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USD 64.89 | EUR 79.94 | GBP 90.69 | JPY 0.60

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
18764	39250	**77.27**
Domestic Futures Price (Ex. Gin), February		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19900	41626	**81.95**

International Futures Price	
NY ICE USD Cents/lb (March 2018)	77.51
ZCE Cotton: Yuan/MT (Jan 2018)	14,915
ZCE Cotton: USD Cents/lb	**90.68**
Cotlook A Index – Physical	**86.85**

Cotton guide: Last two days' action on Cotton price has been interesting. Cotton prices have advanced more than 2%.

The both March and May contracts have rallied while December also moved up marginally.

Note: The 1st notice period for March is starting on 22nd of February. Entire focus is on May contract. The both volumes and open interests have dried up in March and switched to subsequent contracts.

For reference on Tuesday May future advanced sharply to end at 78.96 cents per pound up by 180 points from previous close. The trading volumes have increased substantially from previous day and stood above 50K contracts.

Regarding open intetest which hss been decelerating from 0.321 million contracts to almost 0.250 million may have now come to an halt. The major reason that we had cited is the huge cut in speculative long positions. We believe Tuesday's move may have added some fresh positions amid lower price point.

The short term scenario is probably getting changed though the spread between March and May remained mostly stable near 140 points. However with the change in price direction perhaps now 75 would be a tough level as support for May contract in the near term. Likewise on the higher side 80 would be the immediate resistance point.

Further cotton price surged due to good export demand from US amid higher supply. Also mills consumption is set to rise in the US mostly have started to support cotton price. Further market was holding very strong support to break below 75 cents and that must have been a major trigger for price to either consolidate or rebound sharply higher.

Coming to domestic market the spot price continued to trade steady despite weaker Indian rupee. The spot for S-6 held at Rd. 39800 per candy ex-gin. The daily arrivals stood at around 160K bales. However the domestic future contract advanced. The February settled higher at Rs. 19980 per bale up by 2.78% from previous close. Overall for the day we expect today's trading range would be Rs. 19800 to Rs. 20150 per bale.

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

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INTERNATIONAL NEWS

Trade is centre stage in the Trump era, sourcing suffer get affected

US President Trump has thoroughly revamped the country's trade policies. Josh Teitelbaum, Counsel for international law firm Akin Gump Strauss Hauer & Feld, explained during a panel discussion at Sourcing at Magic, the key indicator for what's working or not in a trade deal, is the trade deficit.

In this case, the losers are those on the negative end of a trade deficit, and the winners are those reaping the benefits. President Trump has been trumpeting the most when it comes to his reasoning for reworking a trade deal. He is very clear that the US will not be on the losing end of anything.

Trump has walked out of the TPP deal, threatened to pull out of NAFTA and checkmated talks on the Transatlantic Trade and Investment Partnership (TTIP), among other things. The US has also proposed eliminating the agreement's tariff preference levels which provide duty free access for certain raw materials that Canada or Mexico source outside of the NAFTA nations for their apparel exports.

"The initial US proposal was for the US to eliminate all 24 tariff preference levels," Teitelbaum said. The move did not go down well in the talks as it would hurt Mexico's and Canada's competitiveness and may see US consumers spending more for goods with higher-priced inputs.

Teitelbaum explains, what's at stake, if NAFTA goes belly up, is $682 million worth of apparel imports from Canada and $3.13 billion from Mexico as well as US manufacturing for brands like Levi's. Anna Walker, global policy and advocacy at Levi Strauss & Co, said during a separate panel on trade, "We've been using NAFTA since day one and we designed our sourcing model to really capitalise on what NAFTA has to offer. We know that with NAFTA— that should the President follow through on some of his threats, we'll continue to make those products, we just won't do it using US inputs. Those products will move to countries that have their own supply chains."

Source: fashionatingworld.com- Feb 18, 2018

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Global cotton production on rise, NCC signals cautious outlook

Improving global economy and stronger growth forecast for coming years will have a positive impact on cotton production globally. World cotton demand is increasing with current estimates calling for an increase of approx five per cent in 2017, which is more than double the previous five-year average. China will begin the next round of reserve auctions next month.

A successful auction series in 2018 could easily position China to become a larger cotton importer again. Jody Campiche, VP, economics & policy analysis, National Cotton Council (NCC), says world mill use is expected to exceed world production in the 2018 marketing year, and global cotton stocks are projected to decline by 5.4 million bales in the 2018 balance sheet.

In NCC's annual Economic Outlook, she noted global stocks decline is due to reduced inventories in China. China's stocks are declining with USDA estimating a drop of 8.0 million bales in 2017. In 2018, there is a possibility of an additional 10.0 million bale reduction in total stocks.

According to Campiche, global production is projected at 119.3 million bales in 2018. World mill use is projected to increase around three per cent in 2018 to 124.8 million bales with most of the growth from China, Vietnam and Bangladesh. While projections of global consumption exceeding production normally would be supportive of prices, the implications for the coming year may not be as clear cut as stocks outside China are projected to increase by 8.6 million bales in 2017 and 4.6 million bales in 2018.

Regarding domestic cotton mill use, Campiche said 2017 US mill use is estimated at 3.4 million bales, up 100,000 bales from 2016. The Economic Adjustment Assistance Program continues to be an important source of stability allowing mills to invest in new facilities and equipment. For 2018, the NCC is projecting a modest increase in US mill use of 60,000 bales.

She noted that export markets continue to be US raw fiber's primary outlet. The US will remain the largest cotton exporter with a market share of 39 per cent in 2017 as compared to 40 per cent in 2016. China is currently the top export market for the 2017 crop year, followed by Vietnam and Pakistan.

World trade is projected to be higher in the 2017 marketing year, but increased competition from other major exporting countries has led to a decline in the US market share.
Trends Forecast

Looking ahead to 2018, increased competition from other cotton-producing countries is expected to reduce both US exports and US market share. With exports pegged at 14.3 million bales, Campiche projects total US offtake of 17.7 million bales in 2018, leading to an increase in ending stocks of 1.5 million bales.

In China, cotton mill use has increased, but competition from lower-priced man-made fibre remains a limiting factor for the continued growth of cotton fibre use. Although internal cotton prices are still strong relative to polyester prices, polyester prices increased in 2017 and are currently at the highest level since 2014. China's new environmentally-friendly policies could also affect man-made fibre production and use.

Although cotton prices have improved slightly compared to other crops, cottonseed prices have dropped significantly, thus leading to an increase in net ginning costs. Many producers will continue to face difficult economic conditions in 2018. Production costs remain high, and unless producers have good yields, current prices may not be enough to cover all production expenses.

Source: fashionatingworld.com- Feb 18, 2018

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Feature: Chinese textile firm weaves success through decades of reform

It used to be trendy for Chinese to dress in clothes of foreign brands, but now China is helping shape the latest trends in the fabric and apparel world.

At first glance, the blue and gray sportswear in the showroom of this fabric and garment maker in east China's Longkou City doesn't appear to be anything special. However, its advantage lies in its cloth, which is made from fine wool.

The process of turning wool into wind- and water-proof fabric comes from Nanshan Zhishang SCI-TECH Co., Ltd., the world's only supplier of such fabric for global sportswear giants.

The company is a rags-to-riches story. It was started by business-minded villagers to produce cheap towels shortly after China launched its reform and opening up drive in 1978.

By constantly changing its designs according to market research, the company's towels, pillowcases and other products sold so well that it became one of China's largest fabric mills in the late 1990s.

Market-sensitive Nanshan took one bold move in 1996. It decided to venture into the spinning and high-end garment business. The company saw huge market potential as increasingly affluent Chinese wanted to wear better, more stylish clothing.

After about two decades of expansion, the company is now famous for its fine wool suits. The company controls the whole value chain, from the sheep's back to the finished suits.

Nanshan started to buy farms for producing superfine wool in Australia in 2009 to ensure high-quality raw materials. The wool is shipped to China where Nanshan combs, dyes and weaves it into fine cloth. It is then made into suits and other items with the help of global designers using the latest German, U.S. and Japanese processing equipment.

The company has launched a wool innovation center in partnership with the International Wool Secretariat, and has offices in Milan and New York. Now about half of Nanshan's products are exported overseas and some of them go to global apparel brands.

Nanshan's transformation from making cheap towels to producing high-end wool suits is the story of modern China, whose success was made possible by the reform and opening of the past 40 years.

"We used to copy from the market in the beginning, but after years of development, we now manage to lead the market with our own technological innovations," said Liu Gangzhong, chief engineer of the company's fabric business. Liu has worked for the company for 16 years.

Nanshan now plans to invest in high added-value products by upgrading its production technology, and it is considering building factories in Indonesia as well as investing in global clothing brands to further promote its name overseas, according to Zhao Liang, board chairman with the company.

China aims to shift its textile industry to focus more on quality, rather than quantity, with high-tech and green products, according to the industry's development plan for 2016 to 2020.

"Continuous reform and opening up made us what we are today and will continue to shape our future," Zhao added.

Source: xinhuanet.com- Feb 20, 2018

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Cambodia: Garment wages soar

Research has shown some staff in the garment sector can now earn up to $480 each month as unions and the Garment Manufacturers Association in Cambodia congratulated workers for taking home the new minimum monthly wage of $170 for the first time.

Staff in the garment and footwear sector received their first pay packet at the higher rate on February 10.

According to research by The National of Trade Unions Coalition, which involved more than 30 factories, ordinary staff can now earn between $238 and $260 per month, including benefits.

NTUC president Far Saly said the wage hike would benefit the lives of workers and their families.

“Workers who are paid according to the quantity of products, they can earn between $280 and $480 per month including benefits, while workers on probation can earn $182 to $210 per month,” he said.

GMAC deputy secretary-general Kaing Monika said NTUC’s research on wages reflected what member factories were paying out.

"While we congratulate workers on their new wage levels, we would also like to express our concern over the competitiveness of our industry," he said.

Two weeks ago, GMAC issued an appeal to buyers to continue to support Cambodia and place sufficient orders at fair prices for factories, in line with rising wages for workers.

"To workers and unions: please participate in the effort of the factory management to improve productivity, strengthen the quality of goods and reduce wastage in production and in the factory as a whole. Practice proper work attitude, respect working times and be highly responsible for assigned work and duties," the statement said.

The GMAC statement also said factory leaders must strengthen the effectiveness and efficiency of management systems, while it asked the government to make trade easier by improving public infrastructure and minimising fees and bureaucracy.

Source: khmertimeskh.com- Feb 20, 2018

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Germany keen to boost trade ties with Pakistan

Ambassador of Germany in Pakistan Mr Martin Kobler said that his country was keen to have more developed and strengthened trade ties with Pakistan. During his visit to various industrial units and Sialkot Airport, he said that Germany would ensure easy access of Sialkot exporters to EU and German markets.

He said that more companies of Germany had shown keen interest to invest in Pakistan in different trade fields especially in energy sector.

Talking to Sialkot exporters, Mr Kobler pledged to make efforts to remove all the impediments from the promotion of trade between Pakistan and Germany. He stressed a need for making effective joint efforts to boost bilateral trade . He added that Germany would encourage regular exchange of trade delegations between the two countries.

He showed keen interest in the production process of sports goods and surgical instruments. He assured to make an all-out effort to ensure easy access of Sialkot exporters to European Union (EU) markets.

He said that Germany could be a gateway to EU markets for Pakistan. He said that Germany and Pakistan were enjoying cordial trade relations and now the time was ripe to further strengthen trade ties. He said all the things were moving in right direction.

The German ambassador said that more German companies have shown keen interest to invest in Pakistan in different trade fields especially in energy sector. He said Germany was the 4th largest trading partner of Pakistan.

On the occasion, the Sialkot exporters emphasised that both the countries must further strengthen economic relations through facilitation of governments and close coordination of private sector.

They added that German markets had big demand for the items produced in Sialkot. There is a great potential for establishing joint ventures and business cooperation between German and Sialkot-based companies especially in the fields of sports goods, surgical instruments and leather products.

The Sialkot exporters said that Pakistan-made footballs, field hockey sticks, cricket gear, and boxing gloves are used in international games including Olympics and world cups. Most of the developed countries imported surgical instruments from Sialkot, they said. “In leather products and textile sportswear, we excel in quality and style. Similar is the case with other items produced in Sialkot,” they said.

During his visit to Sialkot international airport, the ambassador hailed the Sialkot exporters for establishing the international airport on self-help basis. On the occasion, SIAL Chairman Khawar Anwar Khawaja said that the grand project of Sialkot airport played a pivotal role in opening the new vistas of socio-economic development in Pakistan’s first-ever “Golden Export Triangle” comprising Sialkot, Gujrat and Gujranwala.

Source: nation.com.pk- Feb 20, 2018

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Strongest fabrics are man-made, backed by nanotechnology

Scientists are studying the silk used in spider webs to help develop stronger fabrics.

"What is the strongest fabric, and how is it made?" asked a camper from the Wauconda Area Library STEM camp.

Scientists, spiders and goats are key players in the search for the strongest fabrics.

While the strongest fabrics are man-made and use nanotechnology processes to produce textiles that can stand up to extreme forces and conditions, scientists are researching nature-made materials spun by spiders to gain a better understanding of the possible uses of strong, flexible and lightweight materials.

Beginning in the 1980s, science labs wanted to create a better mousetrap, that is, they wanted to use fabrics made from materials found in nature, such as cotton and silk, that do more than look great as jeans or T-shirts.

Scientists produced gel substances containing nanoparticles to coat cotton and silk fabrics, making them water, stain, odor and UV resistant, and fabrics with antibacterial properties.

Even more is possible, such as embedding fabrics with energy sources to provide power for electronics, record body function data, store energy or even detect toxic substances.

The next generation of nano fabrics alters the fiber at the molecular level. With this added technology, fabrics can be almost stronger than steel.

The winner of the 1992 America's Cup international yacht sailing competition, America^3, showcased a nano-enhanced fabric that came to be called Cuben, a reference to the yacht's name.

Cuben was installed as the yacht's jib and mainsail, maximizing wind energy and pushing the boat to ultra high speeds without tearing. Needing light material that can stand up to weather, the outdoor industry manufactures tents and backpacks with this lab-produced fabric.

A second line of nanofabrics is available for industries as varied as air transportation, the security field for bulletproof/stab-proof fabrics and armored vehicles, construction, shipping and mining.

Scientists are developing a "tsunami-catcher," approximately one-inch wide nano-enhanced fabric that could be strong enough to hold back devastating tsunami waves.

Now, the spiders and goats.

Natural fabrics like silk are incredibly strong and completely environmentally safe. Silk is generally thought of as a product of silk moths, but there are about 41,000 spiders that produce silk.

Like silk moths, the spiders secrete silk on demand for webs. The largest is Darwin's bark spider from Madagascar, which weaves a web the size of a bedroom to be tossed across streams and snag prey.

Many universities, such as the University of Akron and Utah State, study the biomechanics of these natural fibers. Extremely lightweight, elastic and strong, this silk won't be seen on next year's fashion runways. These spiders are predators that attack their own kind, so mass production could result in losses incurred by the last spider standing.

Instead, researchers borrowed genes from silk spiders and added them to goats, hoping the goat milk will adopt spider silk properties.

Not a bad idea, because goats produce as much milk as cows and are easy to handle. It's too soon to see goat milk as an ingredient used in the fabric weaving, but the spider silk goat milk is now used to create needed medicines.

Source: dailyherald.com- Feb 20, 2018

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Pakistani textile associations want uniform energy pricing

Pakistan's textile industry association representatives have unanimously decided to request the Punjab chief minister for uniform energy pricing and immediate liquidation of the stuck-up sales tax refunds. They met recently at the All Pakistan Textile Mills Association (APTMA) office in Lahore to discuss the viability of the textile industry in Punjab.

The associations urged the provincial government to either secure a uniform energy price from the central government or bear the price differential, according to Pakistani media reports.

The meeting was attended by representatives of the APMTA, Pakistan Readymade Garments Manufaturers and Exporters Association (PRGMEA), Pakistan Hosiery Manufacturers and Exporters Assocation (PHMA), Pakistan Textile Exporters Assocation (PTEA), All Pakistan Textile Processing Mills Association (APTPMA), Council of Powerlooms Association and Pakistan Kintwear and Sweater Exporters Association (PAKSEA).

Energy price disparity has turned the manufacturing units of spinning, weaving, dyeing, readymade garments, hosiery, towel and other sectors redundant and workers were being regularly laid off, according to the associations.

Source: fibre2fashion.com- Feb 21, 2018

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Bangladesh: RMG sector: Lessons for the future

Adapting to organisational learning through Accord and Alliance-led initiatives

The formation of Accord and Alliance in 2013 and their activities for workplace safety in the RMG sector have led to important organisational learning for Bangladesh.

For the first time, stakeholders of the RMG value chain have experienced new forms of compliance assurance.

First, brands/retailers/buyers and international trade unions are involved in ensuring workplace safety at the manufacturers' end; second, local entrepreneurs now have as a requirement high level of safety standards and maintenance at their own factories; third, local public agencies have appreciated the gaps in monitoring and enforcement mechanism that they follow and also the requirement of improvement of their process; fourth, workers of RMG enterprises have been able to understand the safety-related issues and concerns and how to respond in case of emergencies in the factories.

Such organisational learning in Bangladesh's RMG industry has encouraged global brands/buyers to replicate those in other apparel manufacturing countries. The key issue is, how do we institutionalise such learning with a view to develop an effective monitoring and inspection mechanism in the future?

After five years of operation, both the initiatives have entered into a transitional phase as the initiatives of Accord and Alliance are going to end in 2018. Given the remediation works that remain in factories, both Accord and Alliance will extend their timeline to complete their work; however, Accord is willing to extend their operation beyond the limited time period but Alliance is not willing to extend their contract.

In 2017, a new body was formed under the Directorate of Inspection of Factory Establishments (DIFE) of the Ministry of Labour and Employment (MoLE) with a view to oversee the progress of remediation-related activities of, initially, factories under the National Initiatives and later other factories including those under Accord and Alliance.

The creation of a Remediation Coordination Cell (RCC) is important in order for a public agency to take over charge; at the same time, this set-up is expected to deliver the services maintaining the quality and standards.

The point is, how quickly can the newly formed RCC adapt to the organisational learning accrued through Accord and Alliance? And will it be able to deliver the expected level of services and thereby become an effective monitoring agency in Bangladesh?

LESSONS LEARNT FROM ACCORD AND ALLIANCE-LED INITIATIVES

During the last five years, a number of unique features have been revealed through the private sector led initiatives of Accord and Alliance. These include, among others, formation of the private entities with the participation of major brands, retailers, buyers and international trade unions for monitoring safety standards of a major sourcing country, harmonising national rules and regulations concerning workplace safety of Bangladesh within a short time, setting up standard operating procedure (SOP) for monitoring and inspection, and review and follow-up of remediation work of factories on a timely basis.

It is to be noted that fire, electrical and structural safety concerns of RMG factories are the key areas of monitoring and review under these initiatives. The safety concerns of backward linkage activities of the RMG enterprises (such as textiles, accessories, etc.) had been excluded from monitoring and inspection which also need to be taken into due consideration. Besides, both the initiatives have prepared corrective action plans (CAPs) for each of the factories based on the problems identified in the factories and made them public through their websites.

The progress of remediation-related work of each factory has also been made public. Both the initiatives made timely review of remediation-related work and based on the progress put necessary pressure on factories for timely completion of their remaining work; in extreme cases where factories were unable to comply with target level of remediation work, business ties with those factories ended. On the other hand, factories that successfully completed the remediation-related work received a “letter of recognition” from the private initiatives.

It is a fact that the method followed by private initiatives has to get a positive nod (though informal in nature) from the stakeholders, particularly employers, which isn't always a smooth process. The first step of Accord and Alliance was to consolidate national rules and regulations related to fire, and electrical and building integrity. Based on the national rules and regulations, including Bangladesh National Building Code Act, Bangladesh Labour Act 2006 and other national rules, a comprehensive document was prepared.

In case of insufficiency in local rules, both Accord and Alliance took support from international rules/guidelines which further strengthened the overall safety standards. However, this inclusion in the operational guideline was not welcomed by entrepreneurs because of the requirement of huge additional investment in order to comply with the new standards. However, entrepreneurs ultimately accepted these new standards and made the necessary investment for improvement of compliance standards.

Both the initiatives follow almost a similar type of standard operating procedures for inspecting factories such as inspection checklists, standard level of compliance of different safety measures, testing requirements, timeline for remediation, reporting of problems, public reporting of non-compliance, review mechanism, notice period, level of warning and cancellation of contractual ties in case of non-compliance, etc.

Entrepreneurs were initially quite apprehensive about public reporting of non-compliance of their respective factories fearing adverse effect on their reputation; however, such reputational risk of public reporting did not happen, rather employers actually benefitted through reporting of their compliance-related information. Most importantly, such public reporting of the state of compliance of inspected factories has ensured transparency about the initiatives and made the concerned stakeholders more accountable.

According to the last available report of Accord and Alliance, a significant number of problems have been remediated by the factories. In case of Accord-inspected factories, 85.4 percent of electrical, 76.4 percent of fire-related and 65.4 percent of structural problems have been addressed while the respective shares in case of Alliance-inspected factories are 89 percent, 85 percent and 78 percent, respectively.

In both cases, factories are relatively slow in remediating structural problems because of difficulty in addressing their concerns. Besides, Accord and Alliance have taken initiatives to increase awareness among workers about the safety standards of factories by setting up safety committees at the enterprise levels as well as introducing hotline for workers. These initiatives have provided a strong supplementary role in addressing the safety concerns at the factories.

INSTITUTIONALISATION OF ORGANISATIONAL LEARNING THROUGH ACCORD AND ALLIANCE

Such detailed organisational learning through the initiatives of Accord and Alliance has strong elements that can be institutionalised with a view to make them sustainable. Theoretically, organisational learning is a cyclical process through which knowledge that is learned on an individual or group level is objectified on the organisational level, institutionalised and embedded in the organisational memory (Wiseman, 2007). There is a 4-I Framework of organisational learning (developed by Crossan, Lane and White, 1999) which identifies four main processes including 'intuiting', 'interpreting', 'integrating' and 'institutionalising'. Figure 1 presents different steps of organisational learning and role of stakeholders in different steps.

Analysis of the activities of Accord and Alliance reveals that their completed work resembles the first two phases of institutionalisation— 'initiation' and 'interpretation'. The third phase of this process, i.e. 'integration' needs to be initiated which will be followed by the final phase i.e. 'institutionalisation'. With the end of the initial commitment period of Accord and Alliance and thereafter, initiation of the work of Remediation Coordination Cell (RCC) under the DIFE of the MoLE, the process of integration has been started. This specialised cell will work in the transition phase and meet the requirement. The objective of this Cell initially would be to monitor and inspect and review the progress of remediation-related activities of factories earlier inspected under National Initiatives. The Cell will gradually take over the responsibility of factories under Accord and Alliance-led initiatives and ultimately take charge of inspection-related activities of all industrial enterprises in Bangladesh.

In this context, a number of issues need to be taken into due consideration with regard to the capacity of the public agency to inspect and monitor factories as per the standards set by private initiatives: a) Is there adequate technical human resource, and organisational capacity to monitor, inspect, review and ensure compliance according to global standard by public agencies? b) Will buyers/brands accept the inspection reports to be prepared by the local agencies and continue their businesses with local suppliers? c) Should the private agencies (such as Accord or other private agencies) be involved in facilitating the monitoring work of the public agencies, and what kind of arrangements would work well in this regard? d) In case of a transition period, what should be the arrangement between public and private agencies in dealing with the current and future safety concerns of RMG factories?

ARRANGEMENT FOR TRANSITION PERIOD

The ultimate objective should be to strengthen the monitoring and inspection capacity of public agencies. Given the limited capacity in terms of human resources, technical issues and database management, public agencies need to prepare themselves under a targeted timeline with specific objectives and action plans. The RCC has been formed with the long-term objective to inspect factories maintaining global standards. Hence RCC needs to be equipped with competent human resources, technologies, skills, logistics, testing facilities, adequate resources and database management system.

Despite strengthening RCC, it is not technically feasible to monitor and inspect all factories by this lone agency as this would require large-scale investment in RCC. Considering the level of competency available at the private sector, it would be better to undertake their services under the arrangement of public-private partnership (PPP) where a public agency would be in charge of overall supervision of the monitoring process and private agencies accredited by the public agency would undertake monitoring and inspection-related work. Such an arrangement will ensure quick monitoring, better reporting and more transparency.

Besides, it is important to integrate the brands and buyers in the process of compliance assurance. The ultimate objective is to ensure workers' safety and security initially in export-oriented sectors and gradually in other sectors which have jobs with a degree of risk.

Source: thedailystar.net- Feb 20, 2018

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Cambodia: Exports up despite a slight drop in the number of factories

The value of Cambodian exports rose by 13 percent last year despite a decline of four percent in the number of manufacturing plants operating in the kingdom, according to the latest report from the Ministry of Industry and Handicraft.

In 2017, there were 1,522 factories registered with the ministry, a drop from 2016, when there were 1,579.

While the number of factories that came online in 2017 was larger – 150 in 2017 versus 141 in 2016 – so was the number of factories that closed – 207 last year versus only 12 in 2016.

Exports, however, rose in value, from $10.7 billion in 2017 to $9.56 billion a year earlier. Among those exports, garments and footwear accounted for $7 billion in 2017, a slight increase compare to 2016's $6.78 billion.

Most registered factories manufactured garments or footwear (1,031 factories), followed by food, beverages and tobacco (117), metal products (108), chemicals, coal, rubber and plastic products (104), paper (44), and wood products (36).

Ministry spokesman Oum Sotha told Khmer Times that the industrial sector in Cambodia is experiencing prosperous times, and that larger factories with better quality standards and equipment are opening every year.

He said he wasn't concerned about the drop in manufacturing plants and that the decline is simply the result of a change in investment trends, with more money now going into larger factories as opposed to smaller, subpar plants.

"Some factories have transformed their business model, becoming larger operations. The number of factories has dropped, but the performance of the sector as a whole remains intact.

"In the garment sector, some businesses lease small factories. When their contract comes to an end, the factory closes. By contrast, bigger factories continue to operate as long as they are profitable," he said.

The labour force in the manufacture and industrial sector was composed of 982,203 people in 2017.

The garment and footwear sector alone accounted for 847,419 workers last year, over 86 percent of the entire labour force.

From January 1 to February 20, the Council for the Development of Cambodia (CDC) approved seven factory projects in the garment and footwear sector. Other approved projects include a tobacco factory, a paper mill, a fruit-processing plant, a packaging factory, as well as a cement and a zinc factory.

Source: khmertimeskh.com- Feb 21, 2018

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NATIONAL NEWS

Can't export those blues: January trade deficit highest in almost 5 years

January trade deficit highest in almost five years

Commerce minister Suresh Prabhu has his work cut out. While he has said, recently, that the government will soon come up with a strategy to increase the share of exports in GDP to 40% by 2025, up from 18% right now, export growth has been falling for the last two months. And, at $16.3 billion, the January trade deficit is the highest in almost five years and significantly above the $13.4 billion average in April-December 2017.

Not surprisingly, most brokerages have raised their current account deficit (CAD) estimates for both FY18 and FY19 to around 2% of GDP. This is not high enough for India to be worrying about a twin deficit problem—the fiscal deficit will be further hit by the MSP-based deficiency payment system proposed in the budget—but it is certainly time to be watchful since trouble can creep up quite rapidly.

The last time India had a CAD problem was in FY12 and FY13 when CAD was 4.3% of GDP and 4.8%, respectively. Ever since then, the CAD had been falling, to 1.7% of GDP in FY14, 1.3% in FY15, 1.1% in FY16 and 0.7% in FY17. And then, suddenly, this trend has been reversed and the CAD is likely to be around 2% in FY18. Should oil prices rise further, the likelihood of a higher CAD can't be ruled out.

The real problem stems from the fact that three sectors—gems & jewellery, textiles and pharmaceuticals—that comprise around a third of all exports are barely growing. In FY17, they grew by a mere 4.3% and in the first nine months of FY18, they have barely grown, to $69.8 billion over $69.7 billion in the same period of FY17. The problem of GST refunds is a serious one—the commerce secretary brought it up at a meeting of the cabinet secretary a few days ago—despite all the assurances given by the finance ministry.

Another problem, and likely to be more deep-seated is that all three sectors have a large presence of informal units and are, therefore, more likely to have been badly hit by both demonetisation as well as GST.

Since profit margins are also very thin in these sectors, the strong rupee is also likely to have hit them. To some extent, the 24% growth in non-gold non-oil imports in January is also reflective of the fact that the demonetisation and GST impact on the supply chain continues.

As a result, this is the first time since FY15 that the economy is more vulnerable to forex flows. In FY15, the basic balance of payments (CAD + net FDI) was positive after several years—while the CAD was $26.8 billion, net FDI was $31.3 billion.

In FY8, in contrast, while the CAD is estimated at $51.8 billion by Citi Research, net FDI is likely to be a much smaller $37.2 billion. This makes the rupee very volatile to every outflow of FPI funds, more likely now with US interest rates rising. Sooner rather than later, the government needs to address the issue of uncompetitive export industries, and that includes serious labour reforms. Till then, India's exports growth will always be touch and go.

Source: financialexpress.com- Feb 21, 2018

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To boost trade, Dhaka seeks access to Kolkata port

Bangladesh hopes move will draw Indian investments into its western region

Bangladesh has sought access to the Kolkata port to carry out export-import activities, according to sources. The access may help Bangladesh attract Indian investments in designated Special Economic Zoness on the West Bengal border.

A formal presentation in this regard was placed during Commerce Secretary-level bilateral talks in Dhaka on February 7 and 8.

The proposal, which came through the bilateral platform, will contribute to the BBIN (Bangladesh, Bhutan, India, Nepal) sub-regional initiative.

Nepal and Bhutan have access to Indian ports through the bilateral framework. Both the Himalayan countries also access Bangladesh through

Indian territories. While Nepal accesses Bangladesh by road, Bhutan uses both road and inland waterways.

Under the BBIN initiatives, India has better and wider logistics infrastructure to help both the countries access the Chittagong and Mongla ports in Bangladesh through India.

Quid pro quo

Bangladesh, meanwhile, has granted India's North-Eastern States access to Chittagong port through Tripura.

The bilateral inland water transport treaty has been expanded to help Tripura access the Ashugunj river port in Bangladesh. This will help Tripura to access Kolkata port through Bangladesh. This, coupled with road transit and the upcoming rail transit through Bangladesh, will reduce the distance between India's North-East and Kolkata significantly. What was missing in this design is Bangladesh's stake in Indian ports or logistics infrastructure.

Dhaka didn't ask for it as it has a (low-draft) seaport at Chittagong and is planning to set up deep draft port(s).

Capacity constraint

The truth, however, is chittagong port is suffering from capacity constraints.

More importantly, due to a poor rail network and over dependence on road movement, the logistics cost is high in Bangladesh.

As a net result, industrial and commercial activities are mostly centered around Chittagong and Dhaka — in the eastern part of the country.

By claiming access rights to Kolkata port, Bangladesh is trying to correct this policy gap. As rail connections and inland water connectivity between the two neighbours widen, access to Kolkata port can add to the potential of attracting Indian investments in Western Bangladesh.

Source: thehindubusinessline.com- Feb 21, 2018

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India's share in home textile exports to US remains flat

In CY17, India's market share in home textile exports to the US (sum of all products) remained flat YoY at 33%. India's market share (in dollar terms) in cotton sheets increased 1ppt YoY to 50% in CY17.

India has been consistently gaining a 1ppt market share in cotton sheets each year since CY12. However, in CY17, market share for towels declined 1ppt to 39%, led by multi-year low market share (sub 35%) reported for the past four months. Infestation of pink bollworm in major cotton producing regions of India has led to an increase in cotton prices since mid-Dec'17 (+5% to R111/kg) and 2% reduction in cotton crop estimate for 2017/18 (Source: Cotton Association of India). In addition, rupee appreciation (6.4% YoY CY18'YTD) continues to remain an overhang.

Ability to renegotiate product prices in the backdrop of the rising raw material prices and rupee appreciation will be the key monitorable (sensitivity attached). In CY17, India's market share in home textile exports to the US (sum of all products) remained flat at 33%. India's market share (in dollar terms) in cotton sheets increased 1ppt YoY to 50% in CY17. India has been consistently gaining a 1ppt market share in cotton sheets each year since CY12. However, in the same year, India witnessed a 1ppt YoY decline to 39% in terry towels exports to the US (in dollar terms).

In Dec'17, India's cotton sheet market share (dollar terms) came in at 50%, a decrease of 1ppt YoY. The CY16market share increased 1ppt YoY to 50%. This is the 6th consecutive year in which India witnessed 1ppt YoY increase in market share. In the same year, China's market share decreased 2ppt YoY to 20%, while Pakistan's share remained flat YoY at 16%.

India's share in the terry towels segment declined significantly by 8ppt YoY to 30% in Dec'17. The CY17 market share also witnessed a decline of 1ppt to 39%. In CY17, China's market share increased 1ppt YoY to 24%, while Pakistan's lost 1ppt YoY share to 21%. India's CY17 exports of cotton sheets to the US (in dollar terms) increased 1.9% YoY to $717mn (vs. a 0.3% decline in world cotton sheet exports to the US), led by a 2.9% rise in volumes, partially offset by a 0.9% decline in realisation.

Source: financialexpress.com- Feb 21, 2018

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Textile industry faces crunch as rebate scheme backlog hits Rs 16 billion

Industry body writes to the govt for immediate action to clear the dues, failing which hundreds of units would close down and lead to thousands of job losses in the country

The textile industry has alleged that around Rs 16 billion worth of payments to readymade garments alone, under the Remission of State Levies (ROSL) scheme, has not been cleared by the government. And, this delay is affecting their working capital and overall business.

The industry body representing textile units has sent a letter to the government requesting an immediate action to clear the dues, failing which hundreds of units would close down and lead to thousands of job losses in the country.

According to the industry, the government had allocated Rs 4 billion in 2016-17. The original allocation under ROSL of Rs 15.55 billion for 2017-18 was enhanced to Rs 18.55 billion in the revised estimates. For the year 2018-19, the ROSL allocation in the Union Budget was Rs 21.64 billion. The amount allocated would not be sufficient for the requirements even at present. Besides, there has been a delay in payment; the ROSL amount was given to exporters only from March 2017 onwards.

The concern for the industry is that it has been cleared for exports made only until May 2017, and some of the exporting units have received the ROSL amount only up to March 2017, said industry members. For the readymade garment sector, the total due amount is Rs 23.45 billion after taking account of the revised estimates of Rs 18.55 billion for 2017-2018.

The backlog for readymade garments between September 2016 and March 2018 would be around Rs 13.68 billion, and for the Tiruppur Knitwear Exports at around Rs 3.30 billion, according to industry sources. "There is a heavy backlog and the exporting units which had actually planned their day-to-day operations and other financial commitments based on the ROSL amount have got affected significantly," said an industry representative from the Tiruppur Exporters Association.

The amount allocated might not be enough to serve the current requirements, so the government needs to increase the allocation and disburse funds as early as possible to help the industry come out of its present financial crunch, said the organisation.

The rebate of state levies shall be understood to comprise value-added tax (VAT) on fuel used in the transport of raw materials, finished goods and factory workers, and VAT on fuel used in generation of captive power, Mandi tax on purchase of cotton, duty on electricity used in manufacture as accumulated from stage of cotton and man-made Fibre (MMF) till garment or made-up stage, stamp duties on export documents and state GST on inputs used in the production of cotton, and embedded SGST in purchases from unregistered dealers.

"Tiruppur exporting units, comprising small and medium enterprises, have been facing working capital issues due to the blockage of GST refund, including the ROSL amount. The association has been repeatedly making requisitions to the textile minister, textile secretary, and textile commissioner, for early clearing of the ROSL," said an official from the Tiruppur Exporters Association.

The government earlier merged two schemes, ROSL on export of garments and made-ups through the mechanism of rebate under the scheme of rebate of state levies on export of garments and made-ups. The ROSL scheme was announced as part of a special package to the apparel sector, and, subsequently, made-ups were also included in the scheme. The scheme came into effect from September 20, 2016.

The ROSL rebate rate ranges from 2.65 per cent to 3.9 per cent depending on the description of goods. The same ROSL rebate rate was continued for three months from July 1, 2017 to September 30, 2017 after the implementation of GST on July 1, 2017.

The ROSL rate was revised from October 1, 2017; for cotton T-shirts, it was revised from 3.5 per cent to 1.7 per cent.

Source: business-standard.com- Feb 20, 2018

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Exports: Time for govt to step in

Exports for the first month of the calendar year 2018 stood at $24.38 billion. The latest data released by the Commerce Ministry can be interpreted in two ways. Year-on-year, there is a 9.07 percent growth from $22.35 billion reported for January, 2017, but compared to the previous month of December, 2017, when exports reached $27.03 billion, there is a decline of 9.80 percent. For October and November, exports had stood at $23.09 billion and $26.2 billion. So, the trend of growth is not that encouraging.

Besides, there are some other concerns as well. First and foremost, highly SME-populated and labour-intensive sectors like garments, carpets, handicrafts, man-made textiles are not showing growth. Among them, fall in exports of cotton textile by 16 percent y-o-y, apparel by about 14 percent y-o-y and man-made textiles by 7 percent y-o-y is particularly depressing. Additionally, petroleum product exports contributed nearly 6 percent to the total export figures in January.

Trade deficit for January is also at an alarming level. It reached near a 56-month high of $16.3 billion in January, against $9.90 billion in January, 2017. This increase is mainly due to a 26.1 percent increase in imports to USD 40.68 billion driven by increased inbound shipments of crude oil. During the first 10 months of the financial year, the gap expanded to $131 billion against $88 billion during the same period a year ago. If this trend continues, trade deficit in this fiscal may touch US$ 150 billion. So, urgent steps should be taken before it becomes too late.

Meanwhile, exporters have complained that delays in refund of input tax credits are hurting growth of the sector. In this background, an exporter's body has also urged the government to look into the refund issues seriously and undertake a clearance drive to clear all cases by 31 March, 2018. Recently, the same organisation had also pointed out that exports credit had shown a decline of -2.5 percent in 2016-2017 and a y-o-y decline of -8.7 percent in 2017. These concerns worth paying attention to reverse further slippage and ensure a growth trend in the sector.

Source: smetimes.in- Feb 20, 2018

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Positive impact of GST on businesses' logistics: FICCI

The goods and services tax (GST) has had a positive impact on the logistics of businesses, says a Federation of Indian Chambers of Commerce and Industry (FICCI) survey. More than three-fifths of the respondents reported better inter-state transportation of goods and over half of them said goods vehicles are no longer stopped and checked at state borders.

Around three-fifths of the respondents cited reduction in transportation time after GST was implemented. The survey was done between November 2017 to January this year covering micro, small and medium enterprises and large companies, according to a FICCI press release.

The industry highlighted glitches in the GST network portal, cumbersome procedures and documentation and cost of compliance as the major areas of concern that need to be addressed.

Ineffective volume handling capacity of the portal, delayed reflection of updated data and payments, delays in process of input credit set offs, inability to upload heavy files of certain formats and lack of provision to modify or revise errors were identified as the major challenges to businesses. The respondents suggested a major revamp of the portal to make it more efficient.

Monthly filing of GST return was seen as cumbersome. Around 78 per cent of the respondents suggested that the periodicity of return filings for taxpayers with aggregate turnover above Rs 1.5 crore should be changed from monthly to quarterly.

For services providers, multiplicity of registrations was a concern as a separate registration is now required with every state where service is being provided. Respondents to the survey emphasised that filing of returns be made simpler.

Small businesses felt that e-way bill need not be introduced as it was only an additional compliance requirement as all details of sale and purchase were readily available on the portal. It was suggested that the minimum limit for requirement be increased to 50 kms and there be no requirement of e-way bill for movement of goods within the city limits.

Businesses, especially exporters faced difficulty to claim refunds. Most respondents also stated that there is a need for greater clarification from the government on the anti-profiteering provisions to ensure that they do not lead to undue harassment.

Source: fibre2fashion.com- Feb 20, 2018

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Maharashtra's New Textile Policy to attract investments, create jobs: VIA

Calling it a game changer for the region, the Vidarbha Industries Association (VIA) on Monday said that the new Textile Policy for 2018-2023 would attract investment in the region and create jobs. Prashant Mohota, Past Vice President of VIA and Chairman of the Core Working Textile Sector, said that the policy announced is a very forward looking step and would bring in a large scale investments in textiles in the region of Vidarbha and is expected to create more than 1 lakh jobs. “It will also solve problem of low cotton prices in another 5 years thereby giving a of relief to cotton growing farmers.”

It is important to note that cotton growing farmers in the region have been reeling under pressure because of low pricing of the commodity which is considered as one of the major reasons for farmers' suicide in Vidarbha.

However, Mohota said that the policy and clarity on Goods and Services Tax (GST) refund under the new policy has come as a shot in the arm for the State textile operations. “Since last six months both these policies were kept in limbo resulting into paucity of new investments in textile sector,” said the VIA office-bearer.

VIA further said that the new policy will not only fills the gap of policy paralysis but also incorporate some of the very important concerns of textile sector.

It is pertinent to note that VIA has taken lead in giving suggestions for textile policy through its Inter Regional Committee Forum. Many of the suggestions have found place in the policy thus resolving the problems existing in the policy.

The policy is based on two most important pillars. “One is to make sure that all the cotton grown in the State gets converted to value added products within the State itself. Second, the scheme has been designed with focus on reducing regional imbalance of the State by giving additional 20 per cent for weak areas of textile operations like knitting, processing, technical textiles, garments, etc. and 10 per cent for all remaining textile segments capital subsidy benefit. Also it reduces the number of instalments from earlier period of 7 equal instalments to 3 years which will help to solve fund related issues for new units,” said Mohata.

For operations, power cost reduction has been given to all textile segments. Option of Open Access has also been given to textile companies on priority basis with no Cross Subsidy Surcharge. The subsidized power tariff of powerlooms has been extended to knitting units and garmenting units installed with less that 127 HP connections.

Green energy is also being promoted by special scheme. A big void for filling skill gap analysis for technical operations in textiles has also been fulfilled by idea of creating a complete textile university in Vidarbha. This is a very important step in avoiding many new investments turning into non-performing assets (NPAs) as most of the new units need the fund only in their initial period of set up still they stabilize their operation.

Source: thehitavada.com- Feb 20, 2018

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Cotton ryots prefer selling produce to private traders

The cotton trading season will end in a few months or so but banks in erstwhile composite Adilabad district have failed to register good progress so far as crop loan recovery from farmers is concerned.

“The latter are a reluctant lot when it comes to repayment this instance as they are expecting another crop loan waiver announcement in coming months,” pointed out a bank manager of Telangana Grameena Bank as he gave a reason for the tardy repayments.

Instead of bringing their produce to concerned agriculture market yards, a majority of farmers have opted for selling it to unlicenced private traders at mandal headquarter-level. Though this fetches them about ₹500 less than the going price for the day, they prefer trading with the unlicenced purchasers as they pay in cash.

“If we were to sell cotton in the market yard, we get paid through bank accounts. This will have the banks deducting our crop loan amount,” says Chinna Ganganna, a cotton farmer from Donga Karanji in Tamsi mandal.

Most of the banks have not achieved even 20% in terms of repayment of crop loans. Even at the busy Bheempur branch of Telangana Grameena Bank in Narnoor Agency mandal of Adilabad district, the recovery is less than 30% against advances of ₹ 32 crore to farmers.

The quantum of trading through private purchasers outside agriculture marketyards is not quantifiable in exact terms.

However, the method of transporting of cotton to yards by petty businessmen and traders from every corner of the four districts which made up undivided Adilabad can give a good insight into it.

At the Agriculture Market Committee yards in Adilabad town, nearly 15 lakh quintals of cotton traded so far arrived in goods transport vehicles instead of bullock carts even from villages which lie within a few kilometres of the facility. Cotton was brought to the yards in 82,945 goods transport vehicles against 3,084 bullock carts between October 9, 2017 when the market opened and February 16, this year.

The petty traders operating at mandal headquarter-level, there are at least five such businessmen operating in almost every mandal, own vehicles of different descriprion which are used to transport cotton even to distant markets.

About 200 such vehicles transport the white gold mainly to Adilabad yard regularly.

"We offer a price which is about ₹200 per quintal less than the day’s market price which has stayed higher than the minimum support price of ₹4,320 per quintal. This margin ensures our expenses on labour and diesel are covered and leave us with some profit,” revealed a trader from Jainoor mandal headquarter in Kumram Bheem Asifabad district which has the largest number of private traders in the region.

Source: thehindu.com- Feb 20, 2018

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Govt scales down estimate of exporters' GST refund claims by Rs 10 bn

Earlier estimate was Rs 65 bn in July-Oct period; revised estimate till Dec is Rs 55 bn; exporters upset over at inconsistency in figures

The government has said the amount of money claimed by exporters as tax refunds under Goods and Service Tax, from the time the regime came into force in July 2017, till December of that year, is Rs 55 billion. This is a major comedown from the Rs 65 billion that the Finance Ministry had announced last year as refunds claimed till October.

Exporters continue to assert that thousands of millions worth of tax refunds are yet to be released by the authorities. A written communication by the government on the subject, reviewed by Business Standard, mentioned that a total of Rs 19.23 billion (out of the Rs 55 billion) has been effectively given out till December.

"The amount should have obviously gone up but instead it has declined. There is no consistency in the figures being released by the government," said Ajay Sahai, director-general of apex body for exporters, Federation of Indian Exports Organisations. Industry estimates had earlier placed the amount of tax refunds waiting to be released by the Centre and state governments at Rs 500 billion.

State governments are yet to pay up the refunds for the state component of taxes under the duty drawback scheme, Sahai said. Procedural bottlenecks continue "Exporters are in the dark about their pending claim. The response given by the Customs authorities is also very limited.

It is, therefore, essential that a facility to view the status of refund may be provided so that exporters are aware of the stage of refund and deficiency if any," FIEO President Ganesh Kumar Gupta said. At the central level, however, a Finance Ministry official pointed out that the claims were not being filed using the appropriate forms and matching shipping bills. However, the industry claims that problems in filing the tax electronically have persisted as some declarations are being insisted upon by the tax authorities, which are legally difficult to provide.

Orders foregone as a result Back in September, FIEO had warned that a Rs 650 billion worth of exports may get stuck as result of exporters bring hamstrung with a liquidity crunch. With news from the ground suggesting the majority of refunds are nowhere near being processed by the authorities, the total hit is anyone's guess, the senior Finance Ministry official mentioned above said.

While it is difficult to estimate the total gamut of exports stuck, labor-intensive sectors across the board and especially engineering goods and textiles continue to suffer. Industry bodies representing small and medium scale companies have repeatedly told the Commerce Ministry that they have had to forego orders. In January, the trade deficit widened to a 56-month high of $16.3 billion.

While India's exports continued to see growth, the pace continued to slacken at 9.07 per cent from December's 12.03 per cent. On the other hand, the figures made clear that India is set to overshoot in 2017-18 the $380.36 billion import bill of the previous financial year as total imports have crept near to that limit. GST refunds:

The short of the matter Exporters were earlier allowed duty-free import of goods that are used for making export products. With GST, they have to first pay the duty and later apply for a refund. The government and industry have widely divergent views on how much money has been claimed by exporters as tax refunds as well as how much of it is yet to be paid up. While the Finance Ministry had earlier said the issue of working capital is not as pronounced as it is made out to be, industry estimates say almost Rs 500 billion worth of refunds is stuck.

Source: business-standard.com- Feb 21, 2018

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