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IBTEX No. 143 of 2019 July 22, 2019

US 69.04| EUR 77.43 | GBP 86.33| JPY 0.64

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21053	44000	**81.24**
Domestic Futures Price (Ex. Warehouse Rajkot), July		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
21490	44914	**82.93**

International Futures Price	
NY ICE USD Cents/lb (December 2019)	63.07
ZCE Cotton: Yuan/MT (September 2019)	12,965
ZCE Cotton: USD Cents/lb	85.45
Cotlook A Index – Physical	**72.95**

Cotton Guide: The ICE cotton futures have resorted to the positive side after being bearish for a considerable period. The reason attributed to this change of path was Short Covering. It is now clearly visible that speculators are in a record short position. This morning while we write the report at 8 am the ICE December futures contract is trading at 63.86 cents/lb. With such figures, it does not seem too difficult for the prices touch the resistance figure of 64 cents/lb seen on Friday morning. It will be quite interesting to know how further this price rise can go.

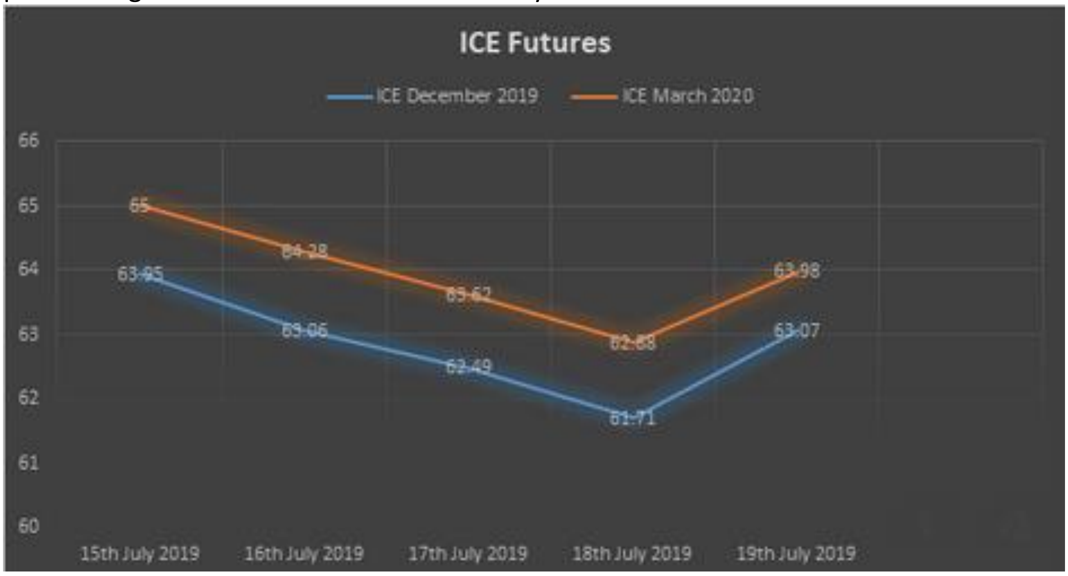
Fundamentally speaking this type of price rise should be short lived as the basic strength i.e. DEMAND, has not yet kicked in. Further there is news coming in of some Spinning Mills in India observing a Production Holiday every Monday to cut down costs, as their yarn inventory still lies unsold. On the other hand, the talks of Hurricane Barry causing adverse impact to the cotton fields, have been ruled out. This can thus bring bearish news for the market.

Today, USDA will release another weekly report on the crop conditions. Last week, the crop was having a 56% Good to Excellent result (rating). The weather in the USA is being partially good and partially bad, with news of Hot Weather coming in now. This can further reduce the rating of the crop conditions report.

The ICE contracts were all positive across the board. As mentioned earlier, the ICE December contract settled at 63.07 cents/lb with a change of +136 points. The ICE March 2020 contract settled at 63.98 cents/lb with a change of +110 points. Volumes were still lower but were better than all the figures seen last week. The total volumes were seen at 22,284 contracts with ICE December leading at 15,470 contracts.

The MCX contracts have not being behaving in tandem with ICE. Usually there is an established correlation between ICE and MCX. The past week we have experienced the opposite happening. The most active MCX July contract settled at 21,490 Rs/Bale with a change of -60 Rs. The MCX August contract settled at 20980 Rs/Bale thus unchanged.

The MCX October, November and December contracts also were negative but the volumes seen for these contracts were miniscule. Total volumes on Friday were 2,695 lots as compared to the previous figure of 6731 lots seen on Thursday.



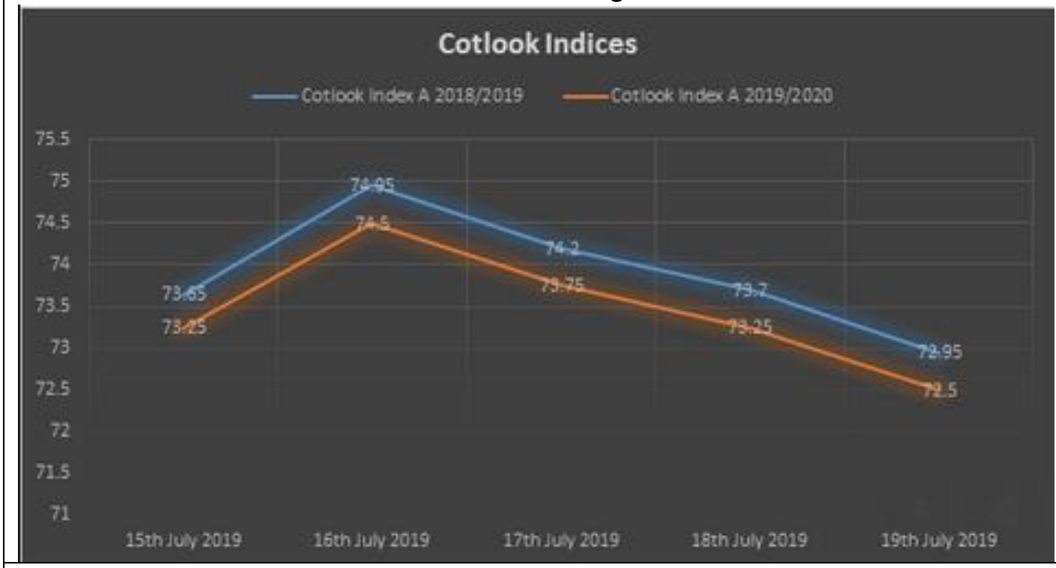
The Cotlook Index A has been adjusted at 72.95 cents/lb with a change of -0.75 cents/lb. The Cotlook Forward Index A has been adjusted at 72.50 cents/lb with a change of -0.75 ents/lb. The domestic average prices of Shankar 6 are seen to be increasing slowly with a change of Rs 100 per Candy.

For today, fundamentally speaking we expect the ICE December futures to trade in the range of 63 – 64.50 cents/lb. For MCX contracts we presume it will trade in the range of 21300-21770 Rs/Bale.

On the technical front, ICE Cotton futures recovered after testing contract lows in previous week. Price rallied towards the 9 day EMA at 63.30 levels. Meanwhile price is trading in a downward sloping channel with higher band of the channel (resistance) exists around 64.70-65.50 zones. The strength index (RSI) in the daily charts is still under 50, which needs to move beyond 50 to change the bearish bias in cotton price, until then it could remain in the sideways to downside bias. So in the near term resistance exists around 64.70, which may restrict price to move higher.

Only a close above 64.70 would push price towards 65.50. On the downside support exists around 62.35, followed by 61.80. So for near term price is expected to consolidate in the range of 61.00-64.70 with downward bias. In the domestic market MCX July future is expected to trade in the range of 21280-21750 Rs/Bale.

The Coltlook Indices have behaved in the following manner last week:



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

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INTERNATIONAL NEWS

WTO: Struggling to stay relevant

The Trump administration's undermining of the trade body will have a serious impact on global trade and beyond

The World Trade Organization (WTO) is facing an unprecedented existential crisis. The challenges to WTO are coming from various quarters but the biggest threat is from one of its former proponents — the US.

The present US administration has taken a very tough stand on the WTO. The US President thinks that the WTO is the "single worst trade deal ever made". He has often expressed his disdain for WTO in no uncertain terms and has repeatedly threatened to pull out of the organisation.

In the name of promoting nationalistic policies, the Trump administration is repeatedly flouting the WTO rules and unilaterally imposing tariffs on other countries. Actions by the US trade officials are basically pushing the world towards a trade war.

To justify their actions, the US trade officials are using a rather arcane rule of GATT — the Article XXI. This Article says, in part, that GATT/WTO rules cannot prevent a country "from taking any action which it considers necessary for the protection of its essential security interests,". The Article XXI was written during the establishment of GATT more than 70 years ago when the world was coming out of a series of major conflicts including the second world war. It was also a period of the 'Cold War'.

May be during that era there was certain usefulness of this Article. But in the present context, there is serious debate about what is meant by "national security" and "necessary" action. For example, the US has used the 'national security' clause to increase tariff rates on imports of steel and aluminum. Not surprisingly, not many countries have agreed that import of steel and aluminum can threaten national security.

However, a recent WTO ruling has made the matter more complex. In a dispute between Ukraine and Russia, the WTO has ruled that while every member can define its essential security interests, the WTO has the right to review whether a country's claim was made in good faith. This ruling has opened a Pandora's box and can potentially turn the WTO dispute settlement (DS) process into a forum to discuss international political problems. Against the backdrop of a potential trade war, this may lead to more conflict among the WTO member countries and put pressure on the WTO DS system.

Dispute settlement in crisis

The WTO dispute settlement process is anyway going through a crisis. In the recent past, several WTO rulings have gone against the US. These have led the US officials to claim that the US is being victimised and the WTO rules are violating its national sovereignty.

For example, a recent report of the Appellate body (AB) of WTO — dated July 16, 2019 — has ruled that the US broke WTO rules while imposing certain trade barriers against China. If the US does not remove these trade barriers, then China can impose sanctions against US exports.

In WTO, an AB report is final, and binding and it cannot be challenged. Therefore, the US will have to act unless it wants to give China an option to exercise trade sanctions against the US. No wonder such rulings have not gone down well with the US officials. They have accused the WTO system of encroaching on its national sovereignty.

They have also accused the WTO dispute settlement system of judicial "overreach". As a retaliation to its perceived victimisation, the US is blocking appointment of members in the WTO AB since the past few years. This has serious ramifications for the WTO dispute settlement system. In the WTO dispute settlement system, any trade dispute is initially tried to be settled through consultations among the disputing members.

If that does not work, then the case goes to a dispute panel. The decision of the dispute panel is final, but the decision can be appealed to the AB. The AB reviews the decisions of the panel. But once the AB gives a report, it becomes final and binding on the members.

According to the WTO system, the AB should have seven members who are appointed by consensus among WTO members. Any appeal from the WTO dispute panels must be heard by three out of seven members of the AB. These seven members are appointed for a four-year term. Once an AB member finishes his/her term, a new member is required to be appointed to keep the strength of the AB at seven.

US blocking appointments

However, since 2017, the US has been blocking appointment of new members in the AB. Four members of the AB have completed their terms, and no replacement members could be appointed. Presently there are only three members left in the AB and if no new members are appointed, then by December 2019 there will be only one member left. This will make the AB dysfunctional and will jeopardise the WTO dispute settlement mechanism.

This can have a serious impact on the rule based multilateral trading system. The US administration is regularly threatening countries with imposition of additional tariffs. They have also raised tariff rates on several products. Some countries like India have retaliated and imposed countermeasures against US exports. It almost appears that the US is using a two-pronged strategy to create disruptions in the global trading system.

It is violating the WTO rules and raising a large number of trade disputes while continuing to block appointment of AB members thereby disrupting the DS system. These trade frictions and uncertainties are hurting global trade quite significantly. WTO data released in April this year show that international merchandise trade growth is slowing down perceptibly.

After a healthy year-on-year growth rate of 4.6 per cent in volume terms recorded in 2017, the growth rate of global merchandise trade has slumped to 3 per cent in 2018 and is further expected to slow down to 2.6 per cent in 2020.

If major trading countries continue to undermine the role of WTO and global trade continues to decline, it may become a serious setback for an organisation which is struggling to remain relevant in a changed global trade scenario.

Source: thehindubusinessline.com - July 21, 2019

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Eurozone turnover down two per cent

Turnover of the retail sector in the 19 countries of the Eurozone fell by 2.4 per cent in May 2019 compared to a year ago. Revenues fell 4.3 per cent in April. In general, last year was negative for retail sales of the sector in the European Union of 19 states. The only months in which increases were marked in the sector were April, August and October. Otherwise there was a drop of over two per cent between May and July.

In the European Union as a whole (28 countries), trade in textiles, clothing and footwear fell by 1.9 per cent. Despite starting the year with a decline of 0.6 per cent in January, the sector's retail turnover surged in February and March, with increases of 3.6 per cent and 3.4 per cent respectively. However in April there was a decrease of 1.7 per cent.

In both the Euro area and the European Union as a whole, total sales of retail trade increased by 1.3 per cent in May 2019 compared to May the previous year. Luxembourg and Ireland were the territories that contributed most to the growth of the turnover of the whole of retail in Europe in May 2019, with increases of 7.4 per cent and seven per cent respectively.

Source: fashionatingworld.com- July 20, 2019

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Thailand trade surplus expands as export slide eases

Thailand's exports shrank by less than forecast, while imports fell sharply, taking the country's trade balance deeper into surplus. Exports from the south-east Asian country, a regional manufacturing hub for industries including electronics and automobiles, fell 2.15 per cent year on year in June, according to the central bank.

The drop was lower than than the 5 per cent fall forecast in a Reuters poll of economists, and was an improvement from the 5.79 per cent decline in May. Meanwhile, imports slid by a sharper-than-expected 9.44 per cent, versus a 2.96 per cent forecast fall, taking the country's trade surplus to $3.21bn, up from $180m in the previous month.

Thailand has been weighed down by a slowdown in its manufacturing sector, particularly in its large electronics industry, as supply chains across Asia have been affected by trade tensions and stuttering regional growth. Data showed the country's economy grew at its slowest pace in more than four years in the first quarter of this year.

Export data in June will fuel hopes that the worst may be over for the south-east Asian nation's economy, which also emerged from a period of prolonged political wrangling in the same month after the parliament elected incumbent military junta chief Prayuth Chan-ocha as prime minister. But analysts at ING warned that the outlook for south-east Asian exporters remained downbeat.

"The balance of risk is tilted towards further export and manufacturing weakness across the region," with "trade tensions between the US and China, and now between Japan and Korea, remaining elevated", they said.

Source: ft.com - July 21, 2019

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S. Korea sees steepest export fall among world's top 10 exporters

South Korea's exports this year lost ground by the biggest scope among top 10 trade powerhouses, data showed on Sunday.

According to World Trade Organization (WTO), Korean overseas shipments contracted 6.9 percent to $181.5 billion in the first four months of 2019 compared to the same period a year ago – the steepest fall among the world's top 10 export countries. After Korea - the seventh largest exporter in the world -, Germany saw its outbound shipments fall 6.4 percent

Japan mounting exports curb on Korea suffered 5.6 percent loss to $234 billion during the same period, falling to fifth rank from the previous fourth. The Netherlands went up to the fourth with exports of $236.4 billion, down 2.1 percent.

Exports of world's eighth-largest exporter Italy also fell 5.2 percent while those of Hong Kong, the ninth-largest exporter 3.9 percent, and the United Kingdom, No. 10 exporter, 2.4 percent.

When counting in May shipments, Asia's combined shipments fell sharper compared with a year-ago period. Korea led the pack with a loss of 7.4 percent, Japan 6.3 percent, and Hong Kong 4.3 percent.

No. 1 and No. 2 exporters gained until April despite their trade war.

Overseas shipments from China, the world's largest exporter, amounted to $744.5 billion in the first four months of 2019, up 0.2 percent from the same period a year ago. U.S. exports gained 0.5 percent to $544 billion during the same period, data showed.

When counting in May, U.S. exports dropped against a year-ago period.

Global market research firm IHS Markit said in its recent report that "the escalating trade tensions between Japan and South Korea have added downside risks for the APEC trade outlook, even as the U.S.-China trade war and downturn in global electronics sector new orders have hit East Asian exports already."

Source: pulsenews.co.kr- July 22, 2019

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Sri Lanka: More woven fabric suppliers needed, says apparel exporters' chief

Sri Lanka's apparel industry is moving in the right direction and all the stakeholders need to ensure its sustainability and reach the set targets through product and market diversification, Chairman, Sri Lanka Apparel Exporters Association (SLAEA), Rehan Lakhany said.

"The industry needs more woven fabric suppliers and should enhance the number of overall fabric manufacturers to meet the terms in preferential trade agreements and also to meet speed to market, to sustain and grow the market place," he said.

A positive trade policy agenda is the need of the hour for the industry to sustain performance and it will also be an encouragement for industrialists to be competitive and provide the national economy an upward push, he said.

Excerpts:

Q.What is the present status of the apparel industry in Sri Lanka?

A. The Sri Lanka apparel industry has recorded the highest ever growth for the month of May and also for the cumulative period from January to May. This is by achieving a turnover of US $ 2.139 million and a growth rate of 8.69%. This is the highest ever growth recorded in the past five years. Significantly, apparel exports have recorded growth in the US market, EU market and in other countries as well. We can say that our industry is heading in the right direction. With the expectation of this positive trend to be continued in the long run.

Q. How confident are you of achieving growth targets in terms of revenue and volume this year?

A. Based on the performance in the first half of this year, I believe we will achieve our targets with a compound growth of 6.5% to achieve the US $ 8 billion target in 2025. However, the industry needs to work collectively to move forward in reaching the targets. Since we lack government support by way of incentives, a combined effort of all the stakeholders to further improve industry performance is necessary.

Q. What are the challenges the apparel export industry faces at present?

A. We see a lack of woven fabric suppliers and overall fabric manufacturing in Sri Lanka as a major challenge. This is necessary to meet the country of origin rules demanded under preferential treatment such as GSP+ and as well as speed to market.

There are investors who are interested in setting up textile plants in Sri Lanka, but they do not have access to locations which has water and discharging facilities. We are working with the BOI to solve this issue, but progress has been slow. This has been identified as a vital need for the industry to grow, but has not been successful so far.

Q. Is the policy framework conducive for the industry's growth plans?

A. We don't see a problem with the policy framework. But the support that is needed by the industry is not forthcoming due to implementation issues. The problem is more of implementation than policy framework.

Q. What are the new markets the SLAEA is exploring at present?

A. We continue to go for diversification of the market, especially to China and India, the two largest developing economies in the world.

We have been advocating negotiations for a preferential arrangements with a guarantee for market access for our products. These efforts will have far reaching benefits for the industry.

Q. What are the technological advancements to be deployed by the industry to upgrade the quality and efficiency of the operational process?

A. Automation is the need of the hour. The industry is now embracing automated 3D sampling technology using digital avatars to speed the manufacturing process as a part of automation of the back office.

There is also a focus on sustainability where advanced technology is being used to minimise emissions and energy use to reduce industrial discharge. We are proud that we commissioned the world's first zero emission apparel manufacturing plant in Batticaloa this year.

Sri Lanka's apparel industry has always been striving to be the first and the best in all spheres. This has won the respect of some of the best brands in the world, which continue to place their trust and grow their sourcing with us.

Q. Any plans to diversify the export sector to capture new product orders?

A. The industry is always looking for new opportunities with regard to products and markets, and it is a continuous need. It is constantly exploring new areas to grow, for example, a leading apparel manufacturer is now producing textile-based shoe uppers for the largest footwear brand in the world.

We are continuing our efforts in market and product diversification to ensure the sustainability of the industry.

Q. What is the impact on the industry following the Easter Sunday attacks?

A. We had a disruption of production for about 3-4 weeks. We are working with our local and foreign stakeholders to continue our business. But our worry is not the disruption, but whether it could impact a trade shift.

This is particularly because of post event developments. Fortunately, the government curtailed it and we hope that no more civil unrest will occur, enabling the industry to continue towards achieving our 2025 target. The conducive environment will pave the way to materialise our objective.

Q. In terms of skilled labour, is the industry comfortable with the workforce?

A. Skilled labour is our biggest asset. The industry is continuously training and upskilling the workforce. We will do everything possible to retain and motivate the staff.

The current program 'Matai Mage Ratatai' is an image building program to create awareness for nationally important contribution being made by the workforce through our industry.

We are hopeful that this will help support to reverse the negative perception that has been created by all media streams for past three decades.

It is a campaign organised by the industry with the support of the Export Development Board (EDB).

We hope to bring the respect our workforce deserves and motivate them in order to support our industry and our nation to achieve its full potential.

Q. Are there plans to generate more revenue and create employment opportunities in the next five years?

A. We have set ourselves an ambitious growth target for the next few years and there are multiple programs conducted by the SLAEA and the Joint Apparel Association Forum to improve the business environment, create additional market access, expose our membership to international fairs with the support of the EDB and recognition of our workforce through the NVQ program.

The industry strongly believes that a productive public-private dialog will reduce time and the cost of doing business with the Government and with a positive trade policy agenda, we will continue to perform and make our contribution to the national GDP.

We are optimistic of the progress the apparel industry could achieve and contribute to the national economy in terms of revenue and employment generation. The industry needs a solid strategy to ensure sustainability in moving forward.

Source: sundayobserver.lk- July 21, 2019

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"Sri Lanka's future lies in producing exportable manufactured goods": Dr. Howard Nicholas

Drawing lessons from Vietnam's experiences

The Sri Lanka-born economist attached to The Hague based Institute of Social Studies – Dr. Howard Nicholas – addressing a packed audience consisting of the alumni of the Postgraduate Institute of Management in Colombo last week gave a fine advice on how Sri Lanka should fast-track its economic growth. Drawing on the experiences of the recent economic development and predicted economic prospects of Vietnam, he conclusively declared that Sri Lanka's future depends on its concentrating on producing exportable manufactured goods and not over-relying on agriculture or services.

Sri Lanka should go for exportable manufacturing goods

In summary, Nicholas' thesis was as follows: Agriculture, specifically the plantation agriculture, has contributed enough to Sri Lanka's economy in the past. But it has now come to its peak and any more development will not generate increased employment opportunities to Sri Lankans, a crucial issue which Sri Lanka has to tackle through accelerated economic growth. Similarly, services cannot take Sri Lanka further afar since, without a backing strong real sector, it cannot remain viable in isolation. Hence, the natural choice for Sri Lanka is to move into manufacturing because a society accumulates not agricultural products but manufactured products.

He gave a fine example to illustrate his point. In 1960s when he joined the college, he took all his belongings in a briefcase. But, now if he has to do the same, he has to carry with him truck load of goods which are all manufactured products. Hence, when income increases, the demand from the citizens is for manufactured products. Thus, a country should be able to produce and supply the same if it is to survive and prosper. But Sri Lanka's market is small – it is only 21 million people – and therefore, it cannot absorb every manufactured product it may get to produce. Hence, it has to sell its products to the rest of the world which process is known as exports. Therefore, Sri Lanka has no choice, Nicholas opined, but to get into exportable manufactured product business.

This is heretic in a country where agriculture is worshipped like a religion. As such, Nicholas may run into challenge of and criticism by those Sri Lankans who still think that Sri Lanka should design its future by promoting its agriculture as the base of the economy. For them, Sri Lanka is an agriculture-based economy. To say otherwise is unpatriotic and a cardinal sin.

It is the Industry 4.0 that challenges Sri Lanka

In my article in this series last week, I also argued the same. The article titled 'Sri Lanka's future depends not on an outdated feudalistic system but on becoming a partner of a digital economy (available at: http://www.ft.lk/columns/SL-s-future-depends-not-on-outdated-feudalistic-system-but-on-becoming-partner-of-a-digital-economy/4-681935) argued that it is a myth to say Sri Lanka was an agriculture based economy in the past, it is so today and it should be the same in the future. In the past, Sri Lanka was, I argued, more a trading economy than an exclusively agriculture based economy.

During the British period, its plantation sector consisting of three tree crops – tea, rubber and coconuts – brought higher income to Sri Lankans. This trend continued till about late 1970s but beginning from early 1980, the economic structure got changed in favour of basically a single manufactured product, namely, textiles and garments. Accordingly, while agricultural output continued to increase in absolute terms, its dominance in the economy gradually shrank. In exports, tea, rubber and coconut had accounted for 90% of its earnings prior to 1977, but this ratio continued fall in the subsequent period. In 2018, their combined share in export earnings was just 15%. To take its place, the export earnings from industrial products continued to grow and in 2019, it brought in 79% of export earnings. Of those earnings, textiles and garments were responsible for 45%.

In the national economy, of the total output, agriculture accounted for, on average, about 30% in 1970s. Though the agricultural output increased in absolute terms in the subsequent period, the output of industry and services increased faster than that of agriculture, pushing down its share to 8% of the total output by 2019.

Hence, I argued that there was a dramatic structural change in Sri Lanka's economy in the past few decades, but that change has to take a different direction today, especially because of the new challenges faced by its main growth driver, textiles and garments, globally. Those challenges took the form of a call for the return of the industry to developed countries by locating factories on their soil – known as on-shoring or re-shoring – and in countries close to major markets – known as near-shoring.

Thus, Sri Lanka has to find a new growth driver now and that growth driver comes in the form of 'digital economies' along with the new wave of industrialisation named the Fourth Industrial Revolution or Industry 4.0, a term coined by the convenor of the World Economic Forum, Klaus Schwab. Hence, it was argued that Sri Lanka should redesign its strategy to make Sri Lanka an active partner of the emerging global digital economy. Nicholas stopped short of making this recommendation.

Click here for more details

Source: ft.lk- July 22, 2019

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Egypt: The exports dilemma

For years the government has been targeting achieving a major boost in the country's exports, but, despite improvements, Egypt's export performance remains below its potential.

Compared to other middle-income countries that started at the same level or below in the early 2000s, Egypt's exports-to-GDP ratio remains much lower, says the newly released World Bank Egypt Economic Monitor report.

According to the report, exports of goods fell from 17 to 5.6 per cent of GDP between fiscal years 2006 and 2016, although they picked up again in 2018 to reach 10.3 per cent of GDP. Given the country's high dependence on imports, the weak exports performance has resulted in an average trade deficit of 12 per cent of GDP during the same period, the report showed.

Entitled "From Floating to Thriving: Taking Egypt's Exports to New Levels", the report said that energy subsidies and the exchange-rate overvaluation "have resulted in a weak export performance and a modest regional and global integration" because they worked in favour of energy intensive industries and shifted production resources away from labour-intensive and exports-oriented sectors.

Though there has been an improvement in export performance since the exchange-rate liberalisation, that has not been enough to guarantee improvements in performance. A currency depreciation boosts exports because it makes the price of domestic products more competitive.

"Other countries have seen their exports reacting more sensibly to a more modest currency depreciation, while a significantly larger depreciation in the Egyptian pound was only followed by an export increase of 16 per cent in about a year's time," the report said. That being the case, the report suggested that "rapid and sustained exports growth certainly requires more than a price effect."

The report lamented that Egypt exported a very limited number of sophisticated goods and the majority were peripheral goods like crude and refined petroleum, precious metals, agricultural products, textiles and construction material.

"Only a few products in which Egypt specialises and expands are matching the growth of global demand," the report said, adding that global demand for some of Egypt's top exports such as cotton, fertilisers, tobacco and oil seeds had been declining. The country has lost competitiveness in textiles, cement, aluminum, ceramics and chemicals, as its share of world trade in these products has declined between 2012 and 2016.

"There is a limited ability to achieve substantial increases in Egyptian exports if the exports structure remains concentrated in products that are weakly traded in global markets," the report said. Electrical machinery, essential oils, and edible fruits and vegetables are some of the few Egyptian exports subject to accelerating global demand and that could be considered as winners, it added.

Besides working on exporting more goods that are in global demand, the report recommended varying export markets. It showed that though Egypt's exports have gradually shifted away from the US, they still remain limited to traditional markets. The EU has been the most important trading partner and first recipient of Egyptian products for the past decade, while exports to African markets remain under-developed, averaging 2.2 per cent of total exports between 2008 and 2017, the report said.

"Egypt is under-trading with 63 per cent of destinations, with African countries representing half of these destinations," the report showed. Egypt is also under-trading and not exploiting its full trade potential in 53 per cent of products, some of which have a comparative advantage such as textiles, garments, fertilisers, chemicals and wooden products.

The report suggested that "increasing exports in established sectors and markets seems like a low-hanging fruit, but as global demand shifts to new sectors and products, developing new export sectors and expanding the country's access to new markets is equally important."

It stressed the need to focus on higher value-added and technology-intensive products. To enable this to happen, the report recommended giving firms incentives to upgrade their technological capabilities as well as their production processes and products.

It also said research and development and innovation were important to enable firms to integrate with the global industry chain and to move up to a high added-value production structure.

SIMPLIFICATIONS

The report stressed the need to simplify the business environment to attract potential investors in non-oil sectors.

“Industrial and investment policies should encourage business activities that allow for a technological catching-up to be complemented and orchestrated with innovation and education policies to avail the skills needed for the catching-up process,” it said.

Meanwhile, to make the most of Egypt’s multiple preferential trade agreements, which the report said were mostly limited to tariff-waiving, the report recommended deeper and more comprehensive trade agreements that addressed non-tariff measures, the harmonisation of standards, and the inclusion of services and investment provisions. This would help Egypt to develop regional and global value chains that in turn would boost trade and help small and medium enterprises to export, the report said.

Removing trade barriers was another important recommendation of the report. Despite significant reforms and liberalisation efforts, significant trade barriers prevent the country from fully exploiting its trade potential and maximising its gains from trade, it said.

“There is an urgent need to ease the regulatory environment around trade activities, notably customs and trade regulations,” it added. It praised existing efforts like the single-window system that allows international traders to submit all documents at one location instead of making separate document submissions to each agency; however, it said that a thorough review and harmonisation of the legal regulatory framework and of the existing procedures was needed to streamline and improve the cross-border movement of goods.

Connectivity was another area the report focused on. It said that despite its strategic location, Egypt suffered limited connectivity, which was an obstacle to the efficient and reliable movement of goods and services.

“Access to markets, including the cost of transporting goods and inputs, is a function of distance, road quality, and other geo-physical barriers,” the report said, adding that enhanced infrastructure and logistics were important for domestic trade and exports and reduced losses for perishable goods.

In Egypt, internal distances from borders can add substantial amounts to times and costs, the report said.

Egypt’s performance on trade logistics put it at 67th position globally out of 160 countries included in the Logistics Performance Index, the report said. The index tracks performance on cost and reliability of import and export supply chains, infrastructure, the quality performance of core services, and the friendliness of trade-clearance procedures.

This being the case, the report recommended a focus on improving connectivity across Egypt between port locations and consumption and production areas by expanding capacity for rail freight transport and highways and developing the potential of Nile river-transport facilities. It recommended enhancing international connectivity through improved maritime services and taking advantage of free zones to provide additional value.

To make this happen, the report said the government should focus on the legal and regulatory framework to facilitate trade, while enabling private participation and commercial financing in multi-modal freight transport and logistics.

Source: ahram.org.eg- July 21, 2019

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Pakistan: Dejected textile sector needs cheering up

Investments in the industry to grow exports and substitute imports are a precondition for sustainable future economic growth. The economic stability the government expects to achieve on the back of fiscal, monetary and structural reforms it is executing under the 39-month, $6 billion bailout package from the International Monetary Fund is unlikely to last long unless it puts in place policies conducive for improving the business climate to attract new investments.

"Unfortunately the business and investment sentiments are at their lowest at present. The situation will worsen going forward if measures are not taken to correct the policies that have led us to this point where businessmen are forced to drop their investment plans," asserts Khurram Mukhtar, a major exporter of home textiles and garments from Faisalabad, during an interview with this writer.

The chief executive of Sadaqat Limited, who also owns a large retail home textiles and clothing business in Pakistan and England, cites several factors that have depressed business and investment sentiments: massive exchange rate adjustments over the last one year, increased cost of credit, severe cash flow crunch facing most manufacturers owing to withdrawal of zero-rated regime for exporters, gas price subsidy issues and so on.

"The monetary policy adjustments, new tax measures announced in the budget and certain other policy changes have steeply raised the cost of investments in the industry and affected export competitiveness. The income tax credit of 10 per cent on new investments has been halved for the present fiscal year and the concession will be completely withdrawn from the next financial year.

"Many textile exporters, who planned to increase their production capacities to take advantage of foreign buyers' renewed interest in Pakistan in the last one and a half years, have been forced to either put their plans on hold or scale down the size of their investments amid the new business environment prevailing in the country. The new business environment will work against the government's two top economic policy objectives of creating jobs and increasing exports (to close the current account gap)," he argues.

Khurram, who himself had planned to substantially increase his denim and knitted garments production capacity to increase his company's exports has significantly scaled down his planned investments from Rs3.5bn to Rs1.5bn. "We had worked out our investment feasibility in 2018 at an exchange rate of Rs124 a dollar to create 10,000 new jobs and raised our exports by $150 million a year. The 29pc depreciation in the value of the rupee since has hiked our capital expenditure to Rs4.5bn. Similarly, the spike of 750bps in the central bank's policy rate to 13.25pc since early 2018 has made bank loans too expensive for us. The reduced size of investment will mean we will create only 4,000 new jobs with a potential of additional export revenues of just $50m".

According to him, the share of subsidised loan under the EFS (export finance scheme to cover exporters' needs for working capital) and LTF (long-term financing facility for purchase of machinery and equipment) as a ratio of the textile industry's total exposure (to bank credit) has decreased from 41pc in 2017 to 27pc in 2018, which means the industry was compelled to borrow commercial loans at a very heavy price to meet their financing needs for working capital (for purchase of inputs, etc) that have increased by a fifth because of the massive exchange rate depreciation. "The cost of capital is much more than the profitability of the textile industry, which is a high volume and low margin sector. Majority of the textile and clothing exporters operate at a very thin margin of 3-5pc."

Khurram, who is also chairman of the Faisalabad-based Pakistan Textile Exporters Association (PTEA), points out that the cash flow crunch is squeezing the exporters' financial streams as a major part of their working capital is stuck in the refund regime and creating extreme financial stress for them.

"Before the withdrawal of the zero-rated regime, the average input sales tax paid (on packing/stitching material/certain chemicals and store items) was 1.75pc of the industry's foreign sales. After the withdrawal of zero-rating, it is feared to rise to 12.8pc of our total exports.

"If we add other refundable taxes to it, we will have 18-20pc of our total overseas shipments stuck in the refund regime for a minimum of 175 days (provided the government delivers on its promise of releasing the refund claims within the stipulated time framework). We estimate that the withdrawal of zero-rating of exporters will result in Rs424bn of their working capital stuck in the refund regime for a six-month cycle.

"I do not ask for a return to the zero-rated regime, but I want the government to release the sales tax and other refunds based on the consumption of inputs to exporters immediately after the monthly filing of their returns as is the practice in the rest of the world."

Moreover, the PTEA chairman said the government has not provided price subsidy on gas supply to the exporters (from Punjab) since March and the funds of Rs4.5bn allocated for this lapsed due to the end of the last financial year. The government had in October last year announced to provide LNG to Punjab's exporters at a subsidised rate of $6.5 per million British thermal units, and electricity at $0.75 a unit to bring the energy prices in the province at par with those in Sindh and improve the industry's international competitiveness.

"New notification has not been issued and exporters are being charged normal tariffs, forcing them to get legal remedy from the courts in this respect. That is not all. The facility of purchasing raw materials from the domestic market for exports under the bond schemes has also been withdrawn. Furthermore, anti-dumping duties have been implemented on inputs like 51-count yarn and above and hydrogen peroxide imported under the duty and tax remission for the export scheme for re-export. These kinds of policies are unnecessarily increasing cost of exporters, affecting our international competitiveness and stalling export growth."

His message to the government: "facilitate exporters by removing the obstacles slowing down their business; stop punishing them for the Federal Board of Revenue's inability to enforce the laws and recover taxes from those who aren't paying their share. If immediate corrective actions aren't taken to remove obstacles to growth and investments, exports will go down and jobs will be lost."

Source: dawn.com- July 22, 2019

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Pakistan: Textile exports droops 1.42pc in FY 2017-18: PBS

Textile group exports from the country during financial year ended on June 30, 2019 was in dollar term reduced by 1.42pc as compared to the exports of the corresponding period of last.

The textile group exports during the period from July-June, 2018-19 came down from US$ 13.520 billion to US$13.329 billion, showing an approximate reduction of US$0.191 billion during the period under review.

According the data of Pakistan Bureau of Statistics (PBS), in 12 months of fiscal year 2018-19, textile products worth US$13.329 billion exported as against the exports of US$13.520 billion of the corresponding period of last year.

The textile products which recorded negative growth in their respective exports in dollar term included raw cotton by 64.98pc, cotton yarn 17.97pc, cotton cloth 4.64pc and towels 1.41pc, it added.

The other products which had observed negative growth in exports during the period under review were tents, canvas and tarpulin 3.36pc, art, silk and synthetic by 3.80pc respectively.

However, during preceding financial year, the exports of cotton carded grew by 4,920pc, yarn other then cotton 1.51pc, knitwear 6.92pc bed wear by 0.06pc and ready made garments by 3.03pc respectively.

Same time, the data reveled that textile group exports from the country in quantity term had witnessed positive trend during the last year as exports of cotton cloth increased by 61.61pc, yarn other then cotton 4.27, knit wear by 32.24pc and bed wear exports grew by 23.64pc.

The exports of tents, canvas and tarpulin increased by 2.73pc ready made garments by 32.77pc , art, silk and synthetic 19.66pc respectively.

On the other hand, textile group exports reduced by 15.04pc on month on month basis in July, 2019 as compared the same month of last year.

The textile exports from the country during last month was recorded at $1.014 billion as compared the exports of US$1.193 billion of the corresponding month of the last year.

Source: brecorder.com- July 20, 2019

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Bangladesh to export apparels to Brazil, Russia within 18 months

A three-day machineries exposition titled "Sustainable development of apparel industry: prospects and obstacles" held at the Bangabandhu International Conference Center (BICC) revealed Bangladesh's plans to export readymade garments to Brazil and Russian markets in the next one and a half years.

Organised by Export Exhibition and supported by Sustainable and Renewable Energy Development Authority (SREDA), the function was addressed by Shafiul Islam Mohiuddin, former President, FBCCI; Ferno Susai, Founder, Innowell Engineering International; M Fazlul Haque, former President, BKMEA; Dr M Julhas Uddin, Professor, Bangladesh University of Textiles and Birendra Goyal, Managing Director, Apples Global.

Chaired by SREDA Chairman M Helal Uddin, the function was moderated by SREDA member Siddique Jobaer. Speaking on the occasion as the chief guest, the commerce minister said that Bangladesh's RMG industry has not come into the present sound condition overnight, rather it started from a very small scale.

However, despite various successes, the RMG producers are not being able to realise the worth of their produces. They need to enhance their bargaining capacity and reduce the production cost. The commerce minister also suggested using solar power in the RMG industries and factories for reducing the use of water through recycling, and showing bargaining skills towards fixing the price of products.

Source: fashionatingworld.com- July 20, 2019

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Commerce Ministry, exporters to discuss strategy to increase shipments to US, China

Move to take advantage of the ongoing trade war between the two countries

In its efforts to execute an effective plan to increase exports to the US and China as the two countries continue to engage in a tariff war with each other, the Commerce Ministry is roping in exporters to share their strategy to exploit the opportunity and also point out the pain points.

At a meeting to be chaired by the Commerce Minister on July 31, exporters and officials will focus on the high potential items for exports already identified by the government and how exports can be enhanced, a government official said.

"Exporters will share with the government the strategies they could adopt to make the most of the situation and grab a bigger market share in the US and China. They will also point out the specific constraints that they face," the official pointed out.

All barriers and challenges faced by exporters in penetrating the US and Chinese markets such as regulatory impediments, cost of compliance with regulations, currency movement, high cost of credit, infrastructure problems and difficulties faced in integrating with the value chain will be discussed at the meet.

Items of exports

In a recent study in which it analysed the items on which the US and China have imposed high tariffs on each other's imports, the Commerce Ministry identified 203 products where exports could be increased to the US, replacing Chinese goods, and 151 items where exports to China could be pushed up.

The items where India can get better market access in the US include a number of farm products, chemicals, electrical machinery and equipment, and base metals and articles.

In the Chinese market, Indian exporters could try to increase shipments of items such as chemicals, granite, inverters, copper ore and concentrates, and equipment for transmission of voice/data in a wired network as US exports of these items to China have been hit because of the high tariffs, the study highlighted.

“The exercise of identifying items with potential in itself will not amount to much until we make concrete efforts to draw a strategy to increase exports of each of the products. This is exactly what the Commerce Ministry is trying to do by involving the exporters who could guide policy making based on their experience in both the markets,” the official said.

Till now, the US has imposed tariffs on $250 billion worth of Chinese products, and has threatened tariffs on $325 billion more of exports. In retaliation, China has imposed tariffs on $110 billion worth of US exports.

Source: thehindubusinessline.com- July 21, 2019

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Piyush Goyal convenes sector specific meetings on RCEP on Monday

Representatives of industry bodies such as CII and FISME would also attend the meeting

Ahead of trade minister-level deliberations in China on the proposed RCEP agreement, the commerce ministry has convened a meeting of sector specific players, particularly from steel, on Monday, an official said.

The Regional Comprehensive Economic Partnership (RCEP) is a mega free trade agreement being negotiated among 16 countries. It comprises 10 ASEAN group members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and India, China, Japan, South Korea, Australia and New Zealand.

Senior officials and industry players from sectors including steel, automobile, MSME, engineering and heavy industry would participate in the day long meeting, the official said. Representatives of industry bodies such as CII and FISME would also attend the meeting.

The deliberations assume significance as base metal and steel sector have raised reservations over proposed import duty cuts under the RCEP agreement. Certain steel sector players have already demanded removal of the segment from the purview of existing free trade agreements with Japan and South Korea. They have claimed that the pact has not benefitted them.

RCEP trade ministers are meeting in Beijing, China next month to take stock of the progress of negotiations. The 27th round of meeting at chief negotiators level is also happening in China later this month.

India has registered trade deficit in 2018-19 with as many as 11 RCEP member countries - including China, South Korea and Australia - out of the grouping of 16 nations that are negotiating a mega trade pact since November 2012.

RCEP negotiations, which started in Cambodian capital Phnom Penh in November 2012, aims to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights.

Under a free trade agreement like RCEP, member countries significantly reduce or eliminate customs duties on maximum number of goods traded among them. They also liberalise norms to promote trade in services and boosting investments.

Source: business-standard.com- July 21, 2019

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Cotton Corporation of India urged to release cotton lint stock at market price level

In the last few months, while international prices have fallen by over 25 per cent, Indian prices have corrected by just five per cent.

The Indian Cotton Federation has urged the Cotton Corporation of India to immediately release cotton lint stock held with it at the ruling market price level.

In a letter to CCI Chairman and Managing Director, Dr P Alli Rani, the Federation said member spinning mills were not getting quality cotton to meet their demand to cope up with the production of yarn and finished goods.

The trade circles have predicted lower cotton crop volume, though the Cotton Advisory Board has predicted production to be 337 lakh bales for the 2018-19 season with a reasonable carry over stock, ICF president J Thulasidhara said in the letter.

Factors affecting cotton movement and availabilty

Multiple factors were affecting cotton movement and its availability to sustain the continuity of mill consumption with no layoff for labour, usually in the April-September season when supply of raw cotton is stagnant due to low arrivals in the market

This not only reduces availability of raw cotton for the mills, but also increases its prices in the domestic market, he said.

In the last few months, while international prices have fallen by over 25 per cent, lndian prices have corrected by just five per cent, making lndian spinners totally uncompetitive, it said.

Since CCI still holds about nine lakh bales and was offering the same at higher price levels than MCX and spot prices through e-auction, ICF should come to the rescue of mills' operations by offering cotton lint stock in support of cotton consuming mills, he said.

"We have reliable feedback that the cotton arrival for the new season may begin by end of October 2019. We would also like to bring to your kind notice the fact that China during the off season sell a fixed quantity of raw cotton bales at a market linked prices from their reserve, every day, to safeguard the spinning industry", Thulasidharan said.

ICF also requested the chairman to formulate a clear policy on pricing and sale of cotton to ensure that industry does not have to worry about getting raw cotton bales procured at MSP levels by CCI at reasonable level off season whose advantage is taken by MCX speculators and cotton traders, it said.

Source: thehindubusinessline.com- July 21, 2019

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CII identifies 31 items with high export potential

In a study on ways to boost merchandise exports, the Confederation of Indian Industry (CII) has identified 31 items with high potential for exports such as women's apparel, drugs, cyclic hydrocarbons and furniture.

"A targeted export strategy that identifies and boosts the right products is imperative for achieving double-digit export growth. An export strategy assumes greater significance given a rapidly changing global trade landscape, shifting of global value chains and new free trade agreements, including mega trade agreements.

CII has analysed and identified select export items where India can become a leading exporter and offers recommendations for boosting such products," said Chandrajit Banerjee, Director-General, CII, in an official release.

India's exports in the first quarter of the on-going fiscal contracted compared to exports in the same period last year due to weakening of global trade growth and lower demand. In 2018-19, India's exports increased 9 per cent to hit a new high of $331 billion, breaching the previous high of $314 billion clocked in 2013-14.

The paper employed a dual identification strategy of shortlisting top imports of the top importing nations. "These products at the HS 4-digit level are mapped with India's current export profile for determining its export competitiveness to these top importing nations.

Four criteria are considered — the total exported value of products, world export shares, India's rank as a top exporter in the top import items and India's frequency as a top exporter among those top imports," the release said.

After applying these filters, 31 products were identified for increased focus. As per the study, the items where India has a strong footprint include women's apparel and medicaments. The ones with significant potential include cyclic hydrocarbons and furniture. Products where capacities need to be enhanced include telephone sets, electrical apparatus, motor cars and motor vehicles.

“For enhancing the market promotion of the select products, CII recommends that non-tariff barriers must be taken up with the respective governments of destination countries. Other suggestions include facilitating effective marketing strategies by setting up centres in top international markets, product promotion and integration of brand building initiatives with India’s commercial missions,” the release said.

Source: thehindubusinessline.com- July 21, 2019

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RBI Governor's take on economic slowdown, rate cuts, NBFCs and trade war

"We have to only see our domestic demand continues to be robust and ensure that there is a domestic demand revival and that remains strong"

Reserve Bank of India Governor Shaktikanta Das gave his first interview with media since taking office in December. Here’s an edited transcript of the topics he covered in the more than 50 minute interview.

On the economic slowdown and the RBI’s response:

"The accommodative stance will depend on incoming data. How inflation numbers look how the growth numbers look. Primarily how inflation looks. With regard to the slowdown, I would not give a particular timeline and it’s not possible. But overall if you see the trend, I think the fourth quarter of last year was partly a base effect and partly due to investment slowdown and demand contraction, which I had articulated in the monetary policy committee minutes.

For that, so far as monetary authority is concerned, the law gives us a certain role and mandate and we have tried our best to play that role. We have reduced the policy rates by 75 basis points and we have shifted to accommodative.

And shifting of the stance to accommodative itself means a rate cut of 25 basis points at least. So therefore effectively, the rate cuts has been 100 basis points if you take into account the change in stance."

On providing liquidity:

"Parallel to that we have also ensured surplus liquidity in the system. Liquidity was in deficit but at the moment for the past 1 1/2 months, the system is in liquidity surplus by more than 1 trillion rupees.

"We will ensure the banks are provided adequate funds. While the system is in surplus mode, it is possible that one or two banks may have liquidity issues. Given the role the RBI is assigned, inflation is primary target, and given due weightage to the fact that growth momentum has slowed down. For the revival, various stakeholders have to play the role."

On investment slowdown:

"There have been sectoral problems, like in the auto sector. Our survey shows that additional insurance requirements has had an impact. So every sector has had its problem.

But when the world is changing you also have to change. Then there was the credit squeeze; now availability is there. The banks were unable to lend significantly, burdened with NPAs and the focus of the banks was on recovery and consolidation and not on credit.

The banks are now in a better position to lend. While banks were not lending, NBFC entered their space. But for a year or so, credit flow has been affected. Another thing I would like to address the crowding out effect.

It's a good thing that the fiscal deficit has been brought down and recapitalization has been announced. Every stakeholder, the government, the private sector and the RBI are playing their role and I think things are moving in the right direction. And things should improve now."

On liquidity and NBFC problems:

"We have to constantly monitor and remain alert as the regulator and as a monetary authority. We have to analyse and review the situation. Here at the RBI, we have broad medium and long-term goals. If some issue becomes critical, not a day passes without some internal high-level review. On NBFC, not a day passed in the last several months where we don't have a discussion or a review internally.

Either on the sector or individual NBFCs. And we are monitoring the top 50 NBFCs which we have identified in terms of balance sheet size, volume of operation and in terms of governance practices and credit behavior. Our supervision teams are closely monitoring them.

We are in constant interaction with the banks and it's our endeavor to ensure a collapse of another NBFC, especially a large one, doesn't happen. Having said that, if NBFCs have undertaken certain governance practice and certain ways of function and they have to a price for it, they will have to pay a price for it."

On banks being proactive:

"We are in constant engagement with banks. After the June 7 circular, the banks are more enabled to resolve the crisis and stress in the individual NBFCs. Now inter-credit agreement is mandatory. Earlier it wasn't. We have also given 30 days for review and another six months for restructuring and we are having constant engagement with the banks. So the banks, under the June 7 circular, have to play a proactive role. We are constantly in touch with large lenders to such NBFCs, including some housing finance, where we see some signs of fragility."

Consolidation in NBFCs:

"If somebody has diverted or there has been sort of ever-greening, there has been gold plating, if there has not been so diligent lending, so obviously they have to pay the price. Our effort is to segregate the way there have been lapses. Our focus is the overall system maintains stability. When I say system, it obviously includes all the major players. Therefore, our effort is to see that there is no repeat instances of systemically important large NBFC collapsing. And in the process some promoters have to make certain sacrifices, promoters have to accept haircut, the banks will have to deal with it appropriately within the parameters.

One or two cases, the banks have signed inter-creditor agreements and they are resolving this crisis. The way I look at it, the responsibility is on the NBFCs themselves, to find market instruments to resolve their problems. Market instruments and the promoter has to bring in additional capital, he has to do a stake sale, he has to securitize his assets and mobilize liquidity, he has to meet debt obligations. And then the role of the lenders. We are in discussion with the lenders who have to protect their money also. They also have a parallel role to try and resolve this issue. That will also mean sacrifice on the part of the promoter also. The RBI will ensure adequate liquidity to banks."

On refinancing:

"This Refinance window or a liquidity window is a misnomer. We cannot lend money directly to one NBFC. Under the law, RBI is the lender of last resort, but we haven't reached that situation where we invoke that particular legal provision. So RBI in today's time cannot and would not be lending directly to NBFCs. We cannot give them clean money. It is up to the bank and depending on the collateral. We are backing up the banks. There is nothing called a liquidity window. Money is fungible, and when money is fungible having these windows, I think, is not relevant."

When will the crisis be over?

"Difficult to say when it finishes. It's our effort to ensure there is no contagion. It is our endeavor to ensure there is no collapse of another systematically important NBFC."

On cases of adventurism:

"There have been instances where it has happened. Some of the NBFCs have diverted. It hasn't happened in a large scale. That is not the case. In some cases, we have noticed this has happened. A large number have encountered business failures, encountered external factors, which has impacted business models. We are coming up with a new regulatory framework. We are a work in progress. Risk management guidelines are also there for NBFCs. Now HFCs are coming under RBI, we are constantly reviewing it internally. The RBI's endeavor is a well functioning NBFC sector and a robust regulatory framework which prevent the kind of situation we have encountered in the past year."

On the US-China trade war and what it means for India:

"India is not part of the global value chain. So, U.S.-China trade tension does not impact India as much as several other economies which are part of the global value chain.

Second thing is about trade tensions, it has a lowering of global growth and contraction of demand and that would in a way have a role on oil prices. Oil prices should remain low. These are the positives. In the long run, we cannot ignore lingering and prolonged tensions.

It will definitely affect countries all over the world and definitely India, which is the sixth-largest economy. In the medium term also it will affect India. If it lingers, a contraction of global demand will have impact on our exports sector. We have large exports to Europe."

On RBI policy options:

“We have to only see our domestic demand continues to be robust and ensure that there is a domestic demand revival and that remains strong. We have to ensure that these opportunities arising out of the trade war, relocation of investment, India should utilize it. Irrespective of the trade war, India should become competitive both in the services and the manufacturing sector."

On the risk of dollar depreciation:

"If they depreciate their currencies, it means greater inflows. When the reversal happens we have to manage spillover effect. If excess inflow comes in, it becomes a problem to absorb excess liquidity. It’s an evolving challenge. We will continue to deal with it. We have to keep in mind, in several advanced economies, bonds yields are negative, inflation is zero. In fact in my interaction with other central bankers, they are concerned about zero or low inflation. They would like to have a slightly higher inflation. Zero interest rates prevailing for far too long, it becomes unsustainable and undermines investor sentiment. In the overall context, India is much better than most other economies."

On structural reforms:

"I don’t think the fiscal space is really the answer. If you have fiscal space any government can use. Long-term growth can be sustained by structural reforms, enhancing competitiveness, and focusing on an enabling business environment. So therefore, GST, IBC and the Niti Aayog’s committee on agriculture reforms, which will allow private investment in the farm sector and which will ensure better price to farmers for their produce, are crucial. The supply chain in the agricultural sector has to be addressed. The focus will have to be on structural reforms and improving competitiveness. Focus will have to be on continued ease of business and availability of credit at a reasonable price."

On improving growth prospects:

The RBI's "essential role is to maintain price stability, which is defined in terms of inflation. Along with the objective of growth. Price stability is prime. It will depend on inflation, on incoming GDP. This year we have projected 7%. There was a lot of uncertainty, but now the monsoon is catching up in Tamil Nadu and Kerala. The western part had good rains and the monsoon outlook has improved compared to what it looked about three weeks ago and oil prices are remaining in the $65 range, but then you have extraneous factors like the trade tensions, sanctions on Iran, and then you have Brexit which creates uncertain sentiments and India has a lot presence in Britain in terms of investment and exports. I would not like to specify how long it (economic slowdown) will last. India is today in a far better place than most of the major economies and India has certain inherent resilience and the signs are looking good."

On core inflation:

"Core inflation coming down, at one level, can be seen as a positive development but at another level it is reflective of a slowdown in the demand, so therefore I don't want to make a qualitative judgement on good or bad. Based on hard numbers, we will have to take a call."

On global bond issuance:

"RBI is the debt manager. There is a process of consulting between RBI and the government."

On recapitalization funds:

"The 700 billion rupees is adequate for capital requirement but also for growth. The true test of efficiency of a public sector bank is whether they are able to access capital markets to raise additional capital. Otherwise just continuous and prolonged dependence on government capital infusion -- it can breed inefficiency. Banks need to access capital markets. There has to be competition in the banking sector. How many competitors are there in the field that the market will decide."

On interest-rate transmission:

"There is a case for banks to show better monetary policy transmission. We have to keep in mind that banks have gone through a period of crisis and they are just recovering, they are just about recovering, so that aspect has also to be kept in mind. So if you drive and ask them to fix interest rates administratively, we cannot lose sight of the fact that banks will also have to recover and comeback to a level where they are out of the woods. If we see the PCA banks have fulfilled the conditions to come, they will come."

On payments banks:

"Some are doing well. It's a new model. It's about two years. We are studying. We should wait a little longer how they play out."

On financial stability:

"I would like to say our primary focus -- apart from price stability and keeping the objective of growth -- it is also to ensure the stability of the financial sector, which includes banks and NBFC. And in the long run, if India has to grow and show improved growth rates, it will need a well-functioning financial sector."

Source: business-standard.com- July 22, 2019

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Half of Indian textile raw material cost due to cotton

Cotton accounts for 51 per cent of the total raw material cost in the Indian textile industry and continues to remain at an elevated level, thereby pressurising domestic industry margins, according to India Ratings and Research (Ind-Ra). This raw material cost inflation has been difficult to pass on due to subdued consumer demand, it said.

Globally, the spread between international cotton prices and domestic cotton prices has been on a declining trend owing to higher production in Brazil and

China, aided by lower production in India, Ind-Ra said in the June 2019 edition of its credit news digest on India's textile sector.

This decreasing price spread, along with a gradual improvement in demand provides much-needed respite for cotton industry players. The report highlights the trends in the sub-segments of the textile sector, including cotton, man-made fibres, yarns and fabric with a focus on commodity prices, imports-exports, production, capital expenditure and recent rating actions.

With fall in the spreads, the agency now expects a continued trend of increased imports in fiscal 2019-20. For the current sowing season—October 2018 to September 2019—cotton production projections have been reduced by 0.6 million bales owing to scarcity of water in few states and lower acreage or yield of the crop. This means 1.5 million bales will need to be imported to meet the domestic consumption, the report said.

Meanwhile, yarn production has been fluctuating over the last six months, although the production average has been maintained. Exports have risen to more than 30 per cent during March 2019. Prices of cotton yarn are co-related to raw cotton prices and thus, have seen an upward movement in line with raw cotton prices.

Synthetic fabric has seen a gradual revival in demand due to decreased cost of production, as it is a function of decreasing crude oil prices, which made it more competitive against the increasing cotton prices. Partially-oriented yarn and texturised yarn prices declined by 8 per cent and 7 per cent month-over-month respectively, as per the latest available data in April 2019.

Readymade garment exports have decreased as the world economy has slowed down and removal of tax incentives for exports by the government have made Indian textile goods less competitive vis-à-vis Vietnam and Bangladesh, which have improved their market share in the global textile industry in select sub-segments. Decreasing exports and weak consumer sentiments has impacted the industry's capacity utilisations.

Overall apparel production substantially improved by about 34 per cent year-on-year for the latest-available date for April 2019 and exports improved by 18 per cent year-on-year, as per the latest-available data for May 2019. Capital expenditure in textiles has been majorly to replace machines with new technologies and shift to premium/niche products in the existing line-up. Projects outstanding for quarter ending March 2019 were worth ₹680 billion as against completed projects of ₹10-15 billion.

New projects announced were balanced by the completed projects for quarter ending March 2019.

Source: fibre2fashion.com- July 21, 2019

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SME credit lending grows at 15.6% YoY; Gujarat top state for MSME lending

Credit growth to micro-businesses and small, medium enterprises (SME) constituted Rs 15.9 crore as of March 2019. While micro-enterprises (with credit exposure less than Rs 1 crore) saw credit growth at 19.8 per cent year-on-year (YoY) to Rs 4.8 lakh crores from Rs 4 lakh crores, growth in credit for SMEs (exposure between Rs 1-25 crore) was at 15.6 per cent YoY to Rs 11.1 lakh crores from Rs 9.6 lakh crores, according to a report by credit information company TransUnion Cibil. Total credit exposure as of March 2019 was Rs 116.7 Lakh crores with maximum share to corporate segment with 55 per cent with Rs 64.1 lakh crores exposure.

The non-performing assets (NPA) also declined with the overall gross NPA rate in commercial lending went down to 16.0 per cent in March this year from 17.2 per cent in March 2018, the report titled MSME Pulse said. "The sustained growth in commercial lending along with a marked lowering of NPAs is a very promising indicator of MSME sector growth," Mohammad Mustafa, Chairman and Managing Director, SIDBI said in a statement.

The report noted Gujarat as the top-ranking state for "performance and credit growth potential for MSME corporate lending in India as per its ranking of states for MSME corporate lending." Other states that topped in this segment following Gujarat were Andhra Pradesh, Haryana, Karnataka and Delhi. MSME corporate entities are defined basis the aggregate credit exposure up to Rs 50 crore. The market size of this category is Rs 17.6 lakh crore as of March 2019. The ranking was done across market size, market growth, delinquency, and score quality.

Andhra Pradesh ranked highest in the market growth in FY19 while Haryana and Karnataka got equal scores in MSME Ranking. Haryana, however, scored better in delinquency and score quality of consumers even as Karnataka, according to the report, is positioned well in market size and market growth.

Delhi ranked top in low riskiness of MSMEs measured by better CIBIL MSME Rank of entities, the report added. Overall, Gujarat, Andhra Pradesh, Haryana, Karnataka, and Delhi were the top five states among the four parameters.

Source: financialexpress.com- July 21, 2019

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MSME Schemes: Modernizing your business through Credit Linked Capital Subsidy Scheme for Technology Upgradation

Equipping the business with cutting-edge technology is essential to ensure you stay competitive in today's industrial environment.

Technology is an essential component of every successful business. Until and unless manufacturing is aided by technology, the product does not meet the standards of modern day customers and this negatively impacts the revenue of businesses. In case of MSMEs, if the business is not able to generate sufficient revenues, it would not be able to grow.

Thus, in today's technology driven world where there are cutting-edge and developed products to suit customer preferences, a MSME business should be technologically driven if it were to survive in the cut-throat competition. Moreover, having technically advanced production system will make it more efficient and ensure cost associated is minimised.

Enabling the business with the latest technology proves financially difficult, especially for MSMEs which have limited access to capital. That is why to promote MSMEs to have state-of-the-art technological facilities the Government offers Credit Linked Capital Subsidy Scheme (CLCSS) for Technology Upgradation. Here's what the scheme offers –

What the scheme offers?

The Credit Linked Capital Subsidy Scheme offers a 15% capital subsidy to small scale industries. When MSMEs avail loans for technology upgradation, they can enjoy a subsidy on such loans. The salient features of the scheme are as follows –

- The subsidy is available on loans of up to Rs 1 crore availed for modernising plant and machinery
- The amount of capital subsidy is calculated on the cost of plant and machinery acquired by the business
- SIDBI, NABARD and nine other public sector banks and Government Agencies act as nodal agencies which are tasked with the implementation of the scheme

Who runs the scheme?

The Development Commissioner of the Ministry of MSME runs the scheme and the nodal agencies help in implementing the scheme.

Who can apply for the scheme?

Sole proprietorship businesses, partnership firms, public and private limited companies and co-operative societies which belong to the small scale industries are eligible to apply for the scheme. Preference is given to women entrepreneurs. MSME businesses should have a valid UAM number to be eligible to apply for the scheme. The businesses availing this scheme should upgrade their new or existing plant and machinery to the latest state-of-the-art equipment.

The eligible Primary Lending Institutions (PLIs) who are authorised to offer loans to MSMEs under the Credit Linked Capital Subsidy Scheme include scheduled commercial and cooperative banks, regional rural banks, state financial corporations and North Eastern Development Financial Institution.

How to apply for the scheme?

The scheme can be applied online as well as offline. For online application, MSMEs can apply through the official websites of primary lending institutions from where loan is availed. When applying for the loan from such lenders, MSMEs can opt for the scheme.

The PLI would then process the application and forward it to any one of the nodal agencies. The nodal agency then forwards the application to the Development Commissioner of MSME who allows the subsidy.

Once the subsidy is allowed, approval is given and funds are sent to the nodal agencies. The nodal agencies then transfer the funds to the PLI from where the loan was sought by the MSME.

In Conclusion

MSMEs lose out on business when their products are not in tune with the latest technological advancements. Through the Credit Linked Capital Subsidy Scheme MSMEs can avail easy finance at affordable rates and build a modernised production line complete with technological advancements.

Source: economictimes.com- July 19, 2019

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Peru eyeing Indian investments in mining, software & pharma sectors

With keen interests on Indian investments in mining, software and Pharmaceuticals sectors, Peruvian Ambassador in India, Carlos R Polo celebrated the 198th Peru National Day in Bengaluru.

The Ambassador, speaking at a reception to commemorate the Peru Day, also invited film-makers to choose his south American country to shoot at iconic locales.

The Ambassador also lauded Bengaluru, the Silicon Valley of India's contribution to making India a global IT power and expressed confidence that in the near future, professionals from India would be working in his country.

While stressing on the positive investment climate and opportunities for Indian companies in Peru, Polo said his trade office in New Delhi was open

24/7. “India is a huge market. We wish to collaborate more, focus on investment and improve ties,” he added.
Third largest trading partner

India is Peru’s third largest trading partner after China and the US and the two countries are currently engaged in bilateral negotiations to further improve trade volumes and aim to become the number one trade partners.

“Almost all the gold produced in my country is being exported to India. India is the number one consumer of gold in the world. Peru is known for base and precious metals and is extending a warm welcome to investors in mining and other businesses, including from Karnataka,” he said.

Vikram Viswanath, Honorary Consul of Peru , said the Peru Ambassador was in Bengaluru to extend a business and cultural bridge.

“Apart from being old civilisations, Peru and India have many things in common such as food and textiles which have evolved over centuries,” Viswanath explained.

Earlier in the day, the Ambassador also attended a meeting with FKCCI members and answered queries on business opportunities in Peru and stressed that the country’s English-speaking skills and an open economy model was a bright prospect for trade.

He also clarified that Indian nationals with US and Schengen visas on their passports with a six-month validity already enjoy visa-on-arrival facility which can further improve relations and people-to-people contact between the two countries.

Textile exhibition/Film Fest

The Ambassador also inaugurated a textile exhibition and a Peru Film Festival held in association with Alliance Francaise. This is Bengaluru’s first Peru film festival which showcases four films which dwell on lifestyle and hardships Peruvians face.

This festival and textile exhibition aims to bring the people of Bengaluru closer to Peru. The Ambassador also invited Indian film makers, including those from Karnataka who incidentally produced the highest number of feature films in the country last year, to shoot in Peru which has several scenic and iconic locales.

Source: thehindubusinessline.com- July 21, 2019

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Agro-experts inspect cotton crop sown with drip irrigation

To formulate doses of fertilisers, pesticides by next year

Cotton crop sown using drip irrigation in Fazilka, Muktsar, Bathinda and Mansa districts is growing healthy without any report of pest attack. This was observed by a team of agro-experts who inspected the cotton crop this week.

The Union Government is encouraging the farmers to adopt drip irrigation technology for cotton crop by providing a subsidy of 80 per cent on the total cost of the equipment to overcome the scarcity of power in peak summer months and preserve the constantly depleting underground water.

Under the instructions of Dr Kahan Singh Pannu, Secretary, Agriculture, the team of experts comprising Dr Joginder Singh, Dr Jaswinder Singh Brar and others, observed the condition of crop mainly for nutrients management in the villages of Hisar district in Haryana for a comparative study in Punjab villages. Cotton on drip irrigation in Haryana started about two years ago, while in Punjab this project was initiated during the current season.

Dr Joginder Singh and Dr Brar said at present, mostly the farmers were following the doses of macro and micro nutrients as recommended for conventional methods by agricultural universities. “The purpose of the study is to reduce the intake of fertilisers and pesticides in the crop sown on drip irrigation,” they said.

They observed that there was an urgent need to work out the actual doses of fertilisers which were required on cotton sown on drip irrigation. “The scientists are working on this project and hopefully we will evaluate the doses by the next cropping season,” they added.

Source: tribuneindia.com- July 21, 2019

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Kumar Mangalam Birla is Century Textiles chairman after grandfather's death

Kumar Mangalam Birla joined the board of Century Textiles in 2006 and in 2015 became its vice-chairman.

Kumar Mangalam Birla is the new chairman of Century Textiles and Industries after the death of his grandfather Basant Kumar Birla on July 3. Kumar Managlam, 52, was elected chairman at a board meeting on Saturday. He joined the board of Century Textiles in 2006 and in 2015 became its vice-chairman.

"It is an honour for me to chair a company that was so ably led by my legendary grandfather. His exemplary standards of ethics and his values will serve as an inspiration to us as we carry forward his legacy," said Kumar Mangalam in a statement.

When Basant Kumar first spoke about the succession plan for his group in 2004, he had said that a person overseeing managing day-to-day affairs would inherit the company. The change of guard at different companies of B K Birla is as per the formula.

The board of Century Enka elected Rajashree Birla as chairperson. She was the vice chairperson before. "I am indeed honoured and privileged to be named chairperson of a company that has been led by an iconic leader like Shri B K Birla. He has been a guide and a mentor for me and I look forward to carrying forth his legacy and help create value for all stakeholders," said Rajashree in a statement.

On Friday, Basant Kumar's daughter Manjushree Khaitan was re-designated as chairman of Kesoram Industries. Khaitan relinquished her position as executive vice-chairperson and would continue on the board as a non-executive director. She had been on the board of Kesoram since 2001.

Basant Kumar's other daughter Jayashree Mohta is the vice-chairperson of Jay Shree Tea & Industries.

Source: business-standard.com- July 21, 2019

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