USD 71.42 | EUR 81.24 | GBP 91.89 | JPY 0.65

### Cotton Market

<table>
<thead>
<tr>
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<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tbody>
<tr>
<td><strong>Spot Price</strong> - Shankar 6 (Ex. Gin), 28.50-29 mm</td>
<td>20622</td>
<td>43100</td>
<td>77.14</td>
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<thead>
<tr>
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<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tr>
<td><strong>Domestic Futures Price</strong> (Ex. Warehouse Rajkot), January</td>
<td>20920</td>
<td>43723</td>
<td>78.25</td>
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<th>USD Cents/lb</th>
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<tr>
<td><strong>International Futures Price</strong></td>
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<tr>
<td>NY ICE USD Cents/lb (March 2019)</td>
<td>73.97</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (May 2019)</td>
<td>15,270</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>102.18</td>
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### Cotlook A Index – Physical

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<td><strong>Cotton Guide</strong>: ICE will be closed today on the occasion of Martin Luther King Jr. Day. On Friday ICE March contract touched a high of 74.63 cents/lb on various positive rumors, thus settling at 73.97 cents/lb. The trading range has been 72.24 and 73.71 this week showing a bullish tone. This bullish tone was a result of a few news leaks/rumors about US China ready to compromise on certain aspects. The market received the news well and then rallied. This is just a glimpse of what the market can do on just rumors. When there will be positive concrete news, the market will jump up, not in a “U” shaped pattern but in a “V” shaped pattern of candlesticks (if seen on graphs). On the MCX front the contracts ended with marginal positive numbers of Rs 30, Rs 40 and Rs 40 for January, February and March contracts therefore settling at 20920, 21210, 21440 Rs/Bale Respectively.</td>
<td>83.80</td>
</tr>
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The Volume for MCX January contract is 2290 lots and 6343 lots as open interest. For the week MCX January traded within a 500 rs range.

Arrival figures are estimated to be around 150,000 lint equivalent bales (private estimates). The prices of Shankar 6 rose by around 500 rs/Candy during the previous week and was available at around 43,100 Rs/Candy. Cotlook Index A is at 83.80 i.e. an increase of +0.90 for the day. On the other hand cotlook Index for the week was in the range of 81.90 and 83.80 cents/lb.

It’s been a month now with the US government shutdown still which means that no reports will be published. On the US China front China indicated its willingness to buy one trillion dollars’ worth of US Goods over the next five years, which was seen to drive the markets north on Friday. However, we need to see the agreement inked on paper by both the parties. It is again a wait and watch situation for the market participants.

ICE cotton in its weekly chart formed a bullish pattern near the lower band of the declining channel and price has moved out of last 2 weeks consolidation range of 70.60-74.10. Moreover the momentum indicator William % R also support the bias towards positive as it is out of the consolidation phase indicating a change in bias for the near term. For the above it is expected that price would consolidate in the broader range of 71.30-75.30 range with sideways to positive bias. Above 75.30, next resistance exits around 76.25 level. Only a close below 70.50 could bring renewed selling pressure in price towards 69.80-69.60 levels. In the domestic markets trading range for Jan future will be 20450-21290.

**Currency Guide**

Indian rupee may witness mixed trade amid mixed factors but overall bias is still weak. Rupee may benefit from general strength in US and global equity markets. China’s stimulus measures, Fed’s patient stance on interest rate hikes and progress in US-China trade talks. China's economic data released today was mixed as industrial production and retail sales data was better than expectations while GDP data confirmed slowdown. Risk sentiment remains firm despite concerns about US government shutdown and Brexit uncertainty. However, weighing on rupee is firmness in crude oil price. Brent crude trades above $62 per barrel amid OPEC’s production cuts and firmness in US equity market. The US dollar has also recovered against major currencies amid rise in bond yields and concerns about European economies. Also weighing on rupee is fiscal worries with Finance Minister Arun Jaitley hinting of a possible farm relief package in the budget. Rupee may witness choppy trade as support from gains in equity market will be countered by higher crude price but bias may be on the weaker side unless crude price correct. USDIKR may trade in a range of 70.9-71.4 and bias may be on the upside.

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

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INTERNATIONAL NEWS

U.S. demands regular review of China trade reform

The United States is pushing for regular reviews of China’s progress on pledged trade reforms as a condition for a trade deal - and could again resort to tariffs if it deems Beijing has violated the agreement, according to sources briefed on negotiations to end the trade war between the two nations.

A continuing threat of tariffs hanging over commerce between the world’s two largest economies would mean a deal would not end the risk of investing in businesses or assets that have been impacted by the trade war.

“The threat of tariffs is not going away, even if there is a deal,” said one of three sources briefed on the talks who spoke with Reuters on condition of anonymity.

Chinese negotiators were not keen on the idea of regular compliance checks, the source said, but the U.S. proposal “didn’t derail negotiations.”

A Chinese source said the United States wants “periodic assessments” but it’s not yet clear how often.

“It looks like humiliation,” the source said. “But perhaps the two sides could find a way to save face for the Chinese government.”

The administration of U.S. President Donald Trump has imposed import tariffs on Chinese goods to put pressure on Beijing to meet a long list of demands that would rewrite the terms of trade between the two countries.

The demands include changes to China’s policies on intellectual property protection, technology transfers, industrial subsidies and other trade barriers.

An enforcement and verification process is unusual for trade deals and is akin to the process around punitive economic sanctions such as those imposed on North Korea and Iran.
Disputes over trade are more typically dealt with through courts, the World Trade Organization (WTO) or through arbitration panels and other dispute settlement mechanisms built into trade agreements.

Trump’s team has criticized the WTO for failing to hold China accountable for not executing on promised market reforms. The U.S. has also criticized the WTO’s dispute settlement process and is seeking reforms at the organization.

Regular reviews would be one potential solution to address a demand from U.S. Trade Representative Robert Lighthizer for ongoing verification of any trade pact between the two countries, three sources familiar with the talks told Reuters. The threat of tariffs would be used to keep reform on track, the sources said.

Lighthizer is leading negotiations with China. A USTR spokesman declined to comment on the possibility of regular assessments.

The idea of quarterly reviews was part of a U.S. negotiating document leaked after talks in May 2018, before the United States had slapped its first round of duties on $50 billion worth of Chinese goods.

The renewed focus on regular reviews in current negotiations - this time carrying the threat of tariffs - underscores the growing distrust between the two countries.

The extra scrutiny is needed and should be based on clear benchmarks - with consequence for failing to meet them, said Erin Ennis, Senior Vice President of the U.S.-China Business Council, a trade group representing American companies doing business in China.

“It needs to be tied to removing or reducing the tariffs,” Ennis said. “If China can show compliance through a process like this, it would also be a trust-building measure for both sides.”

BROKEN PROMISES

Trump’s administration has accused China of repeatedly failing to follow through on previous pledges to implement reforms sought by the United States.
Washington often cites as an example the difficulties still faced by foreign payment card operators in entering China’s market despite a 2012 WTO ruling that Beijing was discriminating against them. A separate industry source said it is likely that different agreement on separate issues - forced technology transfer, intellectual property, changes to China’s legal system - would require separate verification processes, all of which will need to be hammered out by negotiators.

“The challenge of verification and enforcement stems from the fact that China has made promises it hasn’t kept,” the source said. Trump and Chinese President Xi Jinping agreed to a 90-day truce in the trade war in December to give their teams time to negotiate a deal. Nearly 50 days later, there is little sign that China will make the concessions the U.S. is seeking.

Lighthizer saw no progress on structural issues at three days of mid-level talks in Beijing last week, Republican Senator Chuck Grassley said on Tuesday. China’s Vice Premier and lead negotiator Liu He is due to visit Washington for the next round of talks with Lighthizer and U.S. Treasury Secretary Steven Mnuchin at the end of the month.

Source: reuters.com- Jan 20, 2019

Myanmar garment exporters to EU increase from 22 to 180 in five years

According to Aung Naing Oo, Director-General of Department of Investment and Companies Administration (DICA), the numbers of garment factories whose products are being exported to the European Union have increased by 180 within five years.

In 2013, only 22 garment factories exported to EU but at present, the number has increased to 202, an increase by 180, primarily due to benefits brought about by the EU’s Generalized Scheme of Preferences (GSP).

There were 24 factories: 22 garment factories exporting garment to the EU, one factory (non-CMP industry) and one factory (CMP industry) before the EU’s reinstatement of GSP rights to Myanmar in 2013. At the time, these factories created more than 23,000 jobs.
After Myanmar earned GSP rights beyond 2013, the number of factories of all kinds has increased to 305—202 garment factories, 26 factories (non-CMP) and 77 factories (non-CMP garment). These factories have job creating capacity of more than 300,000 jobs.

Source: fashionatingworld.com- Jan 20, 2019

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Vietnam: Garment and textile sector to face huge challenge

The garment and textile sector was forecast to suffer the most from goods origin regulations under the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), said Bui Kim Thuy, the country representative for Vietnam at the US-ASEAN Business Council.

The CPTPP, which took effect in Vietnam earlier this week, is expected to bring huge opportunities and also challenges to Vietnam. However, materials for the garment and textile sector may still prove a headache.

“Everyone said with the CPTPP, the textile and garment industry would benefit the most, but if there is no appropriate support, opportunities could turn into challenges,” said Truong Van Cam, Vice Chairman of the Vietnam Textile and Apparel Association.

The country’s garment and textile sector claimed second position in the world in terms of export turnover with 36.1 billion USD in 2018. However, Vietnam had to import around 80 percent of its materials for production. The heavy demand on imported material had become a serious problem for the industry, Cam said.

Currently, Vietnam has to import up to 99 percent of cotton, 70 percent of fibre and 80 percent of fabric from foreign countries. The biggest shortcoming, according to Cam, is that only 10 percent of fabric is imported from Japan and countries that are part of the CPTPP.

The biggest bottleneck is that Vietnam has been unable to produce fabrics for export.
Nguyen Son, Vice Chairman of the Vietnam Cotton and Spinning Association, said in order to build supply chains for the textile and garment industries, the Republic of Korea and China had developed effective industrial park models.

Vietnam is in the top three biggest exporters of garments and textiles in the world following China and India. The country has an abundant labour force and golden population period. The sector has attracted 17.5 billion USD in foreign direct investment so far.

Cam said to take advantage of the opportunities from the CPTPP, Vietnamese firms should gain a deeper understanding of the sector, their advantages and markets in the CPTPP.

In order to solve the bottleneck, strong enterprises must work together with local authorities. The Government needs to develop policies for the next 10 to 15 years to take advantage of this agreement.

Source: vietnamplus.vn- Jan 20, 2019

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Bangladesh: Cut from cloth, a nation

The garment workers’ unrest in Bangladesh is but a thread in the weave that is the nation’s economic history

Last week, hundreds of garment workers in Bangladesh took to the streets of Dhaka demanding wage hikes and protesting pay disparity. More than 50 factories came to a standstill. The new government — Awami League’s Sheikh Hasina won the December 2018 elections with a huge majority — revised the pay structure with alacrity. Of course, reports suggest that all that has been achieved is a slight increase in basic and gross wages in six of seven grades.

“It is but obvious that the workers are demanding fair wages. But this demand is localised,” says Vidiya Amrit Khan of Desh Garments Limited. This company, set up by Noorul Quader in 1977, is said to have been the first readymade garments factory in Bangladesh. Vidiya is the daughter of Quader and the current deputy managing director of Desh. She adds, “It is not as if
the whole country has been protesting. Also, the revised wages were declared in November 2018, so I don’t know why the protests took place in January 2019... One of our major advantages is competitive pricing; if we lose that buyers will simply start to shift, as they are doing from China.”

Indeed, the garment industry, more specifically, the ready-made garment (RMG) sector, is the backbone of the economy of Bangladesh. It is the second largest exporter in the RMG sector in the world, after China. The textile industry contributes 12 per cent to the country’s GDP and is a $32 billion-plus enterprise.

In the 2018 Fifa World Cup, Bangladesh was present on and off the field as the sole supplier of all kits handed out to the Messis, Ronaldos, Neymars. Jerseys, socks, shorts and even the national flags of the participating countries bore the Made in Bangladesh tag. Bangla newspapers reported that the country had exported garments worth $100 million for the 2018 World Cup, which was $30 million up from the 2014 World Cup exports.

British Bangladeshi social economist Naila Kabeer is visiting Calcutta when she speaks to The Telegraph. She talks about how many foreign brands — Mango (a Spanish company), Primark (headquartered in Dublin), H&M (Swedish multinational clothing-retail company), Gap (American retailer) — outsource their production to Bangladesh. It has been pointed out many times that hats and shirts sold by Trump companies bear the Made in Bangladesh tag.

Kabeer points out, “Park Avenue, which is an Indian company [it belongs to the Raymond group], gets its products manufactured in Bangladesh.” She says, “Indians are making a lot of money in Bangladesh. They are buying warehouses and getting their clothes stitched there. It is cheaper that way. Plus they don’t have to deal with the stringent labour laws and the trade unions.” And then she adds more emphatically, “Bangladesh makes it far more possible for Indians to come in and do business in Bangladesh than Indians allow Bangladeshis to come and do business here.”

When Bangladesh was born in 1971, all industries in its geography had been destroyed. “But then Bangladesh had a huge labour force, cheap at that. Businessman and visionary Noorul Quader decided that we would stick to the garment sector,” says Rubana Huq, who is the managing director of the Mohammadi Group of industries.
In the early 1970s, there was a Multi Fibre Arrangement that governed world trade in textiles and garments. It imposed quotas on the amount developing countries could export to developed countries. South Korea, which was one of the first exporters of ready-made garments, began to look to countries that were quota-free or countries that were not exporting. Says Kabeer, “They set up factories in Bangladesh — cut-make-trim types — so they could put the Made in Bangladesh tag and export it to the West. Basically, the garment industry began in Bangladesh accidentally, as a result of quota hopping.”

In a cut-make-trim industry, everything is imported. The fabric comes from another country, design is imported and you are only supposed to cut, sew, put the buttons on and fix the label. You do not market it. It is an assembly line. Noorul Quader now decided to export garments to European countries. But, for this, he needed skilled artisans.

“He sent 130 people to South Korea for training [there were a handful of women among them],” says Ruby Ghuznavi, craft researcher and social activist who has also revived natural dyes in Bangladesh. In 1977, Quader opened his first factory. Soon, others followed suit.

Says Vidiya, “All new economies started with a manufacturing industry and in many cases, specifically garments. That is true of the United States and Switzerland too. But all these countries shifted from this business to other tertiary businesses... We in Bangladesh stuck to this one thing.”

In 2005, the system of quotas was done away with. Says Huq, “While people thought that this would once again topple the economy of Bangladesh, the results were just the opposite. Exports increased dramatically by about $500 million the next year.” Bangladesh had already created a niche for itself in the world garment market.

At the turn of the century, more foreign brands had started to move production to Bangladesh. There was Pierre Cardin (a French brand), Hugo Boss (a German luxury fashion house), Levi Strauss (California-based jeans manufacturers). But in 2013, the Rana Plaza tragedy struck. Rana Plaza was an eight-storey building on the outskirts of Dhaka. It housed five garment factories.
The building collapsed, killing over 1,000 workers, turning the spotlight on the seamy side of the country’s most profitable industry. For many days, world media continued to track the news, the building code violations, how the building owner was arrested, but most of all about the pitiable conditions in which garment labourers worked in the huge Bangladeshi sweatshop.

Post Rana, Disney pulled its cut-and-trim division out of Bangladesh, but not the others. What the Rana Plaza tragedy did or did not do to the inner workings of the garment industry is another story, but as the industry continued to grow, many claim, it altered the warp and weft of Bangladeshi society.

Ghuznavi says the garment industry gave the country a “robust middle class”. Kabeer doesn’t agree. She says, “But it has certainly given rise to a new entrepreneurial class. Before the garment industry became important, Bangladesh’s economy largely depended on agriculture; before that it had jute. But jute factories were not in the hands of the Bangladeshis — they were mainly owned by the west Pakistanis.

After 1971, the government nationalised the jute industry but the demand for jute fell. So with the rise of the garment industry we got a new Bangladeshi entrepreneurial class — people who were willing to invest money and make money out of it. It has created a fairly wealthy class.”

What there is no quarrel about, however, is that this industry has improved opportunities for women. The garment industry generates jobs for 4 million people directly and another 1-2 million indirectly; the majority of these jobs are held by women. Says Vidiya, “I cannot name any one woman. But there are those

who were ill-treated by their husbands or did not get a square meal. Once they turned bread earners, the abuse came down.” Kabeer points out the direct link between the garment sector and girls’ education. “Young girls are more likely to be educated because their mothers now hold reasonably well-paid jobs in these factories.”

Clearly, a virtuous weave has begun to emerge.

Source: telegraphindia.com- Jan 20, 2019
Pakistan: Govt urged for vibrant textile sector

The Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) on Friday urged the government to take effective steps for making the value-added textile industry competitive and vibrant in the global market.

Talking to APP, PRGMEA Chief Coordinator Ijaz A Khokhar said that the need of exploring non-conventional international markets could boost exports of the country.

He assured that PRGMEA will support the government in achieving the economic growth target and overcome trade deficit.

However, he suggested that the textile sector should be split into three categories, raw material, home textile and apparel, adding that the textile sector comprises various subsectors with different functions and activities.

The PRGMEA chief coordinator said value-added garments sector of the textile industry has shown 11.22 percent growth in 2017/18, despite internal and external challenges.

The value-added garments sector is a major taxpayer, largest employment generator in the textile chain with exports worth $5.5 billion.

He stressed the need for establishing "Garment Export Promotion Council", including public and private sectors to monitor garment sector activities and policy making for maximising exports.

Source: thenews.com.pk- Jan 20, 2019
Tanzania spends Sh7 bn to boost cotton production

Tanzania has injected Sh7 billion for distribution of insecticides and revival of ginneries to boost cotton production. The 2018-19 cotton production is likely to double to 440,000 tonnes from the last season following distribution of quality seeds, according to agriculture minister Japhet Hasunga. Around 14 million Tanzanians depend on cotton farming.

The government wants to attract more investors in cotton production and processing, Hasunga said.

The capacity of the ginneries is estimated at 1.2 million tonnes of cotton per year.

The long-term target is to attain 600,000 tonnes during the next fiscal and a million tonnes by 2023, he said.

The goal is to raise the efficiency of the sector, including raising quality of cotton to international standards, doubling production, improving domestic cotton processing and to make Tanzania the leading cotton producer in Africa, according to a report in a Tanzanian daily.

The ministry of industry and trade has announced a programme for improving a textile sub-sector by mobilising small-scale business operators to engage in tailoring and cotton spinning.

The University of Dar es Salaam's College of Engineering and Technology now offers a degree course in textile technology. With support from Gatsby Africa, the college produced 44 graduates in textile technology in the 2016-17 academic year and 13 in the preceding year.

Source: fibre2fashion.com- Jan 21, 2019
Bangladesh: Largest private economic zone to be ready this year

The country's largest private economic zone, Sirajganj Economic Zone Ltd (SEZL), may open for entrepreneurs within this year.

“We expect that we will be able to allot the plots of the zone within December this year or the first half of next year at maximum,” said the zone's director, Sheikh Monowar Hossain.

The zone is expected to create employment opportunities for five lakh people and bring in over $2 billion in investments. Its architectural layout designates space for 400 industries.

Hossain said the SEZL spent Tk 350 crore to acquire 1,035.93 acres of land, which was now being readied and levelled with sand.

Its physical infrastructure is also being developed, one being through the ongoing construction of a jetty.

Other facilities include dormitories and housing of five-star or equivalent standards for workers, one-stop administrative and logistic amenities, health and day care centres and technical institutions.

The zone will have its own means of sourcing water and will generate steam through a dedicated plant. It will very soon start setting up a 300-MW power plant for uninterrupted electricity supply while availing natural gas from the government.

The SEZL will dispose of its industrial waste through a common effluent treatment plant (CETP) characterised by zero discharge.

The construction of these facilities will start gradually after work on the power plant begins, said the zone's general manager, Md Shahidur Rahman.

He said the economic zone has already caught the attention of some foreign investors from China, South Korea, Japan, Italy and the US, while some local investors also expressed interest to set up factories, mostly textile.
Entrepreneurs can purchase industrial plots or take lease of the land as well as ready factories. Prices are yet to be fixed, Rahman added.

The zone’s development cost, minus the power and steam plants and the CETP, is projected to be about Tk 2,800 crore. It is being borne by a consortium of nine companies and two businesspersons, Mohammad Kamruzzaman and Ehsan Habib.

The companies are Knit Asia, Rising Holdings, Mahmud Fashion, Ratul Knitwear, SM Holdings, Paragon Feed, Textown, Manami Fashions and Change Bangladesh.

They got the final licence from the Bangladesh Economic Zones Authority (Beza) on October 4, 2018.

“It’s a dream project towards the northern part of Bangladesh,” said Paban Chowdhury, executive chairman of the Beza.

It is exceptional in the sense that the private sector has been provided the opportunity by the government to prove their mettle in setting up a large economic zone, he said.

“I believe it will ramp up the rural economy of northern Bangladesh,” he added.

Apart from road and rail connectivity, the zone has access to waterways for it lies on the banks of the river Jamuna. Sirajganj is the gateway to northern Bangladesh.

Chowdhury said the connectivity would be a big advantage for the zone's entrepreneurs. He, however, cited a challenge: the rehabilitation of people whose land had been acquired.

Monowar Hossain said they were working to this end, creating an ideal village where land, housing and other facilities like urban areas would be provided. “So, it will not be a problem at all,” he said.

Source: fibre2fashion.com- Jan 20, 2019
NATIONAL NEWS

India likely to surpass UK in the world’s largest economy rankings: PwC

Projects 7.6 per cent growth in 2019

India is likely to surpass the United Kingdom in the world’s largest economy rankings in 2019, according to a report by global consultancy firm PwC. As per the report, while the UK and France have regularly switched places owing to similar levels of development and roughly equal populations, India’s climb up the rankings is likely to be permanent.

PwC’s Global Economy Watch report projects real GDP growth of 1.6 per cent for the UK, 1.7 per cent for France and 7.6 per cent for India in 2019. “India and France are likely to surpass the UK in the world’s largest economy rankings in 2019, knocking it from fifth to seventh place in the global table,” the report said.

According to World Bank data, India became the world’s sixth largest economy in 2017 surpassing France and was likely to go past the UK which stood at the fifth position. PwC’s Global Economy Watch is a short publication that looks at the trends and issues affecting the global economy and details its latest projections for the world’s leading economies.

“India should return to a healthy growth rate of 7.6 per cent in 2019-20, if there are no major headwinds in the global economy such as enhanced trade tensions or supply side shocks in oil. The growth will be supported through further realisation of efficiency gains from the newly adopted GST and policy impetus expected in the first year of a new government,” said Ranen Banerjee, Partner and Leader - Public Finance and Economics, PwC India.

Mike Jakeman, senior economist at PwC, said India is the fastest growing large economy in the world, with an enormous population, favourable demographics and high catch-up potential due to low initial GDP per head. “The UK and France have regularly alternated in having the larger economy, but subdued growth in the UK in 2018 and again in 2019 is likely to tip the balance in France’s favour. The relative strength of the euro against the pound is an important factor here,” Jakeman said.
The global economy as a whole is expected to slow in 2019 as G7 countries return to long-run average growth rates, the PwC report said. PwC expects that the pick-up in growth of most major economies seen between the end of 2016 and the beginning of 2018 is now over.

As per the World Bank data, in 2017, India became the sixth largest economy with a GDP of USD 2.59 trillion, relegating France to the seventh position. The GDP of France stood at USD 2.58 trillion. The UK, which is facing Brexit blues, had a GDP of USD 2.62 trillion, which is about USD 25 billion more than that of India, the data showed.

The US was the world’s largest economy with a size of USD 19.39 trillion, followed by China (USD 12.23 trillion) at the second place in 2017. Japan (USD 4.87 trillion) and Germany (USD 3.67 trillion) were at the third and fourth places, respectively.

Source: thehindubusinessline.com- Jan 20, 2019

FIEO seeks govt, RBI intervention in resolving exporters’ banking issues

Exporters body FIEO has sought immediate intervention of the government and RBI to resolve issues related to payment mechanism for Iran and flow of credit to push shipments.

Federation of Indian Export Organisations (FIEO) President Ganesh Kumar Gupta said that a clarity is required on product coverage under rupee payment mechanism to Iran.

“Exporters have pointed out that UCO bank branches are not clear about products, which can be exported under such mechanism. The main problem is related to engineering and chemical products,” Gupta told PTI.

He said that the understanding of trade is that if the end use of product is not under the sanctioned list, or exports is not to the Iranian government, it should be allowed for exports under the Rupee Trade Mechanism.
“A clarification will help exporters to take such orders and push for quantum jump in our exports to Iran,” he said. He also said that banks have expressed their inability to handle documents of exporters for shipments to Central Asian countries, if there is a reference to Bandar Abbas as a transit port in Iran.

“This has affected the movement of cargo through INSTC which the Centre is promoting as an alternative route being time and cost effective,” he said.

It is requested that directives to banks be issued for handling of documents properly for transit goods through Iran, where the combined transport bill of landing shows the destination to be Afghanistan/Russia/ Central Asia or any other non-restricted countries, he said.

It is expected that a meeting of bankers and exporters is soon being convened by the Finance Ministry to address some of the concerns. Talking about flow of credit to export sector, he said that the recent data of the RBI for August 2018 shows a decline of over 50 per cent in export credit as compared to the corresponding month in 2017.

“MSME exporters are the worst sufferer and the lack of credit equally affects our export performance,” he said. He added that there is a need for increasing the flow of credit to export sector by encouraging banks and also ensuring online filing, processing and monitoring of export credit.

Source: thehindubusinessline.com- Jan 20, 2019

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Centre to standarise 'India size' for garments

The ‘Size India’ project will help create a India-specific size chart for the textiles and garment industry.

On the lines garment industry in the Europe, UK and the US, Indian textiles and garment industry will soon have its own standardised ‘India Size’.

Union Minister for Textiles Smriti Irani on Sunday informed that Centre will soon come up with a resolution on the ‘Size India project’ to standardise the Indian size in textiles.
Addressing a gathering of textile industry players and stakeholders on the last day of the Vibrant Gujarat Global Summit, 2019, Irani said, “UK has a size, US has a size, Europe has a size and a measure; but India does not. To address this, soon, a ‘Size India’ project will be rolled out in the entire country — the first of its kind in Indian history.”

Irani further clarified that a detailed study covering a wide spectrum of people in the country will be conducted to come up with an India-specific size and measure in textiles and garments. “A formal announcement of the same will be made soon,” she said. To address policy gaps, a plan to initiate a statistical study on the domestic demand for textiles in the country is on the anvil.

“Our is a country which has the capacity to create huge demands, not only for the domestic industry but also for the industry that comes from overseas. Never before in the history of our country was a study done to ascertain the strength and magnitude of our domestic market,” she said addressing the gathering. Top players like Chiripal and Welspun India have expressed interest to make investments in the State in this edition of the summit.

Source: thehindubusinessline.com - Jan 20, 2019

India can be $5 trillion economy in 7-8 years: Suresh Prabhu

Union Commerce and Civil Aviation Minister Suresh Prabhu said India has the potential to be a $5 trillion economy in the next 7-8 years.

Addressing a seminar on exports at Vibrant Gujarat Global Summit here, Prabhu said his department had prepared a road map to make this possible by focusing on manufacturing, service sector and agriculture.

“India has a potential to be a $5 trillion economy in 7 to 8 years, and definitely a $10 trillion economy before 2035,” Prabhu said.

“Manufacturing should lead to export. This will bring quality and competitiveness. Our cumulative export stands at around half a trillion dollars. The challenge is to double it” he said.
“Today, we have great opportunity to increase exports. There are disruptions taking place in the world and India should take advantage of it,” he added. Prabhu said India can increase exports to Africa and Latin American countries. To boost air connectivity in the country, Prabhu said 100 new airports will come up in the near future with a cumulative investment of $65 billion.

Two MoUs were Saturday signed between the Gujarat government and Airports Authority of India for establishing greenfield airports at Dholera and Ankleshwar. The MOUs were inked in the presence of Prabhu and Gujarat chief minister Vijay Rupani.

As per one MoU, Dholera airport will be established at a cost of Rs 1500 crore. The other MoU was for the development and operation of airport and MRO at Ankleshwar.

Source: financialexpress.com - Jan 20, 2019

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Smriti Irani says Gujarat textile sector got Rs 30,000 cr in Modi rule, report released by her shows de-growth

The ASSOCHAM report, a copy of which is with The Indian Express, also stated that Gujarat’s fabric production in the last five years have registered a de-growth at a CAGR of -2 per cent.

While Union Textile Minister Smriti Irani on Sunday said that the textile sector in Gujarat received Rs 30,000 crore of investment the BJP came to power at the Centre, under the leadership of Prime Minister Narendra Modi, a report released by her at the same event during the Vibrant Gujarat Global Summit here showed that the state registered a “de-growth” or negative growth in several segments of the textile sector in the last five years, between 2012 and 2017.

The knowledge report titled, “Gujarat: The growing engine for textile and apparel manufacturing”, which was released by Smriti Irani at a conclave on textile sector, stated the the production of raw cotton in Gujarat declined at a compound annual growth rate (CAGR) of -0.5 per cent — from 1,581 million kg in 2012-13.
The ASSOCHAM report, a copy of which is with The Indian Express, also stated that Gujarat’s fabric production in the last five years have registered a de-growth at a CAGR of -2 per cent.

“In the last five years, production of blended fabrics have registered a positive growth of 1 per cent, while 100 per cent non-cotton category have registered a de-growth of -9 percent,” it added.

Gujarat’s textile and apparel exports stood at USD 4.79 billion in 2014-15, registering a de-growth at a CAGR of -0.2 per cent from USD 4.81 billion in 2012-13. However, despite a -2 per cent de-growth in textile exports, the quantum of apparel exports clocked an impressive 35 per cent growth during the three-year period, the report added.

Similarly, the production of spun yarn in Gujarat’s textile industry declined at a rate of CAGR -0.5 percent — from 224 million kg in 2012-13 to 220 million kg in 2016-17.

“Hundred per cent non-cotton yarn is the only category which is growing at a CAGR of 3 per cent, while cotton and blended yarn have registered a de-growth of -0.4 percent and -1.8 percent, respectively, during the same period,” the report stated.

Meanwhile, speaking at the textile conclave, Irani listed assistance provided by the central government to the textile sector in Gujarat in the last four and half years, benefiting over 2,100 units.

“There are some Gujarat specific commitments that we have made and some that we have implemented... Since 2014, for technology upgrade across the country, the Government of India dedicated over Rs 7,286 crore of which Rs 1,855 came specifically to Gujarat, benefiting over 2,100 units.”

“Close to Rs 30,000 crore of investments have flowed to Gujarat, post the subsidies given by the Government of India.

Gujarat politically has seen those days when there was a struggle between the Centre and the state so that the aspirations of Gujaratis are not disrespected.
When I was given the charge of the ministry, I did look at the numbers of pre and post 2014. I am happy to say, before 2014, though Gujarat was given only 9 textile parks sanctioned by the then government, we have sanctioned 17 textile parks worth Rs 5,614 crore of which six are already completed.”

Source: indianexpress.com - Jan 21, 2019

Indian cotton exports to Pakistan unlikely to increase despite duty cuts

India's cotton exports to Pakistan are unlikely to increase, despite the neighbouring country scraping import duty, as high domestic prices have made exports uncompetitive.

Indian cotton is currently available around Rs 43,000 a candy, while prices in Pakistan are at sub Rs 43,500 making it (exports) unviable so far.

Recently, Pakistan scrapped duties on import of cotton for February 1-June 30 to tide over shortage of the crop. Indian traders, usually large exporters to Pakistan, would have benefited, but for their high procurement cost. In 2015-16, India had exported over 2.5 million bales of cotton to Pakistan when crop there fell over 30 per cent.

In the current year, Pakistan has harvested 10.8 mln bales of cotton, down 25 per cent from initial target of 14.4 million bales. But the situation is different this time.

Indian prices are not competitive. If rupee depreciates or prices in Pakistan rise exports will pick up

Indian cotton can reach Pakistan in just one day through roads from Punjab or even via sea route it can reach in three-four days, as against 20-45 days from other regions such as Africa, the US or Australia.

Source: indianexpress.com - Jan 21, 2019
**Soon, no e-way bill if GST returns not filed for 6 months**

Non-filers of GST returns for six consecutive months will soon be barred from generating e-way bills for movement of goods.

The Goods and Services Tax Network (GSTN) is developing such IT system that businesses who have not filed returns for two straight return filing cycle, which is six months, would be barred from generating e-way bills, an official said.

“As soon as the new IT system, which will ensure barring of e-way Bill generation if returns are not filed for 6 months, is put in place, the new rules will be notified,” an official told PTI.

The move, officials believe, would help check Goods and Services Tax (GST) evasion.

Central tax officers have detected 3,626 cases of GST evasion/violations cases, involving ₹ 15,278.18 crore in April-December period.

Touted as an anti-evasion measure, e-way bill system was rolled out on April 1, 2018, for moving goods worth over ₹ 50,000 from one state to another. The same for intra or within the state movement was rolled out in a phased manner from April 15.

Transporters of goods worth over ₹50,000 would be required to present e-way bill during transit to a GST inspector, if asked.

Officials feel that to shore up revenue and increase compliance, stringent anti-evasion measures have to be put in place.

To this effect the revenue department is working towards integrating that e-way bill system with NHAI’s FASTag mechanism beginning April to help track movement of goods.

It has come to the investigative officers’ notice that some transporters are doing multiple trips by generating a single e-way bill. Integration of e-way bill with FASTag would help find the location of the vehicle, and when and how many times it has crossed the NHAI’s toll plazas.
As against the budgeted monthly revenue target of over ₹1 lakh crore, GST collections have so far this fiscal averaged ₹ 96,800 crore per month.

Source: thehindubusinessline.com - Jan 20, 2019

Rupee appreciation has hurt job creation

Imports become cheaper with real appreciation of the rupee. A ‘strong’ rupee only helps FIIs and those repaying foreign debt

India’s demographic dividend is on the verge of becoming a curse as it is unable to create new jobs fast enough for its growing young population. A major part of the increasing agrarian distress in the country would be mitigated if the shift of population from agriculture to urban economic activities happened faster.

The contrast with China is stark. China’s per capita income and technical capacities were similar to India’s in 1990. Today its per capita income is over five times higher. It was able to get its huge population out of poverty by creating hundreds of millions of manufacturing and related urban jobs and in the process became the factory of the world. Due to rising wages, many jobs have been moving out of China to lower wage locations. What is truly disturbing is that these jobs are not yet coming to India; the preferred locations are in South-East Asia.

It is high time for serious introspection. Why is India not yet able to take advantage of its low wages and the inherent talent of its young people to get enough investment, both domestic and foreign, into job creation and value addition here for the global market? Why is the business case for such investment not strong enough?

The starting point has to be the recognition that India has no option but to do what it takes to succeed in job creation. Social stability is at risk and time is running out. Can we do some things differently which may make a material difference?

In the discussion on improving the business case for value addition and job creation in India, the critical importance of the exchange rate hardly gets any
attention. The movement of the real exchange rate, the nominal rate adjusted for the differential in inflation rates with major trading partners, has a similar effect as changes in tariff rates.

A 10 per cent real exchange rate appreciation is equivalent to a 10 per cent lowering of tariffs across the board and a 10 per cent depreciation is equivalent to a 10 per cent increase in tariffs. The greater the depreciation the higher is the impact on the business case for domestic value addition. This impact is experienced not only by exporters but also by those who serve the domestic market as imports become cheaper with appreciation and more expensive with depreciation.

While India’s nominal exchange rate is market determined, unusual factors have been leading to cycles of steady real exchange rate appreciation followed by the shock of a sharp correction, and, then appreciation again.

Normally real exchange rate appreciation occurs as a country’s exports rise along with increasing productivity. India’s real exchange rate appreciates not as a result of these traditional factors but due to higher capital inflows.

**Capital inflows**

India has been for years the largest recipient of capital inflows from its expatriate community who send remittances. In addition its stock market has been attractive enough for FIIs (Foreign Institutional Investors). Such inflows when not matched by higher rates of investment in the economy usually lead to asset price bubbles in the stock and real estate markets, in addition to an appreciation of the exchange rate and decline in competitiveness.

It is worth recalling that each of the countries which have had extraordinary success in industrialisation in East Asia, starting with Japan, followed by South Korea, and more recently China followed a policy of keeping the real exchange rate depreciated to improve competitiveness. In sharp contrast, in India the perception among political and civil society elites has been that a strong currency is a sign of economic strength and depreciation is a sign of economic weakness.

Then there is the underlying political economy question of who gains and who loses with appreciation of the real exchange rate. Appreciation is
beneficial to FIIs as the gains from the increase in the prices of their stocks in India can be taken out fully. Similarly, large corporates who have foreign currency debt gain as the real debt repayment burden declines with appreciation. The wealthy Indian has to pay less for his holidays, child’s education overseas and consumption of imported chocolates and cheeses. The losers are those who create jobs as they lose competitiveness. As a result fewer jobs get created. Clearly, the polity should be favouring the producer and the creator of jobs.

Market forces, accentuated by large scale withdrawals by FIIs, have led to considerable undoing of the real exchange rate appreciation that had been taking place over the last few years. However, any benefit from this is unlikely as market participants go by expectations.

The expectation from the experience of similar past cycles would be that the real exchange rate would again undergo steady appreciation. Investments, which need a competitive exchange rate, could be seriously considered only if there is the expectation that henceforth the real exchange rate would not be allowed to appreciate.

For this, a consensus on the imperative need for maintaining a competitive exchange rate as a necessary precondition for increasing value addition and job creation in the country would be needed. This should then become a clearly enunciated policy objective of the RBI with explicit backing of the government. The policy instruments that could be used could include building up of reserves, and reviewing the liberal tax regime for FIIs as well as the encouragement of foreign currency borrowings by large corporates.

This is not to suggest that the exchange rate is some kind of a silver bullet which would lead by itself to a surge in job creation. But this is a necessary condition for improving the business case for value addition and job creation.

India’s trade deficit with China is over $60 billion. All that is being imported from China can be made in India. The challenge is to make it happen; the starting point for that has to be a competitive exchange rate with a resolve that further appreciation would not be permitted.
Seven fashion designers pay ode to 'Make In India'

Fashion designers Anju Modi, Gaurang Shah, Namrata Joshipura, Payal Jain, Rahul Mishra and Rajesh Pratap Singh got together to showcase their interpretation of 'Make in India' theme at the ninth edition of the Vibrant Gujarat Global Summit 2019 here.

Fashion Design Council of India (FDCI), which has been a frontrunner in taking forward Prime Minister Narendra Modi's 'Make in India' vision, organised an event showcasing the Indian craft and textile at the ninth edition of the summit on Saturday.

The event saw participation from seven fashion designers including Anju, Shah, Joshipura, Jain, Mishra and Pratap Singh and Shyamal & Bhumika, read a statement.

With the theme "Make In India", the designers showcased their collection in their distinctive signature style at the show, which was held on the banks of the Sabarmati.

"We are delighted to be back in Ahmedabad for such a major event, after three amazing shows in this city in the past," FDCI President Sunil Sethi said.

"We would like to thank the Gujarat government, the Gujarat Chamber of Commerce and Industry (GCCI) and the Ministry of Tourism for giving us this opportunity," Sethi added.

In her collection titled "Raas Leela", Anju showcased Banarasi brocade and matka silk along with techniques like gold foil print, gota patti work and zardozi embroidery. Shah presented Chitravali, featuring kalamkari inspired by Ajanta paintings on Kanjivevaram weaves.

Joshipura picked contemporary silhouettes with traditional brocades for the show, while Jain's white Blanc collection had tone-on-tone usage of chikankari, applique, mirror-work, resham embroidery, mokaish, zardozi and glass beading on silk jamdani, chanderi, katrua and khinkhab.

Mishra showcased traditional chikankari from Lucknow in his collection "Charbagh". Khadi from Gujarat and Rajasthan mixed with ikat was
presented by Pratap Singh. Shyamal & Bhumika curated "Vayanti", a couture collection incorporating exquisite brocade from Gujarat for the show.

Source: business-standard.com - Jan 20, 2019

Coimbatore industries seek focus on western region at GIM

Industries in Coimbatore have sought more focus on the western region at the Global Investors Meet (GIM) to be held in Chennai later this month to attract investments here.

The Coimbatore District Small Industries Association (Codissia) has said that 30% of the investments agreed to at the Meet should be diverted to in and around Coimbatore.

“Even in the previous edition of GIM we gave an option to hold the Meet here. But, we did not have proper flight connectivities then. This year, we have said that 30% of the investments should be brought to in and around 100 km of Coimbatore,” said R. Ramamurthy, president of CODISSIA.

This is the most industrialised belt in the State and having the Meet here will take Coimbatore to the global industrial map and thus bring in more investments, he said.

The Association is promoting two industrial parks and these will attract investments from several micro, small and medium-scale enterprises (MSMEs). The larger units can leverage on this, he said.

According to secretary general of Southern India Mills’ Association, K. Selvaraju, Coimbatore will get the much-needed visibility if the GIM is held here. It is an industrial city and now has adequate social infrastructure to host such an event.

However, Coimbatore’s strengths are in the MSME sector and the recent investments are in sectors such as automobiles. Chennai has several large-scale industries. Coimbatore can be one of the cities where a related event to GIM can be held, he suggested.
Industry sources added that this year, there are no major fresh investments from industries in this region in sectors such as textiles and pumpsets.

Though the State Government has expedited the process for granting approvals, the industrial infrastructure should be upgraded across the State, including Coimbatore, for it to attract more investments.

Source: thehindu.com - Jan 20, 2019

Shipping, insurance, document exchange pose challenges for India-Iran trade

Exports set to rise with rupee payment mechanism, clarity on non-sanctioned items

Full-fledged Indian exports to Iran are expected to resume with the UCO Bank activating the rupee payment mechanism to circumvent US-imposed sanctions against the Islamic nation. But the two sides are still struggling to sort out glitches in shipping, insurance and exchange of documents, say officials and exporters.

“The Centre and banks have now clarified on the list of goods that can be classified as non-sanctioned and exported to Iran. This includes a whole range of products from food and leather goods to pharmaceuticals and textiles.

Only non-essential items such as automotives and gems & jewellery and dual-use goods are prohibited. There is a lot of scope for Indian exporters as the entire oil trade will be in rupee this time,” a government official told BusinessLine.

The problems such as rising shipping costs, unavailability of insurance cover and uncertainty on exchange of documents with SWIFT not working have to be sorted out immediately and both governments are working on it, he added.

The Donald Trump administration re-imposed economic sanctions on Iran in May 2018 after withdrawing from the multilateral deal signed in 2015.
Set of sanctions

The first set of sanctions imposed by the US in August 2018 restricted Iran’s purchase of US currency while the second set in November restricted sales of oil and petrochemical products from Iran. India was one of the eight countries given a six-month waiver to continue its oil trade with Iran, but with the caveat that it should lower its imports.

Exporters are hopeful that their shipments would now rise steeply as Iran would need to buy enough goods from India to use the rupee payment for oil imports deposited in the UCO Bank.

“Last year, our exports to Iran were worth $2.7 billion. This year we expect it to be at least $3.5 billion,” said Ajay Sahai, Director-General, Federation of Indian Export Organisations (FIEO). India imported oil worth $10 billion from Iran last year and imports this year have already crossed last year’s figures.

Shipping has turned out to be the most immediate problem for Indian exporters as a number of Iranian shipping lines have already increased their charges taking advantage of the fact that there is no competition from foreign ships because of the US sanctions, points out Sahai.

“We have taken up the matter with officials of the Iranian Chamber of Commerce and asked them to instruct their shipping companies not to exploit the situation and charge the usual rates. They have assured us that they would do so,” Sahai said.

Since insurance is also on the sanctions list, it is difficult to find marine insurers for the shipments. Similarly, as SWIFT, the international financial messaging system, has also decided to adhere to US sanctions, exchange of documents for exports would also be a problem.

“We hope Iran will help us with insurance and India Post can chip in to sort out the issue of exchange of documents. As trade between the two countries settles down and volumes go up, these areas will get ironed out,” Sahai added.

Source: thehindubusinessline.com - Jan 21, 2019
Indian textile industry must look beyond cotton: Kulin Lalbhai, Arvind Ltd

The predominantly cotton dependant Indian textile industry needs to look beyond cotton and adopt manmade fibres to outpace its growth, ED of Arvind Ltd Kulin Lalbhai has said.

Addressing the textile conclave at the Vibrant Gujarat 2019 on Sunday, he said although India is a cotton rich country, and hence, is able to dominate the cotton value chain, there is a need to look beyond cotton. “We need to adopt MMF aggressively and export synthetics as well,” he said.

Lalbhai added the textile industry can no more afford to remain slow and lazy in big cities. “There is a need to create textile clusters in smaller cities,” he said.

He added the industry needs to scale up apparel manufacturing. “We need to go beyond yarn and fabric. India needs to create vertically integrated supply chain, create last mile of delivery to cater to clients,” he said.

Source: economictimes.com - Jan 20, 2019