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IBTEX No. 129 of 2018 June 22, 2018

USD 67.82| EUR 78.76 | GBP 89.95 | JPY 0.62

Cotton Market

Spot Price (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21776	45550	**85.34**
Domestic Futures Price (Ex. Gin), June		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21950	45914	**86.03**

International Futures Price	
NY ICE USD Cents/lb (July 2018)	83.21
ZCE Cotton: Yuan/MT (Jan 2019)	16,905
ZCE Cotton: USD Cents/lb	**100.68**
Cotlook A Index – Physical	**101.45**

Cotton guide: Market was quiet on Thursday for cotton across the globe. The December ended at 84.29 cents no major change from previous close. The July contract which is due its 1st notice period on 25th ended at 83.21 cents per pound. The other months settled from 3 to 17 points lower. Their 5-session net losses range from 385 to 879 points. On the trading front volume were 23,798 contracts.

Cleared yesterday were 37,236 contracts. Open interests were 265,826 contracts, down 7,020 contracts from previous day. In the last 5 sessions open interest has dropped by a total of 44,787 contracts to the lowest level since March 1st (265,453 contracts). There was no fresh news on the market while traders across the globe are still centered on the uncertainty of the trade wars, primarily with China.

Mills remained modestly active, though. There were better inquiries and sales for cash cotton. Mills lightly fixed on-call sales and we believe must be on the December future.

Further the USDA US Weekly Export Report was released last evening and turned out to be good. For the week ended June 14th, combined net sales for 2017-18 and 2018-19 were 228,800 bales (upland 183,000 and Pima 45,800).

China was the biggest buyer with a net of 264,100 bales. Weekly shipments were 320,200 bales (upland 312,800 & Pima 7,400). Total shipments stand at 13,272,400 bales (upland 12,743,500 & Pima 528,900). A total of 16,821,200 bales (upland 16,187,300 & Pima 633,900) have been sold. For further report please access Kotak Commodities Research Desk.

Currency Guide:

Indian rupee has appreciated by 0.2% against the US dollar to trade near 67.86 levels. Rupee benefitted from general correction in US dollar against major currencies. The US dollar index corrected from 11-month high set yesterday on mixed US economic data and Bank of England's tilt towards another rate hike. Rupee rose earlier this week after RBI announced bond purchases of $100 billion through open market operation. As per reports, RBI got bids worth 409.6 billion rupees at OMO auction yesterday.

However, weighing on rupee is weakness in equity market amid intensifying global trade war. India has joined other nations to impose retaliatory tariffs against US for its decision to impose import duty on aluminum and steel. Brent crude is also choppy near $74 per barrel ahead of OPEC meeting on production. Rupee may witness choppy trade on mixed cues but weakness will persist on trade war worries. USDINR may trade in a range of 67.65-68.1 and bias may be on the upside.

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

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INTERNATIONAL NEWS

EU Retaliations Could Cost US Apparel Exporters up to 50 Percent in Tariffs Starting This Week

The European Union has officially put its retaliatory tariff measures against the U.S. in place, and apparel companies shipping product into the region could start paying tariffs reaching 50 percent as soon as Friday.

In a statement Wednesday, the European Commission said it has targeted a list of American products worth 2.8 billion euro ($3.25 billion), and those products will now face an extra duty at the EU border.

The tariffs come in response to the U.S. tariffs on steel and aluminum, and what happens from here is dependent on President Trump's next move and whether he takes steps to quell the trade war he initiated.

"We did not want to be in this position," EU commissioner for trade Cecilia Malmström said in a statement. "However, the unilateral and unjustified decision of the US to impose steel and aluminium tariffs on the EU means that we are left with no other choice.

The rules of international trade, which we have developed over the years hand in hand with our American partners, cannot be violated without a reaction from our side. Our response is measured, proportionate and fully in line with WTO rules. Needless to say, if the US removes its tariffs, our measures will also be removed."

The list of goods to face tariffs will certainly have an impact on the apparel industry.

T-shirts, both cotton and of man-made fibers, will face 25 percent tariffs, cotton denim trousers and shorts across all categories will face 25 percent tariffs, and in home textiles, cotton bed linen will be subject to the additional 25 percent duty, as will tablecloths.

Some items, like men's and boy's work pants, women's and girl's cotton overalls, and men's and boy's shirts made from man-made fibers, will face tariffs of 50 percent.

For footwear, there's a 25 percent tariff on men's and women's shoes with leather soles and uppers, sports footwear with rubber or plastic outer soles and uppers, and slippers and other indoor footwear made from rubber or plastic.

In total, there are roughly 50 tariff lines tied to the apparel and footwear industry that will face new tariffs.

The EU said it is seeking to rebalance bilateral trade with the U.S. using the 6.4 billion euro ($7.4 billion) worth of its steel and aluminum exports affected by the U.S. tariffs.

"Of this amount, the EU will rebalance on €2.8 billion worth of exports immediately. The remaining rebalancing on trade valued at €3.6 billion [$4.18 billion] will take place at a later stage—in three years' time or after a positive finding in WTO dispute settlement if that should come sooner," the Commission noted. "The EU rebalancing measures will be effective for as long as the U.S. measures are in place, in line with the WTO Safeguards Agreement and EU legislation."

Source: sourcingjournal.com- June 21, 2018

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Big Brands are Leaving Money on the Cutting Table

Keeping up with consumer demand is a problem for retailers globally. They want products fast, cheap and well-made, and that pressure trickles down through every part of the supply chain. To cope, vendors have sought out the most efficient production techniques in pursuit of agility, and brands like H&M, Levi's, Marks & Spencer and VF Corporation have begun to reexamine their quality control standard operating procedures.

To maintain consistent product quality standards, many brands have quality control teams whose job it is to design, mandate and audit processes for vendors to follow throughout production. In some ways, these quality control teams are the gatekeepers between the next order from that vendor, and as such, vendors throughout the world must follow brands' quality control manuals, even if the procedures described do nothing to add value.

One example of this is mandatory fabric relaxation. Many fabrics, especially knits, need to be carefully handled to account for stretch that could be warped and affect the overall drape and fit of the final product. But oftentimes before the fabric pieces are sent through the sewing line, the fabric rolls are mishandled during spreading.

“Walk into Sri Lanka, Bangladesh, India, Pakistan, or any country where a lot of these garments are made, and everybody will tell you ‘You’ve got to relax the fabric, this is a mandate,’” said Ram Sareen, head coach and founder of Tukatech, a fashion technology company. He continued, “This is perfectly alright. Material handling standards are important. But do brands know what that is doing to the final product?”

Typical “relaxation” mandates require that a factory take perfectly rolled fabric, open it onto a table, and leave it there for a day or two to settle. Not only does the handling and friction harm the integrity of the fabric, but now one or two days are lost in the production cycle.

When it is time for production spreading, that fabric is usually handled by at least eight, but sometimes as many as 14 or 15 people, who catch and pull the fabric out of proportion as they lay it down. This creates uneven stretch about the fabric, and completely negates any relaxation that might have happened while the fabric was lying in a pile the day before. Factories are following the procedures as they are given, but sometimes those practices diminish the very quality they are seeking.

The same practices are often applied uniformly across all types of fabric, even if the necessity is not there.

For example, fabric handling procedures for knit fabrics may be applied to denim, simply because it is a “stretch” denim. “The stretch for denim is only in the width. You can relax the denim for ten years and it is never going to come back in the length,” Sareen said. These procedures become ingrained in local production culture, at which point changing processes becomes very difficult.

Quality control teams are adept at implementing procedures based on brand policies and manuals but need to assess actual application and effects of those procedures.

“Large retailers and brands have been chasing the cheap needle to stay competitive, but now they need to focus attention on implementing more efficient production practices,” Sareen said. Have big brands missed the most glaring loss of production resources?

Labor in the above countries is cheap, but labor accounts for less than 20 percent of the total production cost. The cost of fabric, on the other hand, equates to 60 percent to 75 percent of the garment cost. It is in the best interest of both brands and vendors to focus on handling fabric carefully, so the human and material resources are not wasted, and the number of steps and time for manufacturing is reduced.

Simplifying the fabric spreading process means reduction in the cost of labor, better product quality and a shorter lead time. “I’ve seen a team of 14 maximize their spreading capacity at 2,000 yards,” Sareen explained. When fabric spreading is done automatically with a machine, or even on a mechanized trolley system, the capacity increases. “One person using a $1,500 push trolley can spread 4,000-5,000 yards in an eight-hour shift.”

What’s more, automatic fabric spreading ensures that every inch of fabric is aligned and gently handled from the time the roll is opened, until the pieces are cut and ready for sewing. Automatic fabric spreading machines come with tension-free mechanisms to unwind material from the roll, and constantly monitor the tension during spreading to keep consistent tension throughout the fabric. This means that relaxation for most types of fabric can be reduced or even eliminated from the production process, which saves one or two days, plus the required labor cost, and potential for lost fabric integrity.

In addition to automatic fabric spreading, CAD systems help automate fabric planning and utilization, as well as other pre-production practices. Accounting for fabric shrinkage, for instance, automatically adjusts the piece geometry, even for very tricky fabrics. Cut-planning applications then run order scenarios to ensure the best lay plans, and nesting algorithms calculate the best utilization of the width of the fabric actually received. Such practices could save three to five days, 20 percent of staff, and 3 percent to 12 percent of fabric, as well as result in better quality garments.

Sareen said that even though vendors seem to understand the value of automated cutting rooms, changing the procedures requires external inputs, something he witnessed in a recent staff meeting at a factory. "The moment we get into engineering the cutting room, everyone puts their hands up, saying, 'We have to check with our buyer!'" This means that embracing automation must come from the top down. "I think some training needs to be done in the buyers' offices. The brands and retailers need to visit the vendors and see how automation affects the time and quality savings in the cutting rooms and use that knowledge to update their standard operating procedures, like others have begun to do."

It is important to recognize that players at all levels in the supply chain have the same goal: agile production capabilities. Trying to speed up cumbersome processes is like training a bull to do gymnastics: it's just not going to work. Choosing vendors based solely on cheap labor only goes so far in overall cost savings, especially when production methods themselves leave much to be improved.

Source: sourcingjournal.com- June 21, 2018

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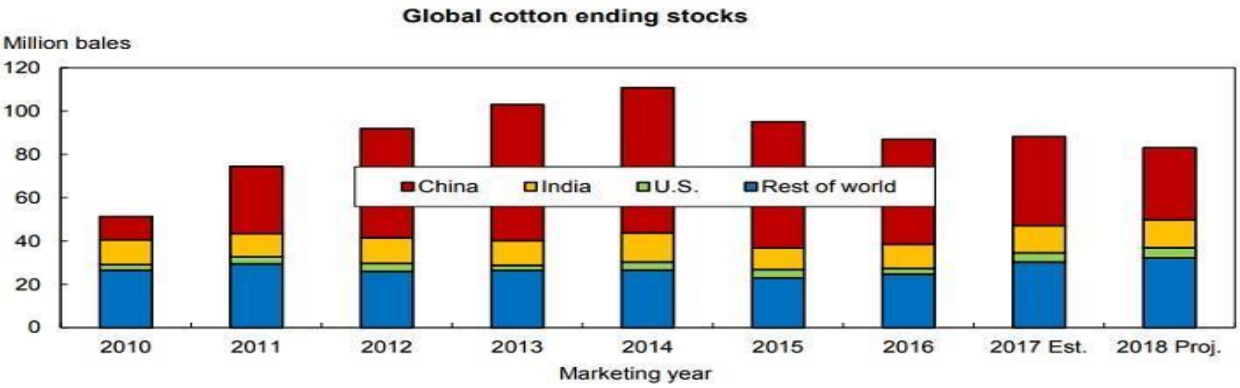
World cotton ending stocks in 2018-19 to drop 6%

Global cotton stocks are forecast to decrease following last season's relatively small increase, according to the latest US department of agriculture (USDA) cotton projections for 2018-19.



Note: 1 bale = 480 pounds.

Source: USDA, *World Agricultural Supply and Demand Estimates* reports.

World ending stocks are projected at 83.0 million bales for 2018-19, nearly six per cent (5.2 million bales) below 2017-18 and the lowest since 2011-12.

Global cotton stocks totalled a record 110.8 million bales at the conclusion of 2014-15, with China holding 60 per cent of the total, as Government policies there resulted in unusually large stocks in their national reserve. Subsequently, however, policies were implemented in China to reduce surplus stocks, resulting in lower world stocks.

For 2017-18, cotton stocks in China are forecast lower at 41.2 million bales, while stocks outside of China are expected to increase 22 per cent to 47.0 million bales, the Economic Research Service of USDA said in its latest 'Cotton and Wool Outlook' report.

For 2018-19, stocks in China are projected to decline further to 33.1 million bales—40 per cent of the global total—while stocks outside of China are forecast to approach a record 50 million bales. However, as a share of world mill use, stocks outside of China are expected to rise only slightly in 2018-19.

Source: fibre2fashion.com- June 21, 2018

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Emerging political and event risks could hit global growth

At a time when the global economic growth appears to have gained momentum after the tepid performance of 2015 and 2016, the world has started to face a series of political and event risks that can potentially exert severe economic impact. The risk of economic growth deceleration is real.

A sharp increase in the price of crude oil in the wake of geopolitical tensions is one significant factor that can hurt economies and thereby growth prospects. Another is the worsening trade friction triggered primarily by the US action. If the friction spirals out of control – for whatever reason – a full-blown trade war into which many countries may be willy-nilly sucked in would be disastrous.

Currently, the world is characterised by several looming uncertainties which are likely to have far-reaching implications for the commodities market in the months ahead. Some of the significant events on the horizon include:

• OPEC + meeting to review oil production policy (scheduled for June 22)

• Venezuela crisis

• Iran policy of the US

• US Protectionist policies on national security grounds

• US Federal Reserve rate hike in second-half 2018

• China slowdown

• Elections in Mexico and Brazil as also US Congressional elections

• Looming Brexit deadline

While these are expected to pan out over the coming months and quarters, the risks associated with these events are sure to affect commodity prices which in turn can disturb corporate financial performance and projections.

Equity markets will not be spared either.

Protectionism has come to the fore, initiated primarily by the US with the imposition of tariffs on imported steel and aluminium. It is sure to trigger retaliatory measures by affected countries and the process has already started.

Trade disputes triggered by the US but changing stand from time to time has the potential to impact political relations and in turn economic activity in different ways.

In a trade war, economic growth will be the casualty. Jobs will be lost, capacities will remain under-utilised, funds may idle unproductively and countries could start exploring political solutions to economic woes.

In the event, protectionism may be followed by ‘more protectionism’, something that is best avoided.

The impact of the ongoing uncertainties is abnormal. Take the peculiar case of gold for instance. During times of economic and political uncertainty, the yellow metals usually gains given its well recognised safe haven status. But the precious metal has actually lost value in the last few days and is trading well below the psychological $1,300 an ounce. On June 19, the metal traded at $1274.

One reason could of course be the recent US Fed rate hike and the consequent strengthening of the dollar. However, if trade friction were to escalate into a trade war, gold is sure to gain because equities will suffer. So, it may be naïve to believe that gold has lost its appeal.

The Friday (June 22) meeting of OPEC plus Russia is likely to be a stormy one as serious differences of opinion over increase in production have emerged. Both Russia and Saudi Arabia are in favour of raising crude oil production while others are not. There is risk the production cut agreement may even come to a premature end. That can immediately send the crude oil prices spiraling down.

The escalating trade tensions between the US and China is already seen impacting base metal prices. LME prices are under pressure. Copper has dipped below $6,900 a tonne and nickel below $15,000 a tonne.

Agricultural commodity markets – grains and oilseeds – too are under downward pressure. It is scary to imagine the market conditions if a full fledged trade war involving several countries were to break out.

Source: thehindubusinessline.com- June 21, 2018

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Turkey sees huge increase in orders from global apparel giants, new footwear chains

The competitive power of footwear and apparel producers, which have a price advantage with the appreciation in the dollar and the euro, has surged.

The fact that foreign buyers have increased their orders from Turkey marked the Turkish Clothing Manufacturers' Association's (TSGD) 5th Procurement Strategies and Prospects Panel held yesterday under the sponsorship of Kimtex Tekstil.

Many global apparel buyers, including Hermes Otto, Newlook, Colveta, Near East Manufacturing and Varnern, announced that they would increase their orders from Turkey by about 20 percent.

Speaking at the panel, TSGD Chairman Hadi Karasu said apparel exports of $17 billion would increase to $18 billion this year, reaching around $25 billion in five years.

Karasu and the top players in the textile sector pointed to the importance of environmentally friendly and quality production to make the increase in demand for the apparel sector sustainable.

In the meeting, it was emphasized that if the necessary steps are taken in this area, apparel exports will have a bright future. Order increases announced by giant buyers in the sector confirm this argument.

For example, Colveta Country Manager Hayrettin Uysal announced that they purchase 40 million euros ($46 million) of products from Turkey per year and plan to increase this figure to 65 million euros within five years.

He said that Turkey's current share of their total purchases is 30 percent, stressing that they plan to increase this to 50 percent. Uysal also underlined that it is important for Turkey to increase production speed and quality in this process.

Newlook Turkey has announced plans to increase purchases by 20 percent, while Hermes Otto Europe's Regional Director Heiko Drews said that Turkey is quite advanced in jeans and denim, noting that when the Turkish lira fell in value, producers became more aggressive regarding price.

Hermes Otto aims to increase purchases from Turkey to over 100 million euros in 2018, a 7 percent growth. It was reported that Verner, one of the major buyers, would increase its apparel order from Turkey, currently 55 million euros, by 5 to 10 percent this year.

Near East Manufacturing, on the other hand, is ready to increase its $100 million order by 10 percent.

Speaking at the panel, LC Waikiki Sourcing Director Şenol Dallı said that they closed 2017 with TL 12.5 billion and that they are targeting a turnover of TL 16 billion ($3.4 billion) with significant growth this year.

Explaining that they make 90 percent of their purchases from Turkey, Dallı said that they would continue to grow abroad this year, achieving $1 billion in net exports.

"We attach great importance to Turkey," H&M's manager for the European region, Serkan Tanka said while also pointing to a rapid growth performance.

According to Tanka, the apparel giant plans a growth rate of 20 percent this year in the Turkish market. Defacto Strategic Procurement Management Director announced their growth target for this year at 30 percent.

Footwear producers also report an increase in demand from abroad.

Istanbul Chamber of Industry (ISO) Footwear Industry Council Member Hüseyin Çetin stated that new footwear store chains were formed, especially in Eastern Bloc countries, and that the purchasers of these chains have turned to Turkey.

Indicating that the sector achieved a growth rate of 30 percent with additional customs duty in 2014, Çetin said that significant investments were made in this area, that small and medium sized enterprises turned to industrial production and that large companies abroad made serious purchases from Turkey.

"Those who have three to five stores in Russia now reached 150 stores. Over 10 chains are making purchases from Turkey. About 380 million pairs of shoes are produced in Turkey.

Turkey's capacity is 500 million pairs," Çetin added. "When the footwear sector focuses on exports, foreign exchange enters the country and small and medium sized enterprises become industrial producers, this will make a serious contribution to both the country's economy and the sector."

Çetin said that the exchange rate at this level has increased the competitive power of the footwear sector in the world. "Our exports to Russia increased by 120 percent in four months. Before the jet-downing crisis, our exports stood at $120 million. With the jet-downing crisis, this figure dropped to $60 million. I think a trade volume of $200 million will be reached very soon," he concluded

Source: dailysabah.com- June 21, 2018

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Vietnam, India seek stronger textile ties

Strengthening cooperation with India is important for the Vietnamese textile and garment industry to improve its competitiveness and increase its exports. To that end, a conference, entitled "Textiles: India-Vietnam Cooperation, Partners in Progress", was held recently by the Consulate General of India in Ho Chi Minh City with the goal of boosting trade relations between the two countries in textiles.

K. Srikar Reddy, Indian Consul General in Ho Chi Minh City, said both Vietnam and India have a developed textile and garment industry, and are among the world's top-5 textile and garment exporters. Vietnam is an important part of the Indian government's Look East policy.

India has invested about US$814 million through 176 projects in Vietnam, ranking 28th among 126 countries and territories investing in the country, he said.

Indian businesses exported textiles and garments worth US$429 million to Vietnam in 2017, up 44 percent from 2016, and accounting for a small part of Vietnam's textile and garment material import demand, said the consul general.

Many Indian textile and garment companies have invested in Vietnam, and Vietnamese textile and garment enterprises can develop ready-made garment production in India to meet the need of its 1.3 billion people. The Indian government allows wholly foreign owned direct investment in many areas, including textile and garment, while promoting a "Made in

India" campaign to increase penetration into the Indian market. Under India's "automatic route" policy, foreign investors can invest in India without seeking advance government approval.

Vietnamese companies can take advantage of this policy and the market potential to produce yarns, fabrics and ready-made garments in India, said K. Srikar Reddy.

Indian businesses are increasingly interested in investing in Vietnam and trading with its enterprises. In early April, 19 Indian companies participated in the Saigontex 2018 exhibition in Ho Chi Minh City to look for investment opportunities.

Truong Van Cam, Vice Chairman and General Secretary of the Vietnam Textile and Apparel Association (VITAS), said Vietnam's textile and garment industry faces major shortages of material.

Vietnamese textile and garment enterprises annually import all the cotton they need and 900,000 tonnes of fiber and fabric worth more than US$11 billion, while India is strong in cotton, fiber and fabric production. Thus, the potential is there for Vietnam and India to develop textile and garment cooperation.

Data of the General Department of Vietnam Customs show that in the first quarter of 2018, Vietnam imported cotton, fiber and fabrics worth more than US$200 million from India.

Source: ven.vn- June 21, 2018

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Vietnam: FDI textile-garment projects on the rise

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA) have helped Vietnam attract more foreign direct investment (FDI) in textile-garment projects in the country, officials said.

At a press conference held on June 18 to introduce the third Denims & Jeans Exhibition, which will be held in HCMC late this month, Nguyen Thi Tuyet Mai, general secretary and head of the representative office in HCMC of the Vietnam Textile and Apparel Association (VITAS), noted that Vietnam is one of the most attractive markets for those keen on the apparel sector.

Early last year, when the United States, the largest buyer of Vietnam's textiles and garments, withdrew from the Trans-Pacific Partnership (TPP), the FDI capital injected into the local textile-garment sector dipped and tended to flow to other markets with a lower-cost workforce and lower import duties, such as Cambodia, Myanmar and Bangladesh.

Since the third quarter of last year, foreign investments in the sector have increased again due to domestic textile-garment enterprises' high-quality products and short delivery time.

According to VITAS, Vietnam has inked 16 bilateral and multilateral free trade agreements (FTAs), including CPTPP and EVFTA, which will take effect in the near future, creating numerous opportunities for local textile-garment producers.

Mai said import duties of the European Union, Vietnam's second-largest importer, currently ranging from 10% to 12%, will be cut to zero when EVFTA comes into force. She forecast South Korea would overtake Taiwan to become the largest investor in Vietnam's textile-garment sector in the near future as this country has clinched a two-way FTA with Vietnam and a cooperation agreement with the European Union.

At the press conference, Sandeep Agarwal, CEO of India-based Balaji Enterprises Company, said Indian textile-garment producers could see potential in the Vietnamese market and are seeking export opportunities there.

In reality, Vietnam's apparel sector has attracted a large volume of FDI. Some 137 projects were approved in 2014 with total registered capital of nearly US$1.75 billion.

The respective numbers for the following years were 197 and US$2.6 billion in 2015, and 184 and US$1.5 trillion in 2016. Last year, although the United States withdrew from the TPP, Vietnam attracted 129 FDI apparel projects worth US$651.4 million.

In the first five months of the year, cities and provinces approved several FDI projects to produce materials and accessories for the sector. In addition, investors of projects launched in the country tended to pour more money into these projects.

According to data by the General Department of Vietnam Customs, textile-garment exports amounted to US$2.35 billion in May, up 11.2% month-on-month, taking the total amount in the first five months of the year to US$10.91 billion, marking a year-on-year growth of 15.8%.

The United States remained the largest buyer of Vietnamese apparel products in the five-month period, at US$5.15 billion, rising 12.7% versus the year-ago period and accounting for 47% of Vietnam's total textile-garment exports.
The European Union ranked second with export revenue of US$1.46 billion, followed by Japan with US$1.39 billion and South Korea with US$1.09 billion.

According to local enterprises, a trade war between the United States and China would benefit China's rivals, including Vietnam.

Last year, local textile-garment exporters shipped fibers, fabrics, shirts and jackets to China for the first time.

Chinese apparel products with competitive prices have been exported to many countries worldwide, and a few countries can export such products to China. Thus, Vietnamese apparel products have proven their quality and competitive prices.

Mai noted that the target of US$34-34.5 billion in apparel export turnover this year, which is 10% higher than the result last year, is achievable.

The large amount of FDI will contribute to developing textile-garment supporting sectors, raising the localization rate.

However, localities hesitate to approve projects involved in fabric dying out of fear of environmental pollution, Truong Van Cam, vice chairman and general secretary of VITAS, told a teleconference on comprehensive solutions to promote exports, held early last month.

For instance, Hong Kong-based TAL Group, which wants to invest in a dying project in Ba Thien 2 Industrial Park in Vinh Phuc Province, has not yet received an investment certificate from the local government, despite receiving the approval of the prime minister and the Ministry of Natural Resources and Environment.

Most FDI projects in the sector are related to fiber, garments and material production. Textile and dying projects account for a mere 9% of the total FDI apparel projects, Cam stated.

According to VITAS, it is impossible to develop supply chains to benefit from EVFTA and CPTPP if local authorities refuse to give the green light to textile and dying projects.

Cam proposed provinces allow foreign firms to make investments in these projects but prioritize those with modern wastewater treatment systems.

Minister of Industry and Trade Tran Tuan Anh also suggested provinces and cities should accept investors of textile and dying projects if they can ensure environmental protection.

Source: vietnamnet.vn- June 21, 2018

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Pakistan: Cotton exports grew by 32.66pc

Raw cotton exports from the country during 11 months of current financial year grew by 32.66 percent as against the exports of the corresponding period of last year.

According the latest data released by the Pakistan Bureau of Statistics, during the period from July-May, 2017-18, country earned US$ 57.541 million by exporting about 34,969 metric tons of raw cotton as compared the exports of 25,349 metric tons valuing US$ 43.374 million.

It may be recalled that textile group exports from the country during the period under review witnessed 9.82 percent increase as textile products worth US$ 12.336 billion were exported as compared the exports of US$ 11.232 billion of same period last year.

Meanwhile, 475,550 metric tons of cotton yarn worth US$ 1.247 billion were exported in last 11 months of current financial year as compared the exports of 414,430 metric tons valuing US$ 1.134 billion of same period last year.

During the period under review, 1,996,488 thousand square meters of cotton cloth worth US$ 2.015 billion exported as against the exports of 1,887,519 thousand square meters valuing US$ 1.980 billion of same period last year.

According the data exports of yarn other than cotton also increased by 38.1 percent and 10,670 metric tons of the above mentioned commodity worth US$ 30.273 million exported as compared the exports of 8,115 metric tons valuing US$ 21.935 million of same period of last year.

During the period from July-May, 2017-18, knitwear exports from the country grew by 16.81 percent and reached to US$ 2.480 billion, whereas bed wear exports increased by 6.65 percent and stood at US$ 2.55 billion.

During last 11 months of current financial year Readymade garments worth US$ 2.345 billion were exported, whereas about 189,783 metric tons of towels worth US$ 736.924 million were also exported.

Source: pakobserver.net- June 21, 2018

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NATIONAL NEWS

India in talks with China, Australia, New Zealand to crack mega trade deal

India is holding bilateral dialogues with China, Australia and New Zealand to get them to agree to less ambitious tariff cuts for sensitive products. The aim is to end the logjam in the negotiations for the mega regional trade bloc, the Regional Comprehensive Economic Partnership (RCEP).

The pact is being negotiated between 16 countries including the 10-member ASEAN, Japan and Korea.

"All member countries negotiating the RCEP now agree that as members may have different sensitivities with each other, efforts must be made bilaterally to sort them out and reach a common ground. Without such efforts, it would not be possible to reach an agreement between 16 members," an official said.

Once concluded, the RCEP is likely to result in the largest free trade bloc in the world covering about 3.5 billion people and 30 per cent of the world's GDP.

Trade ministers from all the RCEP countries, including Commerce Minister Suresh Prabhu, will participate in the inter-sessional ministerial meet in Tokyo on July 1, where attempts will be made to push the negotiations towards a conclusion by the end of 2018.

Tariff elimination

Most RCEP members, including the ASEAN, are eager for tariff elimination on more than 92 per cent of traded items.

However, it will not be possible for India to extend such concessions to China, with which it has a huge trade deficit.

India will also find it difficult to open up its markets substantially to Australia and New Zealand, as it does not have any operational free trade agreements (FTAs) with them.

"India has signed FTAs with the ASEAN, Japan and South Korea, where it has already agreed to eliminate tariffs on 70-80 per cent of traded items. The RCEP agreement would lead to some incremental concessions for these countries.

"But as the Indian industry is not exposed to any level of free trade with China, Australia and New Zealand, taking on huge commitments under RCEP could give it a big jolt," the official explained.

Political fallout

With the government preparing for general elections in 2019, opening the doors for cheap Chinese goods could also have a negative political fallout.

Apart from deviations in opening markets in goods, New Delhi is also stressing on the need for substantial commitments by members in services, as the present offers do not amount to additional market access for professionals.

A team from the Commerce Ministry has just left for New Zealand to hold bilateral talks in order to reach a common ground at RCEP. Talks with China, too, are on and would begin soon with Australia, the official said.

ASEAN is eager to wrap up the RCEP negotiations by 2018 and, in a way, is holding India partly responsible for the delay in talks.

In an Indo-ASEAN meeting here in January, Indonesian Trade Minister Enggartiasto Lukita had expressed hope India would not disappoint and would stand with the ASEAN to conclude the RCEP this year.

Source: thehindubusinessline.com- June 21, 2018

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Cotton yarn prices climb on strong export demand from China and weak rupee

Cotton yarn prices rose over 10 per cent in two weeks, due to a sharp increase in demand from markets abroad, following rupee depreciation. Along with yarn, there has been an increase in orders for Indian Cotton from China , following a build-up in its trade war with the US. In a retaliatory measure.

India's cotton shipments to China could grow five-fold to 5 million bales (850,000 tonnes) in the next crop year as exporters rack up orders amid a trade war that is forcing the world's top consumer to look for other sources of supply.

The United States, the world's biggest exporter of the fibre, had cornered the bulk of Chinese imports for at least a decade. But China's decision to impose a 25 per cent import tax from July 6 on American farm commodities, including cotton, in retaliation for tariffs enacted by the administration of U.S. President Donald Trump will allow India to grab a bigger share of the Chinese market.

India has already signed contracts to ship 500,000 bales (85,000 tonnes) of their new season harvest to China, reports Reuters.

Strong demand from China could help lift India's overall exports to as much as 10 million bales in 2018/19, highest in five years, as demand from traditional buyers like Bangladesh, Vietnam and Pakistan also remains healthy, said Ganatra.

For the 2017/18 crop year ending on Sept. 30, India is likely to export around 1 million bales to China. Chinese buyers would first try to replace U.S. cotton with machine-picked, non-contaminated fibre from Australia and Brazil, and then they would go for Indian cotton as Indian cotton is not free of impurities such as bits of leaves and empty bolls.

China is familiar with Indian cotton, and previously would buy as much as 6 million bales a year. At present, India also benefits from a depreciating rupee and nearness to China as compared with other competitors.

Along with lower freight rates, shipments from India reach China in about two weeks compared to an average of three to six weeks from other producers Australia and Brazil.

Source: indoasiancommodities.com- June 21, 2018

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Reduce duty to improve cotton yarn export to China

The Cotton Textiles Export Promotion Council (TEXPROCIL) is expecting a correction in the duty tariff on the export of cotton yarn from the country to China which was reduced from 603 million kg in 2013-14 to 315 million kg in 2017-18.

Texprocil Chairman Ujwal Lahoti said here on Wednesday that Vietnam emerged as a major competitor for India in terms of the export of cotton yarn to China, the largest importer, taking advantage of duty free access to the country.

Though cotton yarn exported from India was superior in quality, the export reduced due to duty tariff of 3.5 % to 5%, he said.

“Texprocil is taking efforts to bring down the duty tariff. We have already represented the issue to forums like Asia Pacific Trade Agreement and Regional Comprehensive Economic Partnership (RCEP) and the Union Ministry.

“They have assured us positive changes in the tariff. India will get an upper hand over Vietnam only if the duty issue is addressed,” said Mr. Lahoti.

According to Mr. Lahoti, a major chunk of mills from China shifted to Vietnam in the last five years, making it a conversion centre. Yarn produced in Vietnam thereby enters China without duty tariff, he said.

Vietnam, which had exported 287 million kg of cotton yarn to China during 2013-14, bettered its position and overtook India during 2017-18 by exporting 718 million kg.

Currently, Vietnam's export is 228 % of India's export to China.

Though India remains the largest exporter of cotton yarn in the world, the country's share declined to 25% in 2017 from 30 % in 2015.

Meanwhile, cotton yarn export from Vietnam, the second largest exporter with 19.94% share in the global market, increased to 881 million kg in 2017-18 from 250 million kg in 2012-13, registering a growth rate of 252 %.

Mr. Lahoti said various issues of refunding related to embedded taxes, as in the form of duty for electricity and petroleum products used in the cotton textile value chain, need to be addressed if exports had to pick up.

Source: thehindu.com- June 21, 2018

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Gujarat to offer 2.5% SGST refunds in lieu of VAT sops

Taking a first step towards streamlining fiscal incentives under Goods and Services Tax(GST), Gujarat government has decided to reimburse 2.5% of State Goods and Services Tax (SGST) in lieu of sops offered to industries in the previous Value Added Tax (VAT) regime.

To begin with, the SGST reimbursement incentive will be made available to the textile industry, and other sectors will be extended these benefits in a phased manner.

The state government is in final stages of amending various state policies, including the industrial policy, to replace VAT incentives with sops under GST. The government will first amend textile policy to offer SGST sops to the textile sector.

“After a series of consultations with various industrial stakeholders, the state government has decided to reimburse 2.5% SGST as fiscal incentive under GST. Under VAT regime, the state government used to offer fiscal incentives such as VAT refund,” said a key source privy to the development.

The state government is gearing up to roll out SGST incentives with textile industry held at top priority as the sector employs a large number of people.

"The SGST incentives will be extended to other industrial sectors later on in a phased manner as the state government is currently evaluating the possible financial burden on the exchequer on account of these sops," the source added.

Although the industries want higher percentages of SGST to be reimbursed, the state government wants to begin with a rate of 2.5%.

Gujarat government is under pressure from the industries to offer fiscal sops under GST regime as fiscal incentives under VAT ceased to exist after GST implementation. With the government yet to finalise any policy decisions with regard to incentives under GST, industries, both large and small, are facing troubles.

"Industries and traders are already facing a lot of challenges as the state government has stopped all financial incentives under VAT for almost a year now.

To boost the industries and trade sector the government needs to give minimum 5% reimbursement against the SGST paid," said Jaimin Vasa, newly elected president of the Gujarat Chamber of Commerce & Industries(GCCI).

"Since the industries have stopped getting VAT refunds or reimbursements since GST came into force in July 2017, the industries also demanded compensation in form of arrears. However, the government will take a call on it shortly.

As far as other schemes for micro, small and medium enterprises (MSMEs), large and mega industrial projects as well as other sectoral policies are concerned, the state government will take a separate decision," said a source close to the development.

Source: timesofindia.com- June 21, 2018

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Ease of Doing Business for exporters in filing DFIA

Taking a step towards ease of doing business for exporters in the country, exporters have been enabled to file single Duty Free Import Authorization (DFIA) application for exports made from any EDI port and separate applications for export made from each non-EDI port.

DFIA scheme is in existence from 1st May, 2006. A Duty Free Import Authorisation is issued to allow duty free import of inputs which are used in the manufacture of the export product (making normal allowance for wastage) and fuel, energy, catalyst etc. which are consumed or utilised in the course of their use to obtain the export product.

In a notification, Directorate General of Foreign Trade (DGFT) said, "Paragraph 4.29 (vi) and Para 4.29(vii) of Foreign Trade Policy 2015-20 is replaced enabling exporters to file single DFIA application for exports made from any EDI port and separate applications for export made from each non-EDI port."

Now after the amendment, separate DFIA shall be issued for each SION.

Also, export under DFIA shall be made from any port listed in Para 4.37 of Handbook of Procedures. However, separate application shall be made for EDI and non-EDI ports. In case export is made from a non-EDI port, separate application shall be made for each non-EDI port.

Source: knnindia.co.in- June 21, 2018

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Denim Industry to Come Together at Bengaluru for 2nd Denims and jeans Event on 1st and 2nd of August, 2018

Denim has been one of the fastest growing industries in Indian textile industry clocking over 10% growth continuously for many years. India is now the second largest market for jeans around the world. Denimsandjeans, after their successful first edition last year, seek to bring the various segments of the industry together again at one place on August 1-2 with their second edition. The annual event had enabled the supply chain companies including top mills, garment manufacturers, accessory and chemical suppliers to come together last year and generate business for the industry.

Denim has been one of the main booming textile segments in India in the past decade. Whereas in 2005 the consumption of jeans in India was less than 300 million pieces of jeans, today it's almost doubled with an annual growth rate of more than 10%. This gives India the distinction of being the second largest consumer of denim apparel after China. India is set to get a big lead over U.S. and EU in coming years, as its consumption increases in Tier 2 and Tier 3 cities and consumption reaches about 1 billion jeans in next 4 years.

The 1st edition of Denimsandjeans India was a great success and witnessed the phenomenal attendances throughout the show. With over 1,800 visitors from all the major brands, retailers, buying houses, etc. in India and some from overseas, it was probably the best aggregation of denim industry in India in a very long time.

The 2nd edition is scheduled to be held on 1st and 2nd August at Hotel The Lalit, Bangalore. Themed - Denim Gender Free - it seeks to bring focus on the growing trend of creating unisex denim collections. Apart from all the major denim mills from India including Arvind, Raymond, Mafatlal, Nandan, Suryalaskhmi, Bhaskar, the show will host the International companies like M&J (Bangladesh), Jeanologia, Kilim Denim (Turkey), Tonello (Spain), VAV Technology (Turkey), Kemin (Italy), Timay Tempo (Turkey) and many more.

International Denim Experts from U.S. and Europe will be holding denim sessions on recent developments and innovations which have been recently introduced and a lot more is still to be unveiled.

Various technologies including 3D printing, syncing denim with music, special softwares to help the global denim industry and more will be explored through various presentations and seminars. The entry to the show is by invite only and buyers can register here to get an official invitation.

Denimsandjeans holds exhibitions in India and other countries. Its next edition of Denim show in Vietnam is also scheduled to be held on June 27-28 at HCMC. Being the 3rd edition in this country, the show is expected to draw crowds of international apparel retailers who are eager to take advantage of several treaties like CPTPP which it recently signed and upcoming FTA with EU which is expected to bring increased focus to the country.

India is currently a hot favorite for international retailers who are seeking to strengthen their foothold in the booming apparel retail market. With several taxation changes and ease of doing business options, the country is now looking forward to sustained growth in apparel retail and with increase in organized retail, the value of the market is expected to grow substantially and this is expected to impact the denim industry very positively.

Source: businessworld.in- June 22, 2018

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Government to soon launch national portal with skilling data

The government is collating the rise in the number of skilled persons in the country since the launch of the flagship Skill India programme, following on from efforts to tally jobs.

The move for creating a data portal was triggered after cabinet secretary PK Sinha started conducting monthly review meetings in January on the number of skilled personnel, thus bringing all central ministries on board to converge their skilling programmes.

Around 12 million youth enter the country's workforce every year but a large chunk of them are unemployable because of poor skillsets, which is why it's a key thrust area for the government.

Skilling the new entrants while upskilling and reskilling the existing workforce will mean there will more employable people in the country, which in turn will add to job numbers, lift incomes and boost growth.

At the launch of the Skill India programme in 2015, the government had targeted training over 400 million people in different skills by 2022. However, barely 40 million have been trained by different stakeholders since then, 25 million of them by the ministry of skill development and entrepreneurship. The government will soon launch the national skills portal that will have skilling data from all central ministries, states and corporates, a senior official told ET.

“The first phase will be launched on July 15 and, over a period of time, when all stakeholders are on board, it is estimated that the number of skilled personnel could go as high as 15 million a year against 10 million estimated by the skills development ministry,” he said. This will act as a boost for the government ahead of polls next year as the jobs issue has been haunting it and it aims to make India the skill capital of the world

Skill training is imparted by not just the ministry of skill development but also over a dozen other central ministries besides states and companies and the numbers are not reported on any common platform. “The comprehensive data on the portal is expected to have twin benefits,” said the official cited above. “Firstly, we would get total number of skilled personnel in the country on a real-time basis and secondly this would help in de-duplication so that resources are not wasted.”

According to the official, the cabinet secretary has directed the ministry of skill development and entrepreneurship to converge all skilling data across sectors, gender, social and geographic landscape to assess demand and supply for the skilled workforce. “The national skills portal, which is being developed by the National Skills Development Corp. (NSDC) and the World Bank, will help to address the mismatch between the existing pool and the fast-changing skill sets required today,” the offici ..

The skill development ministry says it trains 6 million youth a year through Industrial Training Institutes (ITIs), apprenticeship programmes, the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and fee-based NSDC training.

Besides, other central ministries such as agriculture, rural development, textiles, electronics and IT, human resource development and new and renewable energy impart skill training, taking the total estimated number to 10 million a year.

Under the flagship PMKVY launched in 2015, close to 5 million candidates have been trained across the country at a cost of Rs 3,000 crore. The target is to train 10 million youth by 2020 at an estimated cost of Rs 12,000 crore.

Source: economictimes.com- June 22, 2018

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