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The Cotton Textiles Export Promotion Council [TEXPROCIL]
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai - 400 004. Maharashtra State. INDIA
W. www.texprocil.org E. enews@texprocil.org T. +91-22-2363 2910 to 12 F. +91-22-2363 2914

IBTEX No. 231 of 2017 November 20, 2017

USD 64.94 | EUR 76.57 | GBP 85.82 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
17784	37200	**73.22**

Domestic Futures Price (Ex. Gin), November

Rs./Bale	Rs./Candy	USD Cent/lb
18380	38447	**75.68**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	69.21
ZCE Cotton: Yuan/MT (Jan 2018)	15,055
ZCE Cotton: USD Cents/lb	**87.56**
Cotlook A Index – Physical	**79.40**

Cotton & currency guide: In the broader perspective cotton has finished the week on a positive trend. In fact four consecutive week cotton is on a rising spree but the gains are limited. The price range is between 66.92 to 70 cents per pound. The December ended the week at 69.78 cents though approached to cross 70 cents. The other months were relatively less positive.

Many important factors are now ruling the market and believe these points may grow strong as we move through the season. A) The export trend of U.S. is robust and more competitive in the world market. The latest weekly export sales data is the clear evidence. B) The price of cotton basis is also very competitive and attractive keeping the cotton price positive. C) The un-fixed on call sales data are also indicating for market to remain positive as per latest on call sales data reported by CFTC. D) The cotton association of India (CAI) for the 1st time in this season released the 2017-18 crop numbers. In the report production is estimated at 37.50 million bales while ending stocks are pegged at only 3 million bales. The production is expected to be lower as earlier estimates were around 39.50 to 40 million bales. The reason being crop damage outside Gujarat due to unseasonal rain, pink ball worm threat and most importantly second picking cotton has the highest moisture keeping the cotton price lower.

So broadly cotton is trading slightly onto positive trajectory however 70 and 71 are the key resistance still hovering in the market. Hedge funds selling near these level could bring in some pressure nonetheless it's not so clear if major price correction would be felt in the near term. Also we aren't so bullish either but the range continues to between 67 to 80 while the averages are slowly shifting upward. More on the trading front the week gone by witnessed the lower open interest of only 223K contracts for all futures contract down in last several weeks while March has the highest of around 140K contract. The trading volumes were also steady near 40K contracts a day.

On domestic front, the November future at MCX ended the week at Rs. 18430 per bale up by Rs. 200 from the previous close. There has been slight positive move in the price while the domestic spot market has advanced marginally. We expect market on today's trading session may remain positive. The trading range for the day would be Rs. 18330 to Rs. 18600 per bale with initial positive bias in the price.

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

Indicative Prices of Overseas Ring Spun Cotton Yarn in Chinese market:

Indicative Prices of Cotton Yarn in China Date: 19/11/2017 ***Prices in US$ FOB***		
Country	**20s Carded**	**30s Carded**
India	2.55	2.80
Indonesia	2.56	2.85
Pakistan	2.33	2.71
Turkey	3.15	3.35
Source: CCF Group		

China yarn

Cotton yarn showed weak on the whole amid some divergence, polyester yarn increased along with virgin PSF, rayon yarn price fall slowed down, rayon/cotton yarn showed firm and other varieties showed stable.

International yarn

The cotton yarn market has been relatively stable. Firm conditions have prevailed in Pakistan, where local offtake was described as encouraging from downstream manufacturers in need of cover.

Export demand has generally failed to improve at current price levels. The results of an anti-dumping investigation regarding cotton yarn imports are awaited in Turkey.

Source: CCF Group

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INTERNATIONAL NEWS

'No fireworks' at NAFTA talks, but few signs of progress

Negotiations in Mexico to update NAFTA have not made much progress on tough US demands that could sink the 1994 trade pact, but the current round of talks are progressing with civility, some participants had said on Saturday.

Officials from the United States, Canada and Mexico are meeting in Mexico City for the fifth of seven planned rounds to update the North American Free Trade Agreement, from which US President Donald Trump has threatened to withdraw.

Time is running short to seal a deal by the deadline of end-March 2018. Officials say next year's Mexican presidential election means talks after that date will not be possible.

The US administration has made demands that the other members say are unacceptable, such as a five-year "sunset" clause and tightening so-called rules of origin to boost the North American content of autos.

"It is very slow moving but there are no fireworks," said a Canadian source with knowledge of the talks, adding there had "not been much conversation at all" on the more contentious US proposals.

Within hours of the latest round of talks formally starting on Friday, Canada was complaining about inflexibility by the United States.

Officials have so far discussed other issues such as labour, gender, intellectual property, energy and telecommunications but it is too soon to say whether there will be any breakthroughs this round, added a source familiar with the talks.

"The work is moving forward," Mexican deputy economy minister Juan Carlos Baker told reporters, adding that the three countries had prioritized technical work in Mexico City.

But he said negotiators were aware that much work lay ahead and "we have to double our efforts."

“The atmosphere is good, the atmosphere is one of work,” Baker added.

The mood was calmer than the tense scenes during last month’s round in Arlington, Virginia, where tough US demands were revealed. Still, the negotiations have passed the halfway point of an initial schedule with few clear signs of process.

Mexican officials hope chapters on telecommunications and e-commerce will be concluded by the end of business on Tuesday, but there has been no indication of this yet.

Although negotiators are scheduled to discuss rules of origin every day, the source said detailed talks on boosting North American content would not be held before the end of the round on Tuesday.

Canada and Mexico say the new rules of origin are unworkable and would damage the highly-integrated auto industry.

“I hope the United States understands there are things ... that Mexico won’t accept, and (I hope) the negotiating process becomes more rational,” Moises Kalach, head of the international negotiating arm of Mexico’s CCE business lobby, told Reuters.

On Friday, the US Trade Representative’s office revised its official objectives to conform to its current demands.

The move prompted US Senator Ron Wyden, the top Democrat on the Senate Finance Committee, to remove a “hold” he had put in place to block the confirmation of two Trump administration nominees for deputy USTR positions, a Wyden aide said.

Wyden had complained the trade office was keeping members of Congress “in the dark”.

Source thehindubusinessline.com - Nov 19, 2017

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TPP 11 Takes Another Major Step Forward In Moving On Without US

The agreement formerly known as the Trans-Pacific Partnership has been resurrected and it now goes by the name Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Though it had been widely assumed the TPP would be left for dead after the U.S. removed itself from the trade deal in January, the remaining 11 nations are dedicated to getting something out of all the years that went into negotiating the first deal, and last week they agreed on a framework to move forward with.

Ministers from the TPP 11—Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam—met on the sidelines of the Asia-Pacific Economic Cooperation forum in Danang, Vietnam last week and agreed on key aspects of the CPTPP pact.

“Ministers are pleased to announce that they have agreed on the core elements of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP),” a joint statement noted. “Ministers agree that the CPTPP maintains the high standards, overall balance and integrity of the TPP while ensuring the commercial and other interests of all participants and preserving our inherent right to regulate, including the flexibility of the parties to set legislative and regulatory priorities.”

The group has agreed to incorporate provisions of the TPP, with the exception of certain provisions that will be suspended, some of which are related to express delivery, telecommunication disputes and investment.

Now it remains for each country to pursue its own domestic processes while officials work on things like finalizing items where there’s still not consensus, and legally verifying and translating the finalized text in preparation to be signed.

“The substance is something all the TPP countries can agree on,” Japan’s trade minister Toshimitsu Motegi told reporters on the sidelines of the APEC meeting, according to the Japan Times. “This will send a very strong message to the U.S. and the other countries in the region.”

The U.S., however, appeared to be sending a strong message of its own just one day earlier.

In his speech at the APEC meeting, President Trump slammed multilateral trade deals and what they've done for the U.S. Carrying out his America First promise, Trump said the U.S. will compete on a "fair and equal basis" and that it won't allow itself to be taken advantage of.

"I will make bilateral trade agreements with any Indo-Pacific nation that wants to be our partner and that will abide by the principles of fair and reciprocal trade. What we will no longer do is enter into large agreements that tie our hands, surrender our sovereignty, and make meaningful enforcement practically impossible," the president said.

For now it seems CPTPP is forging its path forward irrespective of the U.S. position—and despite Canada's perceived stalling.

Canadian Prime Minister Justin Trudeau missed a leaders' meeting on TPP last week, which came just days after Trudeau said Canada wouldn't be rushed into a deal that didn't meet its own interests. Though some said he deliberately skipped the meeting, the country's Minister of International Trade Francois-Philippe Champagne said a scheduling mix-up was to blame for Trudeau's absence and that Canada remains interested in seeing progress on the CPTPP.

Some of Canada's hold-ups, according to Champagne, have to do with environment and labor rights.

In a tweet Monday, Trudeau said: "On the TPP trade deal: We've been working hard on it this week in Asia, and we're going to keep negotiating until we get the best agreement possible for Canadian workers & businesses. We won't sign it until that happens."

Source sourcingjournalonline.com - Nov 16, 2017

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Sri Lanka's apparel exports rise after EU GSP+ reinstatement

Sri Lanka's apparel exports from January to September 2017 has increased by 11.3 per cent to $1.67 billion due to the European Union's tariff concession Generalized System of Preferences plus (GSP+), according to industries and commerce minister Rishad Bathiudeen.

He termed it as GSP+'s most prominent success for Sri Lankan exports till now since its reinstatement.

Minister Bathiudeen was addressing the launch of the third edition of Intex South Asia 2017 in Colombo on November 15. Apparel exports to EU had increased by only 2 per cent from January to September 2016 in comparison to the same period in 2015.

A strong presence of Chinese, Indian and Hong Kong participants was seen at the three-day expo, according to Sri Lankan media reports.

Though US market is not connected to EU GSP, the country's apparel exports to the United States too has increased this year by 12 per cent to $1.8 billion between January to September.

Sri Lanka's overall apparel exports during the same period this year increased by 13.4 per cent to $3.97 billion in comparison to $3.5 billion during the same period last year.

In 2016, Sri Lanka's apparel exports were pegged at $4.86 billion, about 43 per cent of the total Sri Lankan exports basket.

Source fibre2fashion.com - Nov 18, 2017

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ASEAN, Hong Kong sign free trade agreement

The Association of Southeast Asian Nations (ASEAN) and Hong Kong recently signed the ASEAN-Hong Kong-China Free Trade Agreement (AHKFTA) and the ASEAN-Hong Kong Investment Agreement (AHKIA) at the 31st ASEAN-Hong Kong summit in Manila to strengthen economic cooperation and stimulate development in the region. AHKFTA is ASEAN's sixth free trade agreement.

The agreements will create opportunities for micro, small and medium enterprises in the ASEAN countries to increase their presence in Hong Hong, a news agency report quoted Philippine trade and industry secretary Ramon Lopez as saying.

While AHKFTA comprises 14 chapters covering broad areas of market access liberalisation, trade facilitation, rules to promote confidence in trade, and co-operation aimed at facilitating trade in goods and services in the region, AHKIA complements the former by covering the protection, promotion and facilitation of investment.

ASEAN already has free trade agreements with China, South Korea, Japan, India, Australia and New Zealand.

Source fibre2fashion.com - Nov 18, 2017

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Mills Pour More Money Into Vietnam

Vietnam's garment industry is on a fast growth path, and leading mills are scrambling to fill the increasing demand for materials.

Turns out, the TPP (Trans-Pacific Partnership agreement) wasn't the only reason buyers were moving orders to Vietnam.

“We haven't seen any order leaving Vietnam now that TPP is off the table,” said Tina Lee, deputy general manager at Huafu Top Dyed Mélange Yarn Co., Ltd., which set up a 200,000 spindle top-dyed yarn facility near Ho Chi Mihn City.

Strong local demand has prompted Huafu to add 100,000 more spindles by year end, bringing their capacity to 300,000 spindle.

“Even without TPP, Vietnam still has a very advantageous market position. We expect to see Vietnam’s textile and garment industry grow at least 20 percent annually in the next few years.” Ms. Lee told Inside Fashion.

Huafu isn't the only Chinese mill that foresees strong growth in Vietnam.

Other mills are investing heavily in the nation's garment industry supply chain.

Source ajot.com- Nov 17, 2017

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Vietnam: Foreign brands up the ante in fashion market

The competitive pressure exerted on domestic fashion firms by the increasing presence of world renowned brands is unavoidable, but it could have positive impacts in the long run, experts say.

They say that the Vietnamese consumer market is growing, and stiff competition could motivate domestic firms to change their production methods and business practices in order to stay in business.

Since the early 2000s, a series of world famous fashion houses targeting the middle-income group has entered Việt Nam, including Spain’s Mango, UK’s Oasis and US’s GAP.

Sweden’s Hennes & Mauritz (H&M) and Spain’s fashion giant Zara are among the latest entrants in the last few months.

Going by anticipation and crowds that these brands have generated in their opening days, it is evident that they are meeting a demand, and domestic firms have no choice but to deal with strong competition.

What has to change

Đặng Phương Dung, Vice Chairwoman, Secretary General at Việt Nam Textile and Apparel Association (VITAS), told the Vietnam News Agency that the emergence of more international brands would compel domestic companies to diversify their products in all market segments.

The foreign brands are meeting a real demand, according to Samir Dixit, Managing Director, Brand Finance Asia Pacific.

He said in the company's 2016 Việt Nam 50 Report that foreign brands' taking over the domestic market is simply inescapable because of the ever increasing gap between consumers' demand and producers' supply in terms of volume, quality and aesthetics.

As the foreign brands enter Việt Nam, local businesses must be more aware of their own product quality and appropriately change their investment orientations, Dixit said.

Dung said most domestic garment producers have focused mainly on exports, chiefly taking on outsourced production. They have not been interested in the huge potential of the domestic market; therefore, despite being one of the top textile and garment exporters in the world, the country has yet to gain much added value, she added.

Customer favourite

With textile and garment firms tending to specialise in production but not in design, branding and distribution, they will have to adapt fast to be able to compete with the newcomers.

The success of grand openings by H&M and Zara can be attributed to good marketing and advertising, but it is undeniable that "fast fashion" (where a new trend or design is quickly produced at relatively cheap prices) is now an established customer favourite in Việt Nam.

Its young population and rapid improvement in living standards has made Việt Nam an attractive and fertile territory for international fashion brands. These firms produce wide ranges of clothing for different market segments and sell them at an average price due to diminishing production costs that result from mass production.

In the fashion industry, foreign companies tower over their domestic counterparts in terms of capital, professionalism, marketing and customer service, and most importantly, online selling.

A spokesperson for H&M said the brand spent two years researching the Vietnamese market, identifying key growth factors like a fast-paced economy, an exponential number of fashion-conscious consumers with distinctive tastes, and a surging density of shopping malls.

Domestic enterprises have begun placing more emphasis on designing and offering more diverse products of higher quality, and it is even said that Vietnamese enterprises may enjoy some home turf advantage, which enables a cultural understanding of customer habits.

However, it is evident that domestic brands remain weaker than their international competitions, as Đinh Thị Mỹ Loan, President of the Vietnam Retailers Association, said at a June 2017 conference on identifying retail policy risks.

Loan said that more than 200 foreign fashion brands present in the country occupying more than 60 per cent of the market share.

She noted that major fashion brands in the world are very interested in Việt Nam because of its high annual average market growth rate of between 15 to 20 per cent.

There’s confidence

Domestic brands that have made a mark in the market remain confident and hopeful that they will be able to ride the new waves of international competiton.

Đỗ Việt Anh, Director of Boo Fashion Trading Co. Ltd, told Việt Nam News that the continuous stream of foreign brands entering Việt Nam’s fashion markets will have some impact on the domestic fashion industry, but they are likely to be short-term impacts.

In the long run, such competition is definitely a good dose of reality for the country’s fashion market. It will help alter people’s shopping habits towards branded products instead of non-branded ones, he added.

The looming presence of these foreign brands will also help customers compare domestic and global fashion products, and understand that prestigious Vietnamese brands are not inferior, Anh said.

Nguyễn Tiệp, NEM Fashion's Head of Marketing Department, also held the same view despite the two brands' different demographics.

Tiệp told Việt Nam News that his company would implement a business strategy to boost a line of customers' favourite products in order to increase its competitiveness.

The company will also focus on strengthening its point of sale customer service and improving overall customer experience, Tiệp said.

Source: vietnamnews.vn - Nov 20, 2017

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Pakistan: 'Investment treaty to boost Pak-US trade'

The Bilateral Investment Treaty (BIT) would be the first step towards increasing trade between the two countries, Economic Counsellor at US Embassy, Chip Laitinen said on Saturday.

Talking to a group of journalists, Mr Laitinen said, "There is no headway in talks between the two countries on the issue of BIT since Pakistan pulled back from the negotiations."

On the occasion, he said Pakistan and the United States will hold talks for promoting bilateral trade and economic relations early next year under the Trade and Investment Framework Agreement (TIFA).

Mr Laitinen said bilateral trade between Pakistan and the United States increased by 36 per cent during the first nine months of 2017.

However, trade remained in the favour of US which exported agricultural products, equipments (including General Electric locomotives), while textiles dominated Pakistan's export to the US, he said. Pakistan Railways is acquiring locomotives from General Electric in order to strengthen its rolling stock.

Pakistan and the United States held talks in Washington last summer under TIFA.

Pak entrepreneurs to attend GES 2018 The US Embassy is sponsoring the visit of eight Pakistan entrepreneurs to attend the 2018 Global Entrepreneurship Summit (GES) being held in Hyderabad, India) from Nov 28 to 30.

On Friday evening, US Ambassador David Hale accepted, on behalf of the entire United States Mission to Pakistan, an award from the Global Entrepreneurship Network – Pakistan in recognition of the American Mission's strong and concerted efforts to energise and expand Pakistan's entrepreneurial ecosystem.

Speaking at a reception celebrating National Entrepreneurship Month and Global Entrepreneurship Week, Ambassador Hale said that governments come and go but people- to-people-ties between Pakistan and United States are more secure than anything in education and business despite ups and downs in politics.

He lauded the strong entrepreneurial traditions shared by Pakistan and America.

Ambassador Hale noted, "Pakistan can be a knowledge hub in the region,". He added that he was pleased to recognise Pakistan's delegates to the GES in Hyderabad, India.

Source: dawn.com- Nov 19, 2017

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Pakistan: CPEC committee to finalise long-term plan tomorrow

The Joint Cooperation Committee (JCC) on China-Pakistan Economic Corridor (CPEC) will meet here on Tuesday (Nov 21) to review and finalise a long-term plan (LTP) 2017-30 envisaging key areas of bilateral cooperation over the next 13 years amid Islamabad's policy adjustments to facilitate Chinese investment and financing.

A senior government official told Dawn that both senior officials meeting (SOM) and formal JCC meeting headed by ministers from the two countries would begin with discussions on the LTP in an attempt to sign a final agreement. He said the LTP draft, finalised after the 6th JCC meeting held in Beijing in December last year and shared with the provincial governments, had remained unchanged.

The official said a cabinet committee on CPEC headed by Prime Minister Shahid Khaqan Abbasi had already agreed in principle to offer a special incentive package under which all investments in the first phase of nine special industrial/economic zones to be made by end-2020 would enjoy complete tax holiday.

The 40-member SOM to be presided over by the planning and development secretary and his Chinese counterpart on Nov 20 will begin the day with discussions on the LTP and industrial and economic cooperation flowing out of it.

All the six joint working groups on the LTP – industrial cooperation, Gwadar, transport infrastructure, energy and security – are led by federal secretaries and their Chinese counterparts.

Any outstanding matter relating to taxes and exemptions based on the special package cleared by the prime minister would come up for discussion in the last session of the SOM for submission to the JCC the following day.

On the next day, the formal JCC session would also begin with the LTP and would be co-chaired by Planning and Development Minister Ahsan Iqbal and Vice Chairman of China's National Development and Reforms Commission Wang Xiaotao.

China Development Bank (CDB), the main financier of the CPEC, will make a presentation on the LTP on behalf of the Chinese side based on the outcome of the SOM and will be responded to by the Pakistani side. The JCC will conclude with the signing of documents, including the LTP, subject to resolution of all outstanding issues on taxation and policy direction.

Challenges to CPEC

The draft LTP, seen by Dawn, finds geopolitical and security risks as possible challenges to the CPEC in view of inherent unstable geopolitical environment in South Asia and adjustment of policy towards the region by world powers, besides a mix of international, regional, national and extremist factors that could cause disruptive activities, challenging the CPEC building.

Besides the ongoing cooperation on road and rail networks, the LTP seeks to boost information connectivity through operation of local communication networks and broadcast and TV networks and "expedite Pakistan to adopt China's Digital Terrestrial Multimedia Broadcasting (DTMB) standard" and border electronic monitoring and safe city constructions.

The two sides will strengthen cooperation in trade and industrial areas, expand bilateral economic and trade relations and enhance the level of bilateral trade liberalisation. They will promote the quality and efficiency improvement of the textile and clothing industry, expand the size of the textile industry and increase the supply of high value-added products and promote the Kashgar Economic and Technological Development Zone and Caohu Industrial Park to adopt the means like export processing to establish a regional cooperation and development model based on complementary advantages and mutual benefits.

The two sides will also expand cooperation in the appliance industry, promote Pakistan's industries from assembling imported parts and components to localised production of parts and encourage various forms of Chinese enterprises to enter the Pakistani market to improve the development of energy efficient appliance industry in Pakistan, besides chemicals, engineering, agro, iron & steel and construction materials to meet the local demand and expand to export market.

They will cooperate in key construction areas such as biological breeding, production, processing, storage and transportation, disease prevention and control, water resources development and utilisation, land development and remediation, besides ICT-enabled agriculture and marketing of agricultural products so as to transition from traditional agriculture to modern agriculture in the regions along the CPEC to effectively boost the local agricultural economy.

The two sides will exploit the potential advantages of tourism resources in the regions along the CPEC, especially the China-Pakistan border areas, and "actively help Pakistan's coastal areas become more livable, business-friendly and tourist-friendly".

The LTP envisages construction of the "2+1+5" tourism spatial structure, which includes two centres, one axis and five zones: Karachi Port and Gwadar Port as the two centers, and the coastal tourism belt as the development axis, and five tourist zones of Jiwani & Gwadar, Jiedijiao, Olmara, Songminiya and Keti Bander.

Pakistan will apply international and China's new urbanisation concepts to the municipal construction of node cities along the CPEC, such as the construction of the public transport system and water supply and drainage systems and "give full play to China's advantages in technology, equipment and capital, and solve some prominent livelihood issues via pilot projects".

The two sides agree to strengthen cooperation in financial regulation. They will continue to sign currency swap agreements and expand swaps size, enrich the scope of foreign currency from currency swap, assign the foreign currency to domestic banks through credit-based bids to support the financing for projects along the CPEC, besides creating bilateral payment and settlement system to reduce the demand for third-party currency and move to a bilateral foreign exchange reserve pool to form an effective mechanism for stabilising the exchange rate through cooperation of central banks and other financial sector regulators.

In the process, they plan to create a settlement platform for RMB cross-border trade and investment and a monitoring and early warning platform for cross-border cash flow and promote free flow of capital and facilitate cross-border transfer of legitimate funds, including those in financial markets.

Gwadar Port free zone will be developed on the pattern of Shanghai free trade zone and allow RMB offshore financial business. Both countries will encourage Chinese enterprises, private sectors and private sector funds of other economic entities to make various forms of direct investment, welcome Pakistan's private capital in participating in the projects along the CPEC and establish various types of private financial institutions or infrastructure funds.

An assessment mechanism will be established to evaluate the implementation of major projects, assess the progress of the long-term plan in every aspect every five years, and then update and adapt the plan accordingly.

Source: dawn.com- Nov 20, 2017

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NATIONAL NEWS

Spike in trade deficit a cause for concern

Oct-17 trade deficit widened $5 billion month-on-month to $14 billion, the 2nd highest in three years as exports fell 1% year-on-year (vs +26% year-on-year in Sep). Import growth moderated to 7% year-on-year from 18% in Sep. Ex-oil and jewellery imports/exports grew at 4.7/2.5% year-on-year.

Rise in prices drove the bulk of the surge in oil imports (demand growth was just 1% in Oct). Nov oil prices are averaging $8/bbl over the Sep-17 average (on which Oct imports are priced) and $14/bbl over the FY17 average. If $63/bbl sustains for a full year, the full-year impact on the trade deficit would be ~$15 billion.

The pick-up in coal imports (low stock at power plants + 38% rise in thermal coal prices) may be temporary though. One hopes the drop in textile exports to revive too (may have been disrupted by GST); fall in jewellery exports (UAE restrictions), may not.

The $15-20 billion BoP surplus in the last several years was more than the rise in the oil import bill, and the Oct export drop was likely a blip rather than a trend. However, the fog on the economy now extends to the currency as well. RBI though has the ammunition to prevent sharp downward moves in the Rupee. 2nd highest trade deficit in three years:

Oct-17 trade deficit widened $5 billion m-o-m to $14 billion, the 2nd highest in three years as exports fell 1% y-o-y (vs +26% y-o-y in Sep-17). Import growth moderated to 7% y-o-y from 18% in Sep. Ex-oil and jewellery imports/exports grew at 4.7/2.5% y-o-y.

$63/bbl for FY implies $15 billion rise in oil imports over FY17: Rise in oil prices drove the bulk of the increase in oil imports (consumption growth was just 1% in Oct). Oil prices are averaging $8/bbl over the Sep-17 average (on which Oct imports are priced). If $63/bbl sustains for a full year, the increase over the FY17 average would be ~$ 15 billion.

Record low coal inventories at power plants, with a 38% y-o-y increase in global prices, drove the upside surprise on coal.

As Coal India ramps up production, this may reverse. Jewellery and textiles drove the export disappointment: Some decline in jewellery exports was expected, given the import restrictions in the UAE, but the extent was surprisingly large. Textile exports dropped too — this could be due to supply chain pressures caused by the GST transition. Steady growth in engineering goods exports, mostly metals, continues.

Currency volatility may last, even if 12M outlook is good: The BoP surplus in the last several years has been $15-20 billion, more than the rise in the oil import bill. An improving global economy likely means the Oct export drop was a blip rather than a trend.

However, the fog on the economy (the inability to say with confidence what is steady-state, and what may not last on most macroeconomic parameters) now extends to the currency as well. RBI has the ammunition to prevent sharp downward moves in the Rupee.

Source: financialexpress.com- Nov 20, 2017

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India, Egypt hold talks to enhance trade cooperation

Egypt is keen on boosting economic cooperation with India specially in developing small and medium enterprises, a senior minister said here today. India is Egypt's 10th largest export destination and also the 10th largest import source. Minister of Trade and Industry Tarek Kabil said there are possibilities to enhance bilateral cooperation in key areas like automotive industry, textile and leather products.

His remarks came during a meeting with Tamil Nadu's Minister of Rural Industries P Benjamin who is here leading the Indian delegation participating in the MACTECH Fair in the Cairo International Convention Centre from November 16-19. India's Ambassador to Egypt Sanjay Bhattacharyya said that both the sides discussed possibilities of technology and investment cooperation in textiles and leather sectors.

"India's participation with 50 companies at MACTECH Fair was with the objective of showcasing our strengths in engineering and capital goods. Our advantages lie in high quality, affordable prices and efficient utilisation of labour," Bhattacharyya told PTI.

“Among the largest suppliers of capital goods to Egypt, we wish to increase exports and also look for opportunities for joint ventures,” the Indian envoy said.

The delegation from the Engineering Export Promotion Council of India (EEPC India) comprises 50 leading Indian machine tools and technology firms. The Indian Pavilion is organised by the EEPC, the premier trade and investment promotion group in engineering sector sponsored by the Ministry of Commerce and Industry, Government of India, in association with the Embassy of India in Cairo.

The participating Indian companies represent various segments of engineering products including machine tools, industrial tools, heavy tools, machinery, generators and tube and wire machinery. India stands 13th in production and 10th in the consumption of machine tools in the world with 0.9 per cent share in the total global production.

The market is expected to reach USD 3 billion by 2019-20, growing at a compound annual growth rate of nearly 14 per cent from 2013-14 to 2019-20. India is set to become an important player in the global machine tools industry and is expected to see substantial increase in the manufacture of high-end products.

The automobile sector, a major user of machine tools, is set to grow 3.5 to 4 times from its current size of USD 74 billion to reach about USD 300 billion by 2026. New emerging sectors such as defence and aerospace, consumer durables, green investment in auto sectors are likely to enhance demand for machine tools. In Machine tools and Industrial tools sector, India is among the top five exporting countries to Egypt.

India exported USD 3.16 million of hand tools to Egypt in 2016 constituting six per cent of the total imports of Egypt for the product.

MACTECH is the picture-perfect event for metal forming, machine tools, industrial tools, welding and cutting equipment technology makers; providing widespread competition array, constant business opportunities, far-reaching media coverage and cross-industry technology transfer.

Egypt has traditionally been one of India's most important trading partners in the African continent. During the year 2016-17, bilateral trade between India and Egypt was to the tune of USD 3.23 billion.

Source: financialexpress.com- Nov 19, 2017

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No GST for industry at the time of advance payment for supply of goods

In a relief for industry, the GST Council has dropped an earlier requirement of payments of Goods and Services Tax (GST) on advances received for supply of goods.

This is a relief for industry as payment of GST on advances was proving to be a major working capital hurdle for businesses.

The GST Council's latest move has restored the pre-GST position where no excise duty or VAT was required to be paid on advances, said MS Mani, Partner GST, Deloitte India.

However, service providers would continue to be required to pay GST on advances, Mani told *BusinessLine*.

This is a dampener as even services face similar challenges. Tax experts feel that since GST is a unified law, there should not be divergence in treatment for goods and services considering the fact that accounting treatment is uniform.

This GST Council's move meets the long standing demand of the industry, particularly by FMCG and auto sectors, said Pratik Jain, Leader-Indirect Tax, PwC.

"Under the VAT regime, there was no tax on advances for goods but was introduced under GST. Since the input credit was only available after receipt of goods, this led to working capital blockage for industry and additional compliance burden," he said.

Further, there was ambiguity around the State where tax has to be paid in few cases, he added.

Jain also said that requiring GST payment on advances for services is in line with the provisions under the erstwhile service tax laws.

The GST law provides for payment of GST at the time of receipt of advance towards supply of goods or services.

In October this year, the GST Council removed the requirement of payment of GST on advance receipts towards supply of goods, for persons having turnover of less than ₹1.5 crore in a year.

However, on November 15, this relaxation was extended to all persons, except those opting to pay GST under composition scheme.

Now, the GST Council has done away with the requirement to pay GST on advances post November 15 for all persons for supply of goods.

After the GST Council's move, the time of supply for goods would be the date of issue of invoice by the supplier (or the due date, by when the invoice needs to be issued).

This would apply even in case of a change in rate of tax.
The requirement to issue an advance receipt voucher at the time of receipt of advance remains.

The GST Council has also now provided the facility of submission of· manual refund claims.

This is seen as yet another taxpayer friendly measure for expeditious processing of the refund claims of taxes paid/input tax credits.

Source: thehindubusinessline.com- Nov 19, 2017

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Logistics sector to soon get infrastructure status

The logistics sector will soon get infrastructure status, a move that will help the industry raise funds at competitive rates and boost India's trade, a senior government official has said.

The proposal mooted by the Commerce Ministry has been approved by the Finance Ministry, the official said, adding that "a notification in this regard would be issued soon".

"Huge investments are required in the sector to boost the country's trade, and granting infrastructure status would help the industry attract investments," the official said.

Definition of logistics includes industrial parks, warehouses, cold storages and transportation. his status would help the sector get credit at competitive rates and on a long-term basis as rising logistics cost impacts the global competitiveness of exporters.

Realising the importance of the logistics sector to promote trade, the government has created a separate special secretary-level post in the Commerce Ministry to coordinate with all the ministries concerned and departments.

Earlier, there was no single department or ministry to look at all aspects related to logistics covering various modes of shipment such as sea, roads and railways. Exporters, too, have time and again demanded a specific department to deal with the issues related to logistics.

Logistics costs of exports are very high in India and due to this, Indian goods are less competitive in global markets. According to a report, about 14 per cent of the total value of goods goes into the logistics cost. On the other hand, in other major economies, this is just 6-8 per cent.

A strategy paper released in 2010 by the Commerce Ministry had emphasised on the need to invest billions of dollars in improving infrastructure, including logistics, to boost exports.

Source: thehindubusinessline.com – Nov 19, 2017

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Trade bodies urged to work closely with Centre

To form comprehensive trade policies, there is a need for participation by more trade bodies who can work with the government, said Suresh Prabhu, Minister for Commerce and Industry.

Addressing the 2nd edition of the United Economic Forum (UEF) Trade Summit 2017 here on Saturday, Prabhu, who was the chief guest, said in a video message:

"Policies of trade and commerce are becoming extremely intricate." For policies to be more comprehensive, there is a need for more stakeholders to bring in different perspectives and inputs that the government can work on. "UEF is trying doing exactly that," he added.

O Panneerselvam, Deputy Chief Minister of Tamil Nadu, who addressed the valedictory today, said the establishment of single window portal and diverse investment opportunities such as manufacturing and IT make Tamil Nadu an ideal place for investment.

The event saw participation of 2,500 delegates and around ₹2,600 crore worth MoUs were signed.

Ahmed AR Buhari, President – UEF Chamber of Commerce and Founder President, Coal & Oil Group, said the trade body will increase the contribution from the UEF members from 5 per cent at ₹75,000 crore to 7.5 per cent through partnerships and increasing the members to 1000. Currently, the organisation has 300 members.

Rafeeque Ahmed Mecca, Co-chairman – UEF Trade Summit 2017, said while the focus on building big businesses is the key, there is a need to focus on small and medium scale enterprises that provide huge employment opportunity.

Source: thehindubusinessline.com- Nov 19, 2017

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Powerloom schemes need Rs. 100 crore more

30% capital subsidy also mooted

The Union Ministry of Textiles has sought additional funds to be disbursed to powerloom weavers under the PowerTex India Scheme, said a senior official in the ministry.

The three-year programme, which comprises several schemes, was started in April this year with an outlay of Rs. 487 crore, working out to approximately Rs. 160 crore a year.

The official said the In-Situ (assistance given to weavers to add attachments to powerlooms), yarn bank, and group workshed schemes have had 'good' response and Rs. 72 crore was disbursed since April under the PowerTex programme. The Textiles Ministry has sought about Rs. 100 crore more for this financial year for this project.

'70 proposals pending'

About 10 proposals were sanctioned under the yarn bank and group workshed schemes and another 70 applications are pending, the official said.

The Ministry has also recommended an increase in capital subsidy for the powerloom sector from the current 10% to 30%.

According to Purushottam K. Vanga, chairman of Powerloom Development and Export Promotion Council, the In-Situ scheme had 'good response' in clusters such as Bhiwandi where weavers produce grey fabric.

The yarn bank scheme has taken off well in places such as Malegaon, Bhiwandi, and Ichalkaranji. However, fabric exports have come down and the council has sought a special package for the powerloom sector similar to the ones given for the apparel and made-ups sectors.

It had also demanded increase in capital subsidy to 30% to encourage powerloom units to modernise, he said.

The increase in capital subsidy has been a long-standing demand of the powerloom sector. Schemes such as those for the yarn bank and group worksheds have had lukewarm response in the south due to several inherent reasons, according to several industry sources here.

Source: thehindu.com- Nov 19, 2017

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India as one thriving economic zone

The government has given the go-ahead to the first of several mega coastal economic zones mooted by former Niti Aayog vice chairman Arvind Panagariya, at the Jawaharlal Nehru Port in Maharashtra. The Shenzen Economic Zone and its cousins are testimony to the efficacy of industrial clusters in fostering growth and exports.

But India also has to learn from the failed experiment with special economic zones. Enclave-specific administrative procedures and special labour laws fall foul of both India's political economy and the law. There really is no alternative to the hard grind of reforming laws and simplifying procedure across the board, to make the entire country one thriving economic zone. The goods and services tax is a significant step towards this goal.

Special economic zones failed to take off on any large scale as they did not suit the political economy. Resources were misdirected and revenues lost, considering that large companies set up shop in SEZs mainly to milch tax breaks. Any sign of exploitation of cheap labour would turn consumers against products in rich countries.

The WTO may also frown upon some tax concessions and subsidies. So, the adoption of taxation and legal regimes that are different from the rest of the country is wholly avoidable.

Instead, the government must remove policy constraints to attract large firms to employment-intensive sectors such as textiles. An antiquated hank-yarn obligation, irrational labour laws and high-cost manmade fibres and blends are things India's textile and garment industry can do without.

States should suitably reform labour and land laws. The focus should be to strengthen economy-wide competencies, build robust infrastructure, and ensure functional and speedy administration across states.

Source: economictimes.com- Nov 19, 2017

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After exports witness worst contraction in 15 years, Commerce ministry prepares slew of sops

As exports witnessed the worst contraction in 15 months in October, the commerce ministry intends to step up consultations with the finance ministry on issues relating to the goods and services tax (GST) regime, including the delay in duty refunds, that were widely blamed for the latest export debacle. A mechanism for faster refunds features prominently in the list of issues that the commerce ministry wants settled at the earliest, a senior official told FE.

Allowing exporters to use a scrip they get under the critical Merchandise Export from India Scheme (MEIS) to pay GST and treating supplies to export-oriented units from the domestic tariff area (DTA) as deemed exports are other key issues. “We have already taken up the issues with the revenue department and the GST council. We will step up consultations and see how best we can protect the interests of exporters,” the official said.

The commerce ministry is of the view that if the GST council allows a virtual payment mechanism for exporters under the GST regime, it will be one of the most important concessions for them. This is because SMEs, who account for a bulk of the country’s exports, usually use working capital to pay the tax and then wait for the refunds.

The ministry, therefore, favours a virtual payment system whereby the exporters will pay notional duty and get notional refunds later — something the GST Council is yet to approve as yet. Similarly, in the pre-GST period, exporters were allowed to utilise the MEIS scrip for the payment of a host of taxes–including excise duty, service tax, value-added tax and basic customs duty.

However, with the introduction of the GST, the government has permitted the use of such scrip for the payment of only the basic customs duty. Exporters complain such a move amounts to an abrupt withdrawal of legitimate benefits announced under the Foreign Trade Policy (2015-20) to make goods exports globally-competitive and adversely affects their cash flow.

For small and medium enterprises with limited access to credit, this remains a huge challenge. MEIS is the most important export promotion scheme under which the government provides exporters duty credit scrip at 2%, 3% or 5% of their export turnover, depending upon products and shipment destinations. The potential revenue forgone by the government on account of the scheme is estimated at Rs 22,000-23,500 crore a year.

Source: financialexpress.com- Nov 20, 2017

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India Inc: who's growing, who's slowing

Have demonetisation and the rocky transition to GST brought Indian businesses to a grinding halt? Ever since the CSO released its quick GDP estimates for the April-June 2017 quarter, pegging growth at 5.7%, there has been a heated debate on this.

The debate has generated little light given that GDP estimates provide only broad-brush data on the economy.

For a micro picture on growth trends, we decided to turn to the quarterly results filed by listed companies, breaking them down into individual sectors. Over 1015 companies have filed their results for the last six quarters beginning April-June 2016 and ending July-September 2017. Studying their sales growth patterns threw up these findings.

Consumption revives

The note ban did deliver a body blow to consumer confidence, data from listed firms show. Almost every consumer-facing sector saw a sharp dip in sales for the October-December 2016 quarter — the months when the note ban was in force.

But most sectors charted a quick recovery from that blow. Some have even seen growth rates return to levels better than a year earlier.

Aggregate sales growth for Fast Moving Consumer Goods (FMCG) companies slumped from 6.5% in July-September 2016 to 2.9% in the demonetisation quarter.

Automobile sales shifted into first gear from 13.2% growth in July-September 2016 to 4.2% in the October-December quarter. Sales for retailers fell off a precipice from a 31% growth to a measly 1%. Consumer durable sales, already sluggish before demonetisation grew at just 3.5% in the note ban quarter.

But all these sectors staged an unexpectedly quick bounce-back from the note ban. FMCGs saw growth pick up to 9.6% in the January-March 2017 quarter itself. Consumer durables saw sales growth zooming to 13% in the quarter immediately following demonetisation, further accelerating to 20% and 16% in the subsequent quarters.

Even paints, a discretionary purchase item, saw a doubling of growth in January-March 2017 from the note ban trough. The GST roll-out didn't pose as much of a challenge for the listed firms.

Consumer goods such as FMCG, apparel and automobiles saw a blip in April-June 2017, but were back on the fast track by July-September 2017. In fact, listed firms in FMCGs, paints, durables, apparel and automobiles have all demonstrated their strongest growth in the last two years in the latest July-September quarter.

Services lag goods

Consumer services, however, had a somewhat different story to tell. Revenue growth for telecom, entertainment, hospitality, and media took a sharp knock in the quarter in which demonetisation occurred.

Telecom services went from 7.1% growth in July-September 2016 to a 1.7% contraction in October-December 2016. Entertainment (multiplexes, cable TV providers) saw a halving of growth from 14% to 7% and media firms' (newspapers, broadcasters, television channels) slowed sharply from 9.2% to 1.2%.

Growth in these sectors has continued to be anaemic through 2017, with the GST transition probably playing a role in subdued sales. Banks alone have seen a marginal uptick in revenue growth post demonetisation, understandable given their deposit windfall.

Why have consumer goods taken less of a hit from GST than consumer services? One explanation could lie in the GST tax structure. GST has reduced the indirect tax burden on most consumer goods, fitting them into lower rate slabs than before.

But it has raised effective taxes on services. Consumer goods firms have therefore been able to use the savings from GST to woo consumers back with discounts and lower selling prices. But service providers, who are already victims of intense competition (think mobile phones and hotel tariffs) in their sectors, haven't had this luxury. The higher tax incidence in their case has probably dented demand.

In reading the above numbers, it is important to remember that growth rates cited here are a blend of volume and price growth. Commentary from most consumer goods firms suggest an improvement in volume growth in the latest quarter. In the case of services such as telecom or hotels, competition has lowered tariffs.

Capital goods — divided

If the consumer goods firms are signalling a clear revival in 2017 and a limited impact from the GST roll-out, how's the investment leg of the economy faring?

Not as well, show the numbers. Revenue numbers for turnkey infrastructure developers, construction firms and real estate developers were already shrinking in the quarter prior to the note ban (July-September 2016).

After the note ban, they staged a patchy recovery over the next two quarters to hit a growth patch by April-June 2017. But the latest July-September 2017 quarter has seen them back in the doldrums.

These firms seem to have received some order flows from the front-ended Government splurge on roads, railways, rural electrification and the Bharatnet this fiscal. But the flows have dried up lately as the Centre has tightened its purse strings. Private sector capital expenditure continues to remain at a low ebb.

However, not all capital goods makers struggled with poor order flows. While capital goods suppliers to industrial firms were buffeted by the investment slump, those that cater to consumer firms managed business-as-usual.

Auto components, cables and telecom equipment have seen a steady improvement in growth rates through the three quarters of 2017, ending the July-September quarter with growth of 14%, 33% and 14% respectively. These firms seem to have benefitted from the trickle-down effect of demand revival in their user industries.

The gloomy picture on capital expenditure sits oddly with the strong show from sectors such as steel, cement, mining, metals and refineries — suppliers of basic feedstock to industry. But this trend owes a great deal to the rising global prices of industrial commodities which has propped up realisations, amid middling volume growth.

Export-oriented sectors, after sailing through the note ban months, have had a rocky transition to GST. Jewellery, software and pharmaceuticals displayed dwindling growth in the first three quarters of 2017. Textiles and shipping shrank last year and managed a mild revival this year.

GST apart, sector-specific issues have also played villain to some export-oriented sectors.

For software services, the backlash against offshoring and changing business models have posed a challenge. For pharmaceutical exporters, pricing pressure on generics in the U.S. market and regulatory crackdowns have hit growth.

Overall, numbers from India Inc. suggest that, while the economy isn't back to firing on all cylinders, the accelerating sectors outnumber the slowing ones.

Extrapolating sector-wise numbers to the economy as a whole should come with caveats. In India, only the largest and most established firms tend to list themselves in the public markets. Therefore, these numbers essentially capture the trends for the best and brightest of Indian businesses.

Given that the ‘formal sector’ is widely believed to have made marketshare gains at the expense of unorganised players and unincorporated entities due to the note ban and GST, it is likely that the latter fared much worse.

But having said this, the 1,015 firms analysed here account for about 35% of GDP by value.

Source: thehindu.com- Nov 20, 2017

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