Last year, the sector saw the export earnings of over 2.775 billion US dollars. The export earnings of CMP garment industry increased by over 1.037 billion US dollars.

The CMP garment industry topped the list of the total export sector. In 2018, the garment export sector earned nearly 4.6 billion US dollars. The sector is expected to earn up to 10 billion US dollars in 2024, said Khaing Khaing Nwe, secretary of Myanmar Garment Entrepreneurs Association (MGEA), at the 5th annual meeting at the Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI).

"Our garment sector sees a five-fold increase in the number of workers and a 10-fold increase in income. If so, we need to double our productivity. We are making constant efforts for it," Khaing Khaing Nwe added.

The garment sector sees a massive inflow of foreign investments. Currently, the MGEA has over 500 members. Over 500,000 workers are employed in the garment sector.

"The CMP garment sector gets only 10 per cent. Some CMP industries get just eight while others get up to 12 per cent. The high-quality products get up to 12 per cent. The average income is 10 per cent," she continued.

Currently, the CMP garment sector earns around 300 million US dollars. Myanmar will get three billion US dollars if it can shift from the CMP system to the FOB system. According to the MGEA.

Myanmar started the CMP system in the garment sector since 1990. Now more than 70 industries are running under the CMP system.

Source: elevenmyanmar.com- Aug 18, 2019

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US-China ag trade war means 10-year risk for Aussie exports

Australian agriculture stands to make significant short term gains from the deepening trade rift between the US and China, but it's not going to end well warns Rabobank.

Buckle up for perhaps 10 years of disrupted and tough times on the global trade front according to the big rural lender's food and agribusiness research general manager, Tim Hunt.

Not even a change in the US presidency was likely to see the US modify its protectionist stance against Chinese imports.

US Democrats generally had even stronger sentiments about protecting domestic industries than Republican President Donald Trump.

Meanwhile, China's leadership was unlikely to retreat from its retaliatory position against US trade policy, or its increasingly politicised trade and investment strategies worldwide.

The US administration's September 1 decision to add a 10 per cent tariffs on the remaining $US300 billion in Chinese import goods not already subject to big barriers marked a fresh escalation in the bilateral trade war, from which Rabo analysts concluded, "there is no turning back".

"The US's decision to brand China as a 'currency manipulator' only underscored how hard it will be for both sides to row back," said a Rabobank report on the trade war.

It projected the knock-on consequence would be a "shallow global recession" by 2020-21 with economic growth of less than 3pc.

Other tension points, including Hong Kong protests demanding greater economic freedom despite Beijing's tightening grip on the Chinese trade hot spot, were adding to longer term challenges to trade and economic stability.

"Conveniently for Australian food and agricultural commodity exporters at the moment, China's 25pc tariff on US imports has knocked America out of contention as a trading rival," Mr Hunt said.

"Swine fever is also likely to eradicate half the Chinese pig herd, which will further increase opportunities for Australian exports in that part of the world."

The Australian dollar was growing more export-friendly, too, as economic and trade uncertainties prompted nervous capital investors to park their funds in the traditional US safe haven - government bonds.

US bond buying activity was keeping the US currency strong, while the Australian dollar drifted lower, and more competitive, for exporters.
Short term gain

"But while it looks good for us, it's only a short term gain," Mr Hunt said.

"We see this as ending badly for Australia."

The world was retreating from a free trade agenda, with trade now becoming a "political tool".

Lower interest rates and negative global economic growth and inflation were likely, regardless of what efforts central bankers adopted to alleviate a trade war's impact.

Even Australia's already-powerful farm trade ties with China were at risk of fraying, given our close political, trade and defence allegiances with the US.

Nor was Australia shying away from potentially antagonising views on such sensitive Chinese themes as the South China Sea, Hong Kong, or Beijing's human rights record.

China is Australia's biggest farm sector export market, currently taking almost a quarter of all our offshore sales.

"This trade war thing is not a short term issue," Mr Hunt said.

"It's highly unlikely to disappear in 12 months' time.

"In fact, it is more likely to be a feature of the global market for five years or more."

Among the earliest trouble spots arising for Australia was the global textile market, particularly our wool exports.

China buys about 80pc of the Australian clip, much of which is processed by Chinese textile and clothing makers for re-export to Europe and the US.

Until the latest US tariffs were imposed, America bought 15pc of China's clothing exports.

Mr Hunt said the wool market was already feeling significant price disruption caused by the tariff war and wider economic insecurity, with auction prices down 150 cents a kilogram last week alone.

A year ago wool's Eastern Market Indicator price was above 2100c, but it has now fallen to 1500.

The impact on Australia's remarkably strong cotton prices was less obvious at the moment, although global values were already in the doldrums.

Click here for more details

Source: northqueenslandregister.com.au- Aug 18, 2019

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Turkish investors plan to expand operations in Kenya

With the trade volume between Turkey and Kenya so far at $220 million this year, the goal is to reach $1 billion in the near term. In Kenya, which imports textiles, food, energy, and cosmetics from Turkey, the business world has expanded its target with plans to reach $1 billion in construction and health tourism in the coming years.

In this context, Turkish investors have set course for various African countries, especially Kenya, along with the state's incentives. Turkish investors, who are currently investing in furniture, food, and textiles in Kenya, will further expand capacity through significant investments, especially in the field of collective housing.

In his explanation of Turkish business activities in the African country, Mahmut Burak Ersoy, the undersecretary at Ankara's Embassy in Nairobi, noted that Turkey had been conducting activities here since Kenya gained its independence and running embassies in the country for 50 years.

Ersoy said the two countries had collaborations in many fields such as politics, economy and tourism, adding they carried out significant activities with various organizations such as the Turkish Cooperation and Coordination Agency (TİKA) in line with Turkey's missions.

"With Kenya, where we have important political relations, our business volume is constantly increasing. Last year we reached $220 million in trade volume, $200 million of which was Turkey's exports," Ersoy said.

Pointing to the trade volume target of $1 billion previously announced by President Recep Tayyip Erdoğan, Ersoy recalled that last year Turkey reached over $200 million in exports, stressing they aimed to achieve a higher figure for 2019.

"We plan to catch $1 billion in the coming period," he continued. "We have Turkish investors in the fields of construction, food, furniture, and energy. Our infrastructure investments will increase, and we currently have a road construction investment. We have very serious initiatives for collective housing investments. Soon, textile and construction companies, the two giants, will land in Kenya."

He further touched on the health tourism mobility from the African continent to Turkey in conjunction with the initiatives of the Ministry of Health. "Health services are very expensive around here with no reimbursement system and qualified treatments.

Turkey, on the other hand, offers serious incentives, provides important health support, and conducts checkups at various times within the scope of health weeks," Ersoy highlighted. "There is busy health tourism mobility, and many people are coming to Turkey for treatment. The interest in Turkey is growing. We also have significant collaborations at the point of education. Kenyan students and public servants in many fields have been trained in Turkey so far."

Ersoy also commented on the Gülenist Terror Group's (FETÖ) activities in the region and the measures taken in this regard. "We maintain our efforts to fight FETÖ. Especially after the July 15 coup attempt, we have been informing Kenyan authorities about what the organization has done and its activities in every sense," he said.

"FETÖ has 10 schools in the country. Our efforts concerning their transfer are underway. TİKA, the Maarif Foundation, the Ministry of Health and our ministry are conducting projects from all quarters."

Source: dailysabah.com- Aug 19, 2019

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Chinese fabric firm mulls moving to Philippines

A Chinese firm engaged in the manufacture of yarns and fabric is looking to set up shop in the Philippines, the Department of Trade and Industry (DTI) said.

Trade Secretary Ramon Lopez met with representatives from Texhong Textile Group Ltd. in China last week and the company discussed its interest to invest in the Philippines.

Lopez said the company is currently in the study phase and has yet to finalize details including the amount of investment to be made.

“Nothing final yet as to timing. But they’re serious,” he said.

Texhong Textile is among the biggest suppliers of cotton textile in the world.

It is engaged mainly in the production and distribution of quality yarn, grey fabrics and garments fabrics of high-value added core-spun yarn and fashion cotton textile.

At present, it serves over 3,000 customers in China and overseas.

The firm has operations in China and Vietnam, and also has a sales network across China, South Korea, Hong Kong and Bangladesh.
The Philippines expects to benefit from the investment, when it pushes through, as the country wants to revive the garments and textile industry.

Considered as among the top performing sectors in the 1990s, the Philippines’ garments and textile sector has been challenged, leading to closure of some factories and reduction of jobs, after the World Trade Organization put an end to the quota system which allowed the country to export garments and textiles at preferential tariffs in 2005.

Source: philstar.com- Aug 19, 2019

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Hanoi considers safeguards for apparel sector under CPTPP

Vietnam's ministry of industry and trade (MoIT) is drafting a circular to offer guidance for the application of safeguard measures for textile and apparel products under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The guidelines are essential to protect the domestic industry from the risks of increasing imports, the ministry said.

CPTPP took effect on January 14.

The use of legal tools, including transitional and emergency action measures, to protect the domestic industry under the CPTPP regime is quite likely, according to a Vietnamese newspaper report.

The transition period for Vietnam's textile and apparel products is up to five years. During this period, Vietnam can employ transitional and emergency measures when the investigating authority concludes there is an absolute increase in imports or an increase relative to domestic production from one or more member countries as the result of tax cuts under CPTPP.

The measures can also be applied if the domestic manufacturing industry suffers serious damage of threat of such damage.

Transitional measures can include the suspension of tax cuts for textile and garment products under the agreement or increasing the tax rate but not exceeding the most favoured nation (MFN) rate effective at the time of applying the measure or the MFN rate effective on the day prior to the valid agreement, whichever is lower.

Transitional measures can be applied for two years and can be extended for one more year if the investigating agency concludes it is necessary to prevent or remedy serious damage and facilitate the adjustment of the domestic manufacturing industry.

If the measures are applied for more than one year, the ministry must gradually loosen the safeguards over time.

For emergency measures, investigative work must finish within six months of beginning. In special cases, investigations may last up to nine months.

Emergency measures include increasing tax rates on imported apparel but not exceeding the MFN rate effective at the time of applying this measure or applying the MFN rate effective on the day prior to the valid agreement, whichever is lower. Emergency action cannot exceed two years and may be extended another two years.

Source: fibre2fashion.com- Aug 19, 2019

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Garment wars: Japan backs Ethiopia's effort to build up exports

Itochu to boost productivity in African alternative to Asian workshops

Japanese trading house Itochu will provide support for Africa's textile industry, starting in Ethiopia, which has emerged as an alternative production base to Asia, Nikkei has learned.

Apparel production has been shifting from China to other Asian countries, such as Myanmar. But rising wages in Asia have increased the appeal of Africa, which offers substantial savings on personnel.

Itochu's plans are believed to mark the first full-scale production by a Japanese company in the eastern African country of roughly 100 million. The average Ethiopian monthly wage of $50 is around a tenth that in China and well below the $100 to $300 levels of Southeast Asia.

Ethiopia's low labor costs have prompted such Western brands as The Gap and H & M Hennes & Mauritz, as well as Chinese and Indian apparel companies, to make inroads there.

Uniqlo operator Fast Retailing considered production in Ethiopia. Other major Japanese apparel companies have outsourced production to Ethiopia under short-lived arrangements. But low productivity remains a challenge.

Itochu has signed a memorandum of understanding with the Ethiopian Textile Industry Development Institute on promoting the textile sector.

The company will dispatch its own employees in addition to five outside Japanese experts to two factories in northern Ethiopia's Tigre region. The plants will make apparel for export to Japan.

Itochu handles clothing manufacturing, from spinning to sewing, in such bases as Vietnam and Myanmar. Using know-how acquired in Asia, it aims to quintuple Ethiopian manufacturing efficiency in three years by reviewing production steps and labor management. Equipment upgrades will also be considered.

An Ethiopian worker is said to produce only about a tenth as much apparel of a Chinese counterpart in a given time, thanks partly to China's advances in training and mechanization. And while there are textile companies that export from Ethiopia to Europe, strict Japanese quality standards have kept continuous shipments to Japan from becoming a reality.

With the Tokyo International Conference on African Development coming up in Yokohama later this month, corporate Japan is expected to step up efforts to support industry on the continent.

Just 12 Japanese companies had a physical presence in Ethiopia as of October 2017, according to Japan's Ministry of Foreign Affairs -- far short of the 282 in South Africa and 54 in Kenya.

Source: asia.nikkei.com- Aug 17, 2019

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Cambodia garment exports at risk as EU wraps up tariff review

Suppliers to H&M and Levi's among those affected if duty-free access to Europe revoked

Business groups in Cambodia are warning that tens of thousands of jobs and billions of dollars worth of exports may be at risk as the European Union comes a step closer to deciding whether it will end preferential trade arrangement for the Southeast Asian country.

The EU on Monday concluded its six-month monitoring period of Cambodia, a step in its review of the country's eligibility for duty-free access to the European market under the Everything But Arms scheme.

EU officials now have three months to draft conclusions on whether the trade preferences should be withdrawn due to "severe deficiencies" in Cambodia's human rights record and a democratic backslide.

Duty-free access to the EU market is hugely important for Cambodia's apparel and footwear sector, which generated more than $8 billion last year -- more than two-thirds of the country's total exports, according to government figures.

Almost 40% of Cambodia's exports last year went to the EU, equal to $4.5 billion at today's exchange rates. Of these, about 75% was textiles and about 13% was footwear or hats. The U.S. was the next largest importer of Cambodian goods, accepting more than 20% of the country's exports.

The government has begun factoring in the loss of the EBA into its economic projections. Last week it released a revised projection for next year predicting GDP growth would slow from 7.1% to 6.5%, in part due to the EBA withdrawal.

Growth in the garment and footwear sector -- which employs at least 750,000 workers -- would drop from 7.1% to 3.5% next year, according to the new government projections. Other important sectors, such as construction, tourism and agriculture, are predicted to remain stable or enjoy modest growth.

Despite the high economic stakes, the EU's review process has been met with by defiance on the part of longtime Cambodian Prime Minister Hun Sen, who has vowed he will "not bow down" to international pressure.

In an interview with local media this week, an official from Cambodia's Ministry of Commerce said the government had begun reforms to mitigate the potential consequences of the EBA being withdrawn, including reducing electricity prices and streamlining export procedures.

The impact, however, could be greater than the government is predicting.

Arnaud Darc, chairman of the European Chamber of Commerce in Cambodia (Eurocham), said the blow wrought by the EBA's annulment could have a domino effect and "destabilize" other segments of the economy.

An EBA withdrawal, he said, would send "the wrong signals" to investors and bring the risk of a sovereign credit downgrade. Moody's Investors Services last year warned the loss of the EBA could lead to a credit negative.

"The economy looks strong from its growth, but is still very weak from its diversity," Darc told the Nikkei Asian Review.

"Who will feel the impact of the withdrawal first hand? The people, the population is at risk here."

Figures from Cambodia's Ministry of Industry and Handicrafts, cited by local media last year, list 1,522 registered factories in Cambodia, with about two-thirds -- 1,031 -- producing garments. The Garment Manufacturers Association in Cambodia (GMAC) counts 485 exporting garment factories as members as well as 60 shoe factories and 55 bag factories.

While the majority of factories are foreign-owned by Asian investors, particularly Chinese, Taiwanese, and Singaporean operators, their viability rests on sourcing from international clothing brands and wholesalers.

Without the EBA, companies would face a 12% tariff to Cambodian-made apparel to the EU and between 8% and 17% for shoes, depending on the material. The government has estimated the tariffs would cost $676 million based on last year's export revenue.

The World Bank estimated the value of garment exports would decline by between $320 million and $380 million.

Large brands currently sourcing from Cambodia, including Adidas and VF Group, declined to comment, while others, including Gap, H&M, Levi's and Esprit, refused to be drawn on whether they would continue sourcing from Cambodia should it lose EU duty-free access.

Darc of Eurocham said the group has been in contact with major brands, employing 80,000 people directly or indirectly, that are already reconsidering their relationship with Cambodian factories.

"I think they will consider to relocate their production if the EU was to put the tariffs and it's not about the cost, it is about the reputation," he said, adding they would make a decision by November. "So if one of them would leave, I think the others would seriously consider to follow." GMAC has also warned of major job losses. In a statement released on Thursday, the association warned that 3 million families could ultimately be harmed by the potential EBA loss.

GMAC Secretary-general Ken Loo said the country had to focus on getting its "house in order" to remain competitive. While the country has approved several wage increases for the garment sector in recent years, which has risen from $80 in 2013 to $182 this year, increased productivity remains hampered by poor infrastructure and relatively high electricity rates.

"There have been positive developments but we need more, we need more and quickly," Loo told Nikkei. Amid concerns over continued EU duty-free access, some Cambodian exporters are looking to the U.S. market Loo said there has been "increased interest" from companies looking to shift their supply chain to Cambodia to avoid tariffs levied by U.S. President Donald Trump against China, but he said this has yet to materialize into orders.

Recent figures from the National Bank of Cambodia, cited in local media, show a year-on-year rise in exports for the first half of 2019 to $6.8 billion, with the U.S. taking 28% of goods and the EU receiving 26.6%.

The increase to the American market has been spurred by a decision in 2016 to include travel goods in the U.S. Generalized System of Preferences (GSP) duty-free scheme, which does not include garments.
A recent report by Cambodia's Ministry of Economy and Finance noted 34 new factories opened in the first five months of this year, of which 32 produced travel goods. Ten garment factories closed in the same period.

The seemingly promising uptick, however, is precarious, warned Duncan Innes-Ker, the Asia regional director of the Economist Intelligence Unit.

Innes-Ker said the group expects the EU to maintain Cambodia's EBA status but foresees the U.S. potentially revoking the country's trade preferences as it shifts closer into Beijing's orbit.

China has poured billions in investment into Cambodia in recent years. The countries last month denied reports of a deal to station Chinese troops on Cambodia's coast. Beijing has promised to help should the EBA be withdrawn.

Analysts, however, are skeptical of how much China could cushion the impact. While China accounted for almost 35% of Cambodia's imports last year, it took just 7.9% of its exports.

Cambodia's strained relationships with its major markets is problematic, Innes-Ker said. Even should it retain its trade preferences, the conflict between its trade partners and policy would take its toll on competitiveness in its low-cost tier.

"What's interesting at the moment, particularly against the background of the trade war, is that it's getting very easy to see which countries are actually taking the task of stealing China's export manufacturing sector seriously and which are really hoping to just ride on the wave," he said.

"Countries like Vietnam that are going very hard to negotiate these very complicated trade deals that they're working very hard to put in place, the infrastructure necessary to support a sustained increase over many years in exports," he added, referring to Vietnam's free trade agreement with the EU, which is awaiting ratification.

"You look at somewhere like Cambodia and the fact that it has such tensions relations with its two dominant markets makes it obvious that this is not somewhere that has the potential to massively ramp up exports over the longer term."

Source: asia.nikkei.com- Aug 16, 2019

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Pakistan: Govt unlikely to achieve 15m cotton bales target

The country is unlikely to produce the projected 15 million bales of cotton during the 2019-20 season mainly due to lesser area coming under cultivation for the crop.

This means that the country will have to spend huge amount of foreign exchange for importing around 2.2-2.5m bales to meet the expected shortfall. Last season the import bill for 4m cotton bales stood at $1.3 billion.

According to official figures the total area under cotton cultivation this season was achieved at 69 million acres against the target of 71.54m acres. Undoubtedly, this area stands 14.3 per cent higher over 2018-19 when cotton was sown on 67.01m acres and a production of 10.07m bales was achieved.

Analyst Naseem Usman told Dawn that the Punjab agriculture minister had already put the province's cotton production at 8m bales for current season this means the total production will stand at around 12-12.2m bales on including Sindh's 4 to 4.2m bales and 0.1m bales of Balochistan and Khyber Pakhtunkhwa.

Even when looked at historic perspective it could be easily stated that the area under cotton sowing this season still stands less than 73.17m acres when the country produced a record 14.871m bales in 2014-15 season. The successive governments have failed on a number of accounts in enhancing cotton production which is a cash crop and could earn invaluable foreign exchange for the country even on achieving higher production than the domestic consumption.

The domestic consumption stands at around 15-16m bales whereas cotton production is stagnant at around 11-12m bales for the last many years. Pakistan has very low yield of cotton at around 680kg lint per hectare against other cotton producing countries of the world have above 1,700kg lint per hectare.

It is high time that the government on a war-footing should take necessary measures to enhance cotton production by providing proper certified seed and also crack down on those supply poor quality pesticides and other inputs to growers.

The fibre length also had been a big issue because in 70 years the country failed to produce long staple fibre due to poor quality of seed and lack of research on this account. As a result the textile industry annually has to import huge quantity of long staple cotton on spending huge foreign exchange.

Asif Inam, former chairman All Pakistan Textile Mills Association, Sindh Balochistan Zone, said that textile industry had been importing cotton from India to meet the shortfall but now they will have to pay extra cost towards freight on importing cotton from far-away countries after suspension after New Delhi illegally changed Occupied Kashmir's status.

He said the government had proposed to fix indicative price for phutti (seed-cotton) to encourage growers to cultivate more cotton but this was never done and no announcement was made in this regard.

Source: dawn.com- Aug 18, 2019

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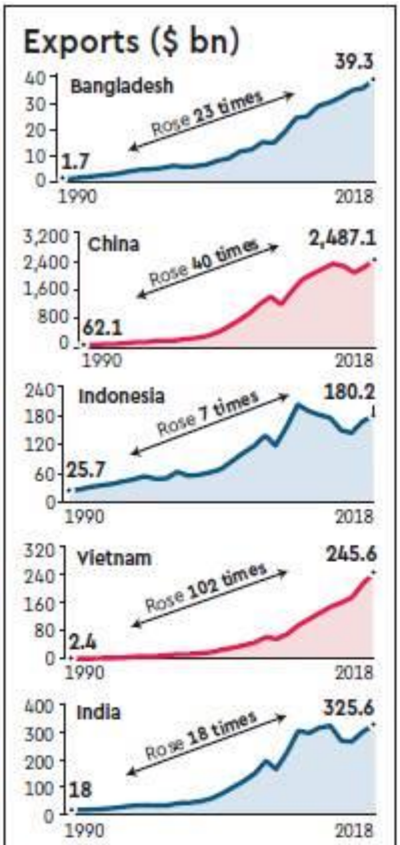
NATIONAL NEWS

Can India learn from Vietnam how to manage export-led growth?

India's exports-growth appears to have picked up in July, when they rose 2.3%, but for the last four years, it has averaged just around 0.2% which, it turns out, was a just a third of global trade growth in the same period; in the previous four years, from 2010 to 2014, however, global exports grew 5.5% a year while India's exports rose by 9.2% per year. This slowing of India's exports—and the relatively poor growth before that—is really bad news, given that countries like India, who have a very small export base, should be growing many times faster than the global average (see graphic).



Textile/shoes ($ bn)	2010	2018	Electronics* 2010	2018
India	4.9	33.1	1.6	8.1
Vietnam	16.3	46.7	3.6	79.5

*Including mobiles

Even China, whose exports are 7.5 times India's, managed to grow at 1.5% per year in 2014-18; Vietnam, which is rapidly emerging as an export powerhouse, taking up the slack in markets being vacated by China, managed to grow by a whopping 13% per year, from $150.2 bn in 2014 to $245.6 bn in 2018. As a result of this sustained growth, Vietnam's exports, which were a mere 6% of India's in 1960 and 13% in 1990, managed to reach 34% in 2000 and a whopping 75% in 2018; at this rate, within a few years, they could even outstrip India.

At a time when India's economy is flagging, as is investment and consumption, and rapid exports-growth is the only way out of the morass, India would do well to learn from Vietnam.

When China started vacating the market for textiles and moved on to higher-value exports, it was countries like Vietnam and Bangladesh that made the most of this and, today, when big electronics producers—including those producing mobile phones—want to de-risk and move part of their production out of China, it is once again Vietnam that is looking to take away the bulk of this.

The way that Vietnam has achieved this has been to aggressively liberalise its economy by lowering tariffs as well as attracting foreign investments; in 1995, Vietnam joined the Asean free trade area, it signed an FTA with the US in 2000 and in 2018, it joined the Trans-Pacific Partnership (although without the US).

Today, its tax levels are amongst the lowest in the world and, as several top electronics companies with manufacturing/export bases there will testify, it is willing to go more than the extra mile to ensure investors get what they want in terms of infrastructure etc. Indeed, in 2018, data from the Vietnam government website says that 71% of exports took place in what is called the "FDI sector"; that is, by global firms setting up shop in Vietnam.

As a result of this, in 2010, textiles and shoe exports comprised 22% of Vietnam's exports; traditional exports like sea food, rice, crude oil, rubber and wood comprised 26% of the total, while electronics was a mere four percent. In 2018, the share of textiles and shoes were down a bit to 19%, that of traditional exports was down to 10%, while electronics including mobile phones was up to a third.

Given the tremendous opportunity posed by the US-China trade fight and the fact that top producers want to de-risk their operations—60% of the $300 bn market in global exports of smart-phones take place from China—this is a great opportunity for India.

But, as this newspaper has detailed earlier, Vietnam has stolen a march over India and already accounts for over 10% of global exports of mobile phones while India's exports are miniscule; though Vietnam's production of mobile phones was around a fourth that of India as late as in 2010, the production levels are almost the same today though the per unit price of Vietnamese phones is much higher

Since the bulk of the smart-phone exports are made by four or five companies—Apple and Samsung alone account for around 60% of all smart-phone sales across the world—India's best bet is to ensure that they relocate as much of their operations as possible from China. Right now, since mobile phones are 'assembled', and not really 'manufactured' in India, even as phone production rose, imports are rising to alarming levels; in the next 5-6 years, these could be India's second-largest imports.

Apart from the fact that Vietnam offers better quality infrastructure, as our front-page story points out today, while corporate tax rates for large manufacturing plants in Vietnam range from 10 to 20%—Indian rates for foreign companies are 43.68%—some big global manufacturers have managed to get even better deals.

Given that 70-75% of global trade today takes place through 'value chains' administered by multinational firms, if India isn't a part of this—for most manufactures, not just mobiles or electronics—its exports can never take off.

Source: financialexpress.com- Aug 19, 2019

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A new approach to industrial policy

To make India a $5-trillion economy, policymakers must bring all the constituents of the industrial ecosystem together

India wants to grow its economy to $5 trillion. People want jobs and their incomes to grow. The country needs its industrial sector to evolve to absorb the millions of people coming off agriculture, as they will, with productivity in the agricultural sector improving.

India cannot rely only on its service sector — it needs industry and manufacturing to grow much faster to create jobs with good incomes and to enable the economy to grow to $5 trillion. Ergo, the country needs a good policy to grow industry at this juncture in its economic history.

Wither industrial policy?

India had avoided framing any industrial policy after the liberalisation of its economy in 1991, because 'industrial policy' had become taboo in the 'leave it to the market' ideology of the Washington Consensus, which said that any deliberate attempt by the government to grow industry would always be counter-productive.

The only way to grow a vibrant, entrepreneurial industrial sector was for the government to get out of the way of the unleashed animal spirit of entrepreneurs, it said, ignoring the history of industrialisation in all countries, including the US, where governments have nurtured industries and meddled with trade policies to foster industrial growth.

Now, even the US, confronted with the growth of China's industries supported by its government's policies, is feeling the need for an industry-cum-trade strategy to counter China. India cannot avoid, any longer, the necessity for a good policy to grow its industries.

The problem is, what sort of policy should India have — how much should it leave to the market, and what should be the government's role? Any policy, and the way it is made, must fit the system and the situation for which it is required. Therefore, one must step back to understand the process of industrialisation.

What's industrialisation?

Industrialisation is a process by which a large system acquires capabilities to do what it could not do before. Japan became a global power in the automobile industry after the Second World War, because Japanese manufacturers learned rapidly to do what they could not do before.

Their suppliers learned too, while managers and workers within the industry were rapidly learning and improving their skills. Alongside them, the government facilitated the process of building capabilities in industries and learned along with them too.

Complex systems acquire capabilities they do not have when the interdependent sub-systems within them learn to do what they could not do before. Industrialisation is a process of a complex system and its parts learning in action together.

Beyond raw material resources, the only source of competitive advantage a nation has is its ability to learn and improve its competitive capabilities faster than all other nations. With a participative process of shaping industrial policy facilitated by the government, Japan developed its steel, chemicals, and automobile industries into world-beaters, even though it did not have any raw material resources.

Systems can be sorted into three archetypes: engineered-controlled, open-chaotic, and complex self-adaptive. The structures within engineered systems are designed by experts. Experts can manipulate and control the system if they understand the forces within completely.

Technologists have designed amazing machines with which human beings have been able to do what they could not do before — like fly to the Moon. In an engineered system, the designer sits outside the system while designing it. This approach to designing an industrial policy will not work, because the policymaker must be a participant within a dynamic system, learning within it through multiple feedback loops.

The policymaker cannot be an expert sitting in an ivory tower above the system, providing it a detailed blueprint to function. This was the fundamental problem in India's approach to its industrial policy until the 1980s. Industry, which was learning, found that the government controlled without understanding what industrialisation was about.

The sweeping in of the 'Washington Consensus' ideology of 'government is not the solution, it is the problem: leave it to the market' swung the pendulum towards the open-chaotic systems archetype. The idea of 'industrial policy' became taboo. When many countries, including the US, began to realise by 2008 that governments must do something to grow industries and jobs in their countries, they had to contrive other names for what was required, such as 'innovation policy' and 'entrepreneurship policy'.

The way forward

Unregulated markets can become chaotic, as the world realised when the financial crisis happened. Government regulation is necessary. However, India will not want to go back to the 'engineered-controlled' model of industrial policy, which is inappropriate for a dynamic, learning process. India should adopt the third archetype, of 'complex self-adaptive systems', which is the appropriate model for industrial growth.

Industrial policy is not a document; it is a process. It is a process of learning in action that brings together the constituents of the industrial system.

The Indian industry is not a clean sheet upon which a policymaker can impose a policy. India has a rich industrial ecosystem with competent industries in many sectors and millions of large and small enterprises.

Each constituent within the system will see the system from its own perspective and will lobby for its own interests. It is essential for the policymaker guiding the process, and for the constituents too, to foresee the consequences of fixing any one part of the system on the other parts, to avoid fixes that can backfire elsewhere, or later on, and harm the system.
Inverted duty structures, which harm industry, arise when changes are made to make life easier for one industrial sub-system but damage others. Lopsided labour reform to make firing easier can produce shorter-term benefits, harming longer-term processes of capability building.

India has recognised the need for an industrial policy and groundwork has been done, with consultations with many stakeholders, both by UPA-II in the 12th Five Year Plan, and by the previous Modi-led government.

Both times, the need for an ongoing, consultative, learning process was stated. The government should take a bold step soon to install this process if it wants to grow industries, create jobs, and take the Indian economy to $5 trillion and beyond.

Source: thehindubusinessline.com- Aug 18, 2019

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Customs to recover export benefits claimed on reimported goods

As for new cases of reimports, exporters have to a provide a ‘no incentive certificate’ from the regional authority (RA) of the Directorate General of Foreign Trade at the time of reimports.

Tax authorities will soon start recovery of exports benefits claimed on goods that were reimported in the past under some incentive schemes, a decision that will impact some exporters.

The Central Board of Indirect Taxes & Customs (CBIC) has sent out a directive to tax officials following observations by Comptroller and Auditor General (CAG) that there was no provision in earlier customs notifications to recover the duty benefit claimed on exports on reimport of the merchandise.

As for new cases of reimports, exporters have to a provide a ‘no incentive certificate’ from the regional authority (RA) of the Directorate General of Foreign Trade at the time of reimports.

“...before allowing clearance in cases of reimport of exported goods, a ‘no-incentive certificate’ from the respective RA of DGFT shall be ensured by customs field formations,” the CBIC directive said.

This certificate will be provided only when the duty benefits claimed have been surrendered.

ET has seen a copy of the CBIC directive.

The move comes in the backdrop of differences between departments of commerce and revenue over continuation of Merchandise Exports from India Scheme (MEIS), introduced in 2015 by replacing five previous incentive schemes to promote merchandise exports. While the revenue department favours discontinuation of the scheme, the commerce department wants an extension, people familiar with the matter said.

MEIS comes under incentive and reward schemes of the Foreign Trade Policy.

The government is now using a provision under the Reserve Bank of India rules regarding refund of incentives taken when exported goods are reimported.

Reimports can happen due to many reasons, including the buyer of exported goods not being satisfied with the quality of the goods or they not meeting specifications.

Reimports also happen when goods are sent out for exhibition, samples, or testing, and then are returned to the country.

The Central Board of Indirect Taxes & Customs has also asked customs officials to review past cases of reimport of exported goods and take necessary action for recovery of inadmissible duty credit. The board has asked for a compliance report by September 30.

Tax experts say trade needs to ensure they repay the benefits.

“Given that customs will now be closely monitoring the compliance, trade needs to ensure that they are aligned with requirement to repay benefit,” said Rahul Shukla, executive director at PwC.

Source: economictimes.com- Aug 17, 2019

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Economic ties between India and China will continue to grow, finds CII survey

Ninety eight per cent of Indian companies present in China have said they will make investments in China this year, according to a Confederation of Indian Industry (CII) survey.

Of the 57 companies surveyed, 74 per cent said the ongoing US-China trade stand-off has not had any impact on them. The survey was conducted by CII along with research and analytics service provider Evalueserve.

The survey, titled ‘Business Climate for Indian Companies in China’, also found that more IT and BPO companies plan to invest in China in 2019, compared to 2018. The business climate in China is also favourable for these companies, as two-thirds of the companies were “very profitable or profitable” in 2018.

Favourable destination

Shanghai seems to be the most favourable destination, with 72 per cent of the companies invested there. Over 70 per cent of the respondents have up to 50 employees and have localised more than half of their workforce.

“The survey of Indian companies working in China shows cautious optimism and more confidence, compared with the survey last year. Most companies do not see any significant impact from the trade tension between the US and China on their businesses,” Chandrajit Banerjee, Director-General, CII, said.

Rising labour costs, finding and retaining talent, and stricter regulations were some of the challenges that these companies faced in China, while quality of services and products were a key success factor.

“The results of the survey clearly indicate that the deep economic relationship between India and China will continue to grow,” said Sumeet Chander, Greater China Country Head, Evalueserve.

Source: thehindubusinessline.com- Aug 18, 2019

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Khadi's turnover crosses Rs 74,323 crore in 2018-19

The Khadi and Village Industries Commission (KVIC) on Saturday said its turnover crossed Rs 74,323 crore in 2018-19 with the sale of Khadi products witnessing a growth of over 145 per cent since 2014-15.

The Khadi production, which was Rs 879.98 crore in 2014-15, went up to Rs 1,902 crore in 2018-19, a growth of more than 100 per cent, and its sales recorded a growth of over 145 per cent, from Rs 1,310.9 crore in 2014-15 to Rs 3,215.13 crore in 2018-19, according to a statement issued by the KVIC.

It quoted KVIC Chairman Vinai Kumar Saxena as saying, "Even the Village Industries reached Rs 71,123.68 crore in 2018-19 with respect to the turnover of Rs 31,965.52 crore in 2014-15, with a growth rate of 123 per cent.

"Khadi has made an average jump of 62 per cent in Khadi fabric production in the last five years, that is, from 103.22 million square metres in 2014-15 to 170.80 million square metres in 2018-19. In the fiscal 2014-15, the share of Khadi in overall textile production was 4.23 per cent, which, in the year 2018-19, has gone up to 8.49 per cent, which is almost the double."

Saxena said in the last three-a-and-a-half years, the KVIC had provided over 32,000 new model charkhas (spinning wheels) and 5,600 modern looms, which increased the Khadi production.

"During this duration, 376 new Khadi institutions have been added, along with over 40,000 new Khadi artisans. The KVIC has also created employment through Khadi in the remotest parts of the country such as Leh, Ladakh, the Kaziranga forest, the Sundarbans in West Bengal etc.," he added.

"We, for the first time, brought major textile corporates like Raymonds, Arvind Mills and Aditya Birla Textiles in the Khadi sector for its marketing, which increased Khadi sales manifold.

The KVIC also brought major PSUs into the Khadi-fold for purchasing Khadi gift coupons for their employees, which has given business of over Rs 100 crore," Saxena said in the statement.

Source: moneycontrol.com- Aug 17, 2019

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Production of polyester fabric falls almost by half

With production on a nosedive, all is definitely not well in the country's largest man-made fabric (MMF) hub. Polyester fabric has decreased production by almost half from 13,000 metric tonne (MT)to 7,500MT per annum.

In its report, the textile committee of Southern Gujarat Chamber of Commerce and Industry (SGCCI), stated that the growth rate of polyester fabric production has decreased by 40% per annum after the central government imposed Goods and Service Tax (GST) in 2016.

The report further states that the higher cost of raw material, including yarn, is posing a major challenge to the MMF sector. Also, the import of cheap fabrics from China, Bangladesh and other Asian countries has cast a dark shadow on Surat's MMF sector.

The quantum of investment in the MMF sector has significantly reduced under the Amended Technology Upgradation Fund (ATUF) scheme due to the drastic cut in subsidy provided by the central government. About seven approved projects under the Group Workshed Scheme (GWS) have backed out due to the reduction in subsidy under ATUF.

According to the report, the MSME weaving sector is one of the important sectors in textile for Centre's Make In India campaign. To compete with global competition, shuttle-less looms are must to maintain best quality in weaving. However, restoration of 30% subsidy under ATUF is the need of the hour to maintain modernisation in the MMF sector, said experts.

Talking to TOI, chairman of SGCCI's textile committee, Ashish Gujarati said, "There are issues galore in the MMF sector. Prio to inmpementation of GST, there were 6.50 lakh powerloom machines in Surat. Post-GST, the total number of weaving machines have been reduced to just 5.50 lakh."

Gujarati further said that the committee has submitted the report to Union textile minister Smriti Irani, too, seeking her intervention.

Source: timesofindia.com- Aug 17, 2019

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Tamil Nadu pressing for zero GST for handlooms: O S Manian

Tamil Nadu is making efforts to convince the Central government to fully exempt handloom textiles from the purview of GST, just as the Khadi sector has been exempted in the weavers' interests, the State minister for Handlooms and Textiles, Mr. O.S. Manian said on Sunday.

Speaking to reporters after participating in a private function here, he said though the GST rate for handloom sector has been reduced from 12 per cent to five per cent in a bid to make handloom weaving sustainable for the vast majority of poor weavers under the cooperative sector, "we are making every effort to completely exempt handlooms from the purview of GST."

Mr. Manian said it was lower GST rate which was helping the garment and hosiery sector in Tirupur to achieve an annual sales turnover of Rs 40,000 crore. Tamil Nadu has 1,081 weavers' cooperative societies in all, the minister said, adding, with a view to encourage the handloom sector several concessions were like interest subsidy continued to be extended.

Source: deccanchronicle.com- Aug 19, 2019

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Synthetic textile exporters gung-ho about growth

Man-made fibre (MMF) industry is contributing 2% to India's GDP and providing jobs to over 18 million people directly and more than 20 million indirectly and technical textiles are expected to see a significant growth in coming time, according to a textiles export body.

Synthetic & Rayon Textiles Export Promotion Council chairman Ronak Rughani said with an increasing focus on protecting environment, the demand for man-made fibre (MMF) textiles as a substitute for cotton is growing globally.

"Globally increasing price volatility, durability and sustainability concerns have made leading fashion brands to gradually shift the fibre mix in favour of synthetic fibres, especially polyester and viscose," he said.

Currently MMF dominates global textile fibre consumption with 72:28 ratio —MMF 72% and natural fibre 28%.

The share of MMF had been steadily increasing due to cutting-edge technology, its durability and sustainability concerns, he added.

Man-made fibre exports have grown to contribute 16% to the total textile and clothing exports from India worth $40 billion in 2018-19.

"We contribute 2% to India's GDP and employ more than 18 million people directly and more than 20 million people indirectly.

We export entire MMF textile value chain including fibre, yarn, fabrics and made-ups to nearly 140 countries. More than 60% of our exports are of value-added items such as made ups and fabrics," Rughani said in a statement here.

India produces over 1,441 million kg of MMF and over 3,000 million kg of man-made filaments annually. India is the second largest producer of polyester and viscose in the world.

Source: financialexpress.com- Aug 17, 2019

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SRTEPC organising 4th edition of 'Source India 2019'

The Synthetic & Rayon Textiles Export Promotion Council (SRTEPC) the oldest Export Promotion Council in India is organising 4th edition of its flagship exhibition 'Source India 2019' in Mumbai next week from August 21-23, 2019. The mega event will be organised under the aegis of the Ministry of Commerce & Industry and Ministry of Textiles, Govt of India.

During the 3 day Source India 2019, over 125 top man-made fibre (MMF) Indian companies will be exhibiting their latest range of synthetic and rayon textile items including fabrics, yarn, made-ups, fibre, home textiles and technical textiles. Around 180 leading buyers from 40 countries and 20 international buying houses will be visiting Mumbai during Source India 2019 to place orders for forthcoming season.

With a view to protect the ecology and environment, the demand for man-made fibre (MMF) textiles all over the world is increasing as a substitute for cotton amidst changes in global fashion trends. Currently MMF dominates global textile fibre consumption with 72: 28 ratio i.e MMF 72 per cent and 28 per cent is natural fibre. The share of MMF has been steadily increasing due to the cutting-edge technology, its durability and sustainability concerns.

"Our Council, established in 1954 has spearheaded India's export focus on 'Man-Made Fibre' industry and with our efforts, the exports have grown to contribute 16 per cent of the textile and clothing exports from India (in value terms) in 2018-19.

We contribute 2 per cent to India's GDP and employ more than 18 million people directly and more than 20 million people indirectly. We export entire MMF textile value chain including fibre, yarn, fabrics and made ups to nearly 140 countries. More than 60per cent of our exports are of value-added items such as made ups and fabrics," said chairman of SRTEPC Ronak Rughani.

Talking about emerging global trends in MMF, Rughani added, "globally increasing price volatility, durability and sustainability concerns have made leading fashion brands to gradually shift the fibre mix in favour of synthetic fibres, especially polyester and viscose. Improvement in technical properties of MMF has also supported this shift.

"We are seeing a definite trend of higher share of polyester and viscose fibre in shirting and suiting fabrics, especially as blend with cotton. There is also a trend of using lower GSM fabric for sarees and other traditional dresses.

There has been a continuous rise in the number of working women in organised sector and this has not only increased the consumption of western office wear but also dresses suitable for party wear. Fabrics with 100 per cent MMF content or in blend with other natural fibres are very much suitable for such products.

Millennials all over are trying hard to remain fit and active. Consumer is getting fitness conscious and opting for sports and physical exercises due to which they look for clothing with combination of comfort and performance. Manmade fibre and yarns are the dominant in activewear market and most of the international brands are preferring MMF due to their functional properties like durability, stretching, waterproofing, stain resistance, fire-retardant, moisture absorbent, sustainability, technical advancement, etc.

SRTEPC also sees Uniforms as a growing market. Increasing number of school going children, usage of different uniform for different days by many private schools and usage of uniform by increasing number of schools are making this segment to grow. Corporates are also increasingly becoming image conscious and using uniforms, especially for consumer facing activities. Polyester based fabric of higher GSM is used in such garment construction and demand of such fabric will grow significantly in coming years.

Technical textile market is still at a nascent stage in India and almost all categories will observe significant growth in coming time, which will lead to increased usage of different types of fibres. Fibre composites containing carbon fibre-reinforced plastic is the advance material innovation for light weight savings and shall have more advantages."

Presently India produces over 1441 million kg of man-made fibres and over 3000 million kg of man-made filaments. Over 23000 million square metre of fabrics were produced from man-made fibres and their blends. Most of the man-made fibres are currently produced in India. India is send largest producer of polyester and viscose in the world. Major varieties are polyester, viscose, acrylic and polypropylene.

Source: fibre2fashion.com- Aug 17, 2019

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Indian denim wear market growing at CAGR of 11 percent

With new technologies, trends and higher market reach, the denim sector has promising growth potential. Ashish Dhir, Associate Vice President, Fashion-Textile & Apparel and Saima Nigar-Associate Consultnat, Fashion-Textile & Apparel, Technopak, map the status of denims in India today.

Indian retail market is estimated to be worth Rs 53,06,400 crore (US$ 792 billion) in 2018 and is expected to reach Rs 1,50,68,300 crore (US$ 2,249 billion) by 2028, growing at a Compound Annual Growth Rate (CAGR) of 11 percent. It is envisaged that the current fashion retail market worth Rs 3,61,000 crore (US$ 54 billion) will grow at a promising CAGR of 8.1 percent for next ten years to reach Rs 7,88,500 crore (US$ 118 billion) by 2028.

Indian apparel industry, which is the second largest contributor in the retail industry after food and grocery, is seeing some major shifts. Entry of international brands,changes in preferences from non-branded to branded, the fast growing economy, large young consuming population in the country has made India a highly lucrative market.

India has the world's largest youth population, which is becoming fashion conscious owing to mass media and social media penetration. This has opened unprecedented retail market opportunities. The promising growth rate of 8.1 percent makes Indian fashion industry prominent in the retail sector.

DENIM WEAR: MARKET SIZE AND GROWTH

The Indian denim market is exhibiting continuous growth over the years. With new technologies, trends and higher market reach, this sector has promising growth potential. Even in rural areas, denim is becoming highly fashionable with most men and teenager girls opting denim wear over traditional outfits.

Denim wear market is estimated to be Rs 29,203 crore in 2018. Denim wear market is expected to grow at CAGR of 12 percent and reach Rs 91,894 crore by 2028. The market in India is dominated by men's segment, accounting ~86 percent of the total market size. However, women denim wear segment is expected show higher CAGR of 13 percent than men's segment (12 percent).

Denim is a high growth category as it is fashionable and comfortable, and enhances style quotient. The value growth within the denim wear owes to increased demand for stretch and light weight fabric, varying colours, styling and detailing. This trend is emerging across all categories (men's, women's and kids).

As of 2018, 40 percent of the denim market is branded. However, there is pricing gap in the branded market with most of the branded offering is across mid to premium due to which brands are not able to cater significant needs of the market. The unbranded share is 60 percent of the total denim market and is marked by fragmented nature of supply. So, there is an opportunity for the private label play in the denim market in the value segment. Hence, value fashion retailers such as fbb, V-Mart, Max fashion can grow by plugging the need gap in the value denim market.

GROWTH DRIVERS AND TRENDS IN DENIM WEAR IN INDIA

Within the overall Indian apparel market, the denim wear market has evolved significantly over the last couple of years. The industry has witnessed rapid growth, triggered by increasing usage of western wear by fashion conscious youths. The change in classification of consumer wardrobe has acted as a growth driver for denim wear in India. Denim wear brands are growing across all segments of the Indian market (premium, medium and value for money). International denim brands like Pepe Jeans, Levi's, Wrangler and Flying Machine etc have witnessed rapid growth over last few years.

Certain factors which are contributing as key growth drivers of denim wear in the country are enumerated below:

YOUTH AS A GROWTH DRIVER: Youth (15 to 29 years old) who comprise 26 percent of the consuming population, are a key growth driver of denim wear in the country. Increasing disposable income, comfort, quality and brand consciousness are major reasons behind increasing acceptance of denim wear among this young population.

INFLUENCE OF INTERNATIONAL BRANDS: The entry of the international brands in the country is one of the biggest drivers of denim wear. Their entry has widened the perspective of consumers which in turn has resulted in higher acceptability of new trends, styles in the market. With the increasing exposure to international fashion trends, the Indian consumer today is aware of global trends and has given him more variety to choose from. The value growth within the denimwear owes to increased demand for enhanced product attributes: fashion quotient, stretch and lightweight fabric, varying colours, styling and detailing. This trend is emerging across both men’s and women’s segments. The aforementioned factors shall combine to drive relatively higher levels of growth of the Mid Premium and Premium/Luxury segments.

INCREASED RURAL SPENDING : Rural areas are developing at a rapid pace and so is their purchasing power. With the percolation of mass media, people in rural areas are also aware of fashion trends.

Their inclination towards western trends is another reason for the growing demand of denims in rural areas. The mid-value segment of denim wear, characterized by quality, value-for-money, and increasing styling quotient, is the preferred choice of people from rural areas.

CASUALIZATION OF FASHION: The Indian casual wear market has evolved significantly over the years. Casual wear categories such as denim, activewear, casual shirts, and fashionable skirts are outpacing the growth of formal wear in India. This is reflective of the changing consumer trend and increasing usage of casual wear in offices as well as home. This shift in consumer’s wardrobe towards casual wear has acted as a growth driver for the denim wear in India. The casualization of fashion is not unique to India and is driven by global phenomena.

ALTERNATIVE RETAIL CHANNEL: Alternative apparel retailing is evolving in India in a rapid pace; jeans are no exception to this trend. Direct selling, home shopping and e-tailing are gaining momentum in the market.

RISE OF PRIVATE LABEL: Branded penetration in the market has a skew towards mid to premium price points and there is very limited offering in the value price points leading to pricing gaps in the market. These gaps in the market have provided an opportunity for retailers to launch their private label in the value segment. Private label led players such as FBB, Max and V-

Mart have identified these gaps and have launched products in the value fashion segment.

Private labels are win-win solution for both big retailers and value for money first time consumers as these labels ensure that a certain minimum quality and image. Young population from middle class India is becoming image conscious and is a significant contributor to the western wear market.

SUPER PREMIUM JEANS HAS EMERGED AS THE BEST PERFORMING CATEGORY: Increasing popularity of luxury international brands coupled with rising income has resulted in making super premium jeans, one of the best performing categories. Increasing workforce resulting in rising income among the youth has led to increased demand of super premium and premium jeans among the youth.

Increasing penetration of the global brands in non-metros has provided ample options to the non-metro dwellers thus, resulting in widening the consumers of premium denim wear.

CROPPED OR FOLDED HEMS CONTINUE TO BE FASHIONABLE AMONG WOMEN: Women's jeans continued to record strong current value growth in 2018, while also still being considered far from saturation. Over the decades female acceptance of Western apparel such as jeans has risen, with these now being a standard part of a woman's wardrobe.

CONCLUSION

With growing penetration of online channels, brand recognition and quality consciousness; there is huge opportunity for growth in denim wear. The large youth population, infiltrating urbanization and growing preference towards western wear in semi-urban and rural areas are acting as a boost to denim industry.

With right knowledge of consumer preference, opting for online channels, Omni-channel retailing and global best practices, denim wear brands can exploit the available growth opportunities in domestic denim wear market.

Source: indiaretailing.com- Aug 19, 2019

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