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IBTEX No. 206 of 2019 — October 23, 2019

US 70.93 | EUR 78.86 | GBP 91.23| JPY 0.65

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
19713	41200	**74.03**

Domestic Futures Price (Ex. Warehouse Rajkot), October

Rs./Bale	Rs./Candy	USD Cent/lb
19460	40671	**73.08**

International Futures Price

NY ICE USD Cents/lb (December 2019)	64.67
ZCE Cotton: Yuan/MT (January 2020)	12,670
ZCE Cotton: USD Cents/lb	81.20
Cotlook A Index – Physical	**75.20**

Cotton Guide: MIXED, INDECISION, LACK of CONFIDENCE – These three words describe the current market both international and Domestic. The ICE cotton futures settled mixed. The ICE December contract settled at 64.67 cents per pound with a change of +11 points.

The ICE March 2020 contract settled at 65.42 cents per pound with a change of +8 points whereas the May 2020 contract settled at 66.13 cents per pound with a change of +11 points. In the recent few sessions there has been a lot of trading seen on ICE. In the recent few sessions the volumes were seen at 30,894 contracts.

The MCX contracts on the other hand also settled mixed. Now the focus has shifted towards the MCX November contract with the open interest and Volumes higher for the same. The open interest seen for the MCX November contract was at 1713 lots, whereas the volume was seen at 981 lots. The total volumes increased by leaps and bounds at 1689 lots as compared to the previous figure of 251 lots. MCX November contract settled unchanged along with the MCX December contract.

The Cotlook Index A has been updated at 75.20 cents per pound with a change of -50 points. It has been noted that a very few quantity of old Shankar 6 is available, in other words, stocks of S6 have almost depleted and the remaining stocks are priced at 41,200 Rs per Candy. The Northern crop is pegged at 37,400 Rs per Candy.

The market participants are waiting for the next export sales report scheduled to be released tomorrow. Last two reports were positive. If this report is positive, with no Chinese cancellations seen then the report can be considered bullish.

On the fundamental front, as predicted in our report yesterday, we still hold a consolidated view for the MCX contracts. For the ICE contracts keep our sideways to positive view.

On the technical front, ICE Cotton have given an Inverse Head & shoulder pattern breakout, and is trading within an upward sloping channel. Price are above the daily EMA (5, 9) at 64.50, 64.07, along with 61.8% Fibonacci extension acting as an immediate support. The momentum indicator RSI is at 62.52, implying positive bias for the price.

The immediate resistance for the price would be at 66.40, 100% Fibonacci extension level, while the immediate support would be at 63.80 (61.8% Fibonacci extension level). Thus for the day we expect price to trade in the range of 65.40-63.80 with positive bias. In MCX, we expect the price to trade within the range of 19350-19650 with a sideways to bullish bias for the price.

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

How the twists and turns of the trade war are hurting growth

The IMF downgrades its forecasts for the global economy. Again

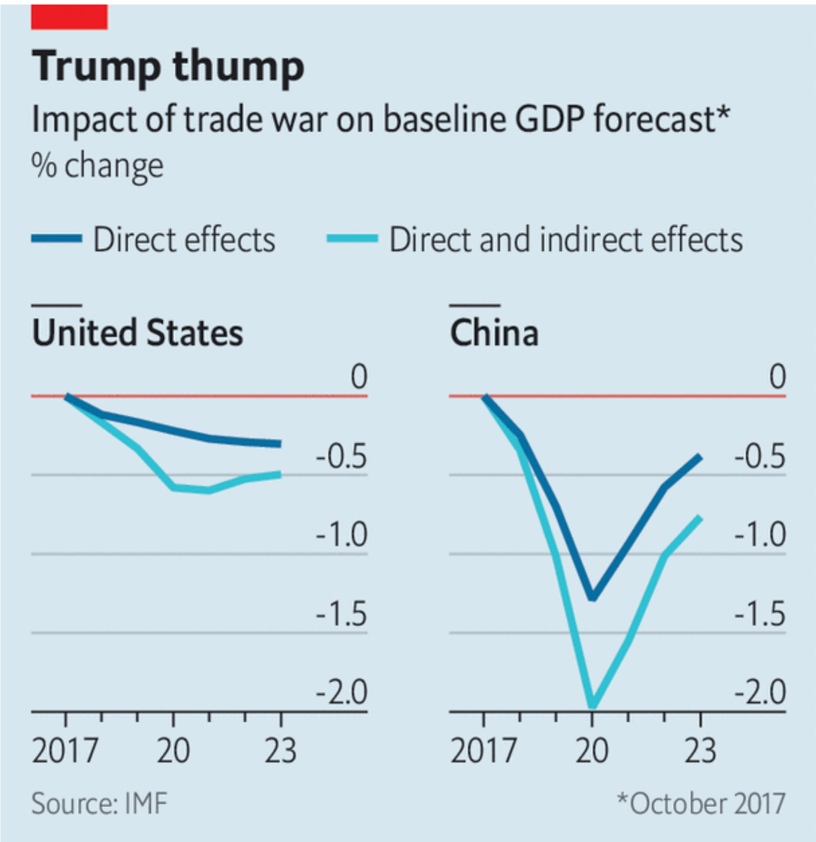
After Welcoming the St Louis Blues, a championship-winning ice-hockey team, to the White House on October 15th, President Donald Trump fondly recalled a recent triumph of his own: last week's tentative trade deal with China. Simply put, America will impose no further punitive tariffs on Chinese imports if China promises to buy American farm goods worth billions of dollars. How many billions? "It's very big numbers," Mr Trump emphasised. "I said, 'Ask for 70.'...My people said, 'All right, make it 20.' I said, 'No, make it 50.'"

Will this carefully calibrated amount ever materialise? China does not want to pay over the odds or deprive other, friendlier suppliers of its custom. It also wants America to go beyond promising no new tariffs and to start removing existing ones. The deal may unravel before it is written down, let alone signed by the two countries' leaders next month at the Asia-Pacific Economic Co-operation forum in Santiago.

That unpredictability is a problem. Not just higher tariffs but "prolonged trade-policy uncertainty" are damaging the world economy, said Gita Gopinath, the IMF's chief economist, this week as the fund again cut its forecast for global growth. "Manufacturing firms have become more cautious about long-range spending and have held back on equipment and machinery purchases," the fund notes. The fog of trade war is depressing investment spending. And because machinery, equipment and other capital goods are often imported, weak investment spending is further hurting trade. The IMF now expects the world economy to expand by just 3% this year, compared with 3.6% last year. That would be the slowest rate in the decade since the global financial crisis.

Both America and the euro zone are expected to grow more slowly this year than the fund had envisaged in July, before trade tensions escalated. India's prospects have dimmed sharply: it is forecast to grow by 6.1% rather than the 7% expected only months ago. And in 2020 China is now projected to expand by less than 6% for the first time in 30 years.

The fund has, unsurprisingly, slashed its forecast for Hong Kong. The city is now expected to grow by only 0.3%, compared with the 2.7% foreseen in April, before its economic prospects vanished in a cloud of tear-gas. The unrest could also jeopardise the fragile trade truce between America and China. On October 15th the House of Representatives passed a measure enjoining America to assess Hong Kong's autonomy annually and sanction officials who violate it. China reacted angrily to what it describes as meddling in its affairs.



The Economist

The IMF's economists have valiantly tried to quantify the damage to the world economy from the trade war if Mr Trump's putative deal falls apart. The direct impact is surprisingly modest. The tariffs already in place and in the pipeline could reduce America's GDP by just over 0.2% next year, compared with a world in which the trade war had never started (see chart). More harmful are indirect effects: weaker business confidence, productivity and risk-appetite on financial markets. These bring the damage to almost 0.6% of America's GDP in 2020. The damage to China would be almost 2% of its GDP.

These are small percentages—but of vast economies. If the IMF is right, an unresolved trade war could cost America roughly $125bn of forgone output next year alone. The cost to China could exceed $300bn (at market exchange rates). Big numbers indeed.

Source: economist.com- Oct 21, 2019

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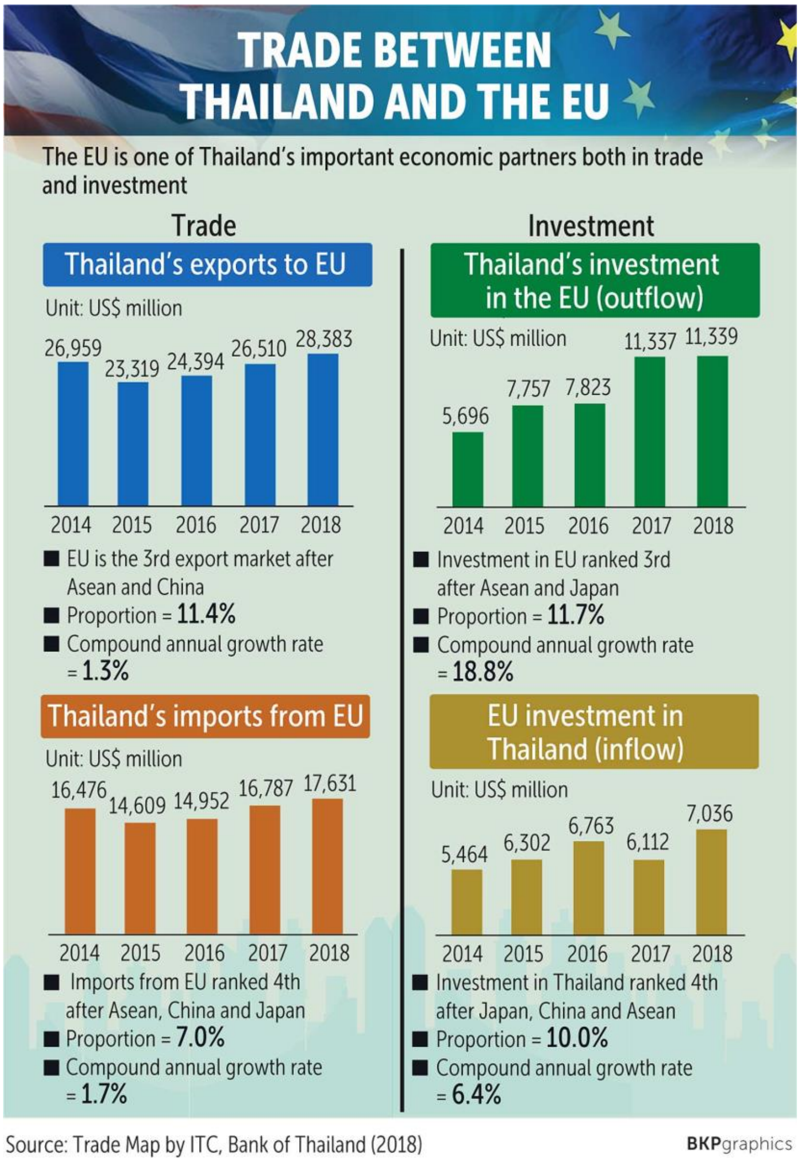
Thailand: Study finds EU FTA may help exports



A free trade agreement (FTA) with the EU would increase Thai exports and GDP rather than harm them, according to a study by an independent research organisation, the Institute of Future Studies for Development (IFD).

On Tuesday at a public hearing in Chiang Mai on the Thai-EU FTA, Taweechai Charoensedtasin, the IFD's director, said the institute's study found a Thai-EU FTA is estimated to boost GDP by 1.7% or 250 billion baht a year, and exports by 10-14% a year.

Thai products expected to reap benefits from a pact include automobiles and parts, garments, electronics, chemicals, rubber, plastic, food and processed food products, machinery and parts, construction and leather products.

Thai products likely to feel the pinch from the FTA would be dairy, sugar, tobacco and alcoholic drinks, he said.

FTA negotiations between Thailand and the EU were put on hold after the 2014 coup and for the subsequent military rule. The EU protested the suspension of democracy.

Thailand held general elections in March and a pro-army coalition of parties formed a government, officially ending five years of military rule.

The Commerce Ministry through the Trade Negotiations Department has been speeding up studies on the opportunities and challenges in reviving long-delayed trade talks between Thailand and the EU after the Council of the EU made a recent statement that the bloc aims to resume FTA negotiations with Thailand.

The department has scheduled public hearings nationwide this month and next.

The next hearing is scheduled for Oct 28 in Songkhla, then Nov 7 in Khon Kaen.

The initial hearing took place in the capital on Sept 23 and a final hearing may be held in Bangkok.

Auramon Supthaweethum, director-general of Trade Negotiations Department, said after public hearings have been held in all regions, the Commerce Ministry will propose proceeding with talks on a trade pact in December to the cabinet.

"Thailand needs to speed up FTA talks with the EU as the bloc has already signed FTAs with Singapore and Vietnam," she said. "A preliminary study found the more Thailand delays negotiations, the more export opportunities will be lost as the export product structures of Singapore and Vietnam are almost identical to Thailand's."

"In terms of challenges, based on the experiences of Vietnam, Singapore and Mercosur [the South American trade bloc comprising Argentina, Brazil, Paraguay and Uruguay], trade pacts with the EU contain relatively high standards and include e-commerce, trade competition, intellectual property and state procurement as well as market access for goods, services and investment."

Source: bangkokpost.com- Oct 23, 2019

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China's retail sales of consumers goods up 8.2% in Jan-Sep

Total retail sales of consumer goods in China increased by 8.2 per cent year-on-year to 29,667.4 billion yuan ($4,190.55 billion) in the first three quarters of 2019, according to data from National Bureau of Statistics of China.

Of the total, the retail sales of consumer goods excluding automobiles increased by 9.1 per cent to 26,814.6 billion yuan.

In urban areas, retail sales of consumer goods rose 8 per cent year-on-year to 25,352.4 billion yuan during January-September 2019, the data showed. While in rural areas, sales were up 9 per cent to 4,315 billion yuan.

In terms of various retail formats, retail sales at the supermarket, stores, pro shops, and exclusive stores above designated size increased 7 per cent, 1.5 per cent, 3.8 per cent and 1.4 per cent respectively, during the first nine months of 2019.

Total online retail sales of goods and services was up 16.8 per cent to 7,323.7 billion yuan during the period under review.

Of this, online retail sales of goods stood at 5,777.7 billion yuan, up 20.5 per cent, and accounting for 19.5 per cent of the total retail sales of consumer goods. Online retail sales of clothing went by 18.6 per cent.

Source: fibre2fashion.com- Oct 23 2019

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USA: Crop Progress Notes for U.S. Cotton – October 21

USDA's Crop Progress numbers for cotton for the week ending October 20 really tell a story of a crop rushing to completion.

In terms of open bolls, this crop is essentially done. The national average this week shows that open bolls are reported on 93% of U.S. acres – 4% ahead of the 5-year average for this date – with every cotton-producing state now showing ratings between 90 and 100%.

Depending on geography, this crop is more than ready to pick or strip.

Harvest percentage grew 8% in the past week, now showing that 40% of the U.S. crop has been harvested. That's 5% ahead of the 5-year average. Activity is reported in every cotton state, with state by state harvest percentages ranging from 4% in Kansas up to 81% in Louisiana.

Wet weather in the Southeast and Mid-South may slow progress in those areas over the coming week, but favorable forecasts for the High and Northern Plains areas will likely see many growers quickly moving to the field.

Crop condition continues its weekly dance of percentage shifts, with 41% of the US crop rated good/excellent, 36% rated fair and 23% rated poor/very poor.

Source: cottongrower.com- Oct 22, 2019

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Turkey: Local textile retailer to open 3 stores in Azerbaijan

Leading Turkish clothing retailer Kığılı will add three more stores to its existing chain of 98 stores abroad, the company said yesterday.

Kığılı has accelerated its investments by targeting further growth at different points abroad, it said in a statement.

The three new stores will be opened in Azerbaijan by the end of October, the statement added. Kığılı currently runs 225 stores in Turkey.

The brand is looking to offer its rich product line at the three new stores at the capital Baku's two most popular shopping centers, Park Bulvar and Metropark. The other store will be on Elmler Street, one of the busiest streets in the city.

Kiğılı CEO Hilal Suerdem said Azerbaijan is a country where consumer demand is high. "There is a great potential for Turkish investors here," he said.

"Our goal now is to increase sales points in the Balkans and the Middle East. In 2020, major countries, including Germany, Canada, Italy and Russia will be among our target markets." Suerdem said.

"We plan to open at least 10 new stores in the short term, particularly in Romania, Egypt, Kazakhstan, Albania, Kosovo, Serbia, Bosnia and Herzegovina, Qatar, Georgia, Iraq and Bulgaria. We aim to enter the 100th anniversary of the Republic with 100 new stores abroad. We want to integrate the perception of a 'men's clothing brand of Turkey' that we created in Turkey, with the perception of 'Brand Turkey,'" he added.

Source: dailysabah.com- Oct 22, 2019

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Bangladesh slashes source tax to 0.25 pct to boost garment export competitiveness

Bangladesh's tax collection body, the National Board of Revenue (NBR), has reduced the source tax on export proceeds for all sectors from 1.0 percent to 0.25 percent to boost mainly ready-made garment (RMG) export competitiveness.

A senior NBR official told Xinhua Tuesday that the tax collection body issued an order on Monday with immediate effect.

In line with the order, the official who declined to be named said the reduced source tax rate will remain till the end of this fiscal year (July 2019 to June 2020).

Bangladeshi garment exporters, among others, have long been demanding for source tax reduction, he said.

Due to cut in the source tax rates, NBR will reportedly lose approximately 20 billion taka as source tax this year from the garment sector, which contributes more than 80 percent of the total export income of the country.

The official, however, said the tax reduction decision was made in the wake of sluggish growth in export income in recent months.

Bangladesh's export earning in the first quarter of the current 2019-20 fiscal year fell 2.94 percent year-on-year to 9.65 billion U.S. dollars.

Of total earnings, Bangladesh's Export Promotion Bureau (EPB) data showed the country's income from ready-made garment items, including knitwear and woven, stood at 8.06 billion dollars during July-September period of the current fiscal year.

In the first quarter of the current 2019-20 year, the EPB data showed, knitwear garment export growth declined 1.64 percent to 4.17 billion dollars, while woven garments fell 0.87 percent to 3.89 billion dollars, comparing with the same period of last fiscal year.

In wake of major ready-made garment export slowdown, the EPB data showed overall export income for the last month was 2.92 billion dollars, about 230 million U.S. dollars lower than that in the same month a year ago.

Bangladesh set its export target in 2019-20 fiscal year at 45.50 billion dollars, including 38.20 billion dollars from ready-made garment products. (1 U.S. dollar equals to about 84 taka)

Source: xinhuanet.com- Oct 22, 2019

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Vietnamese fashion brands to be showcased at int'l fair

The hottest fashion products and designs from exhibitors and rising designers from Việt Nam will be on display at Hong Kong's largest one-stop sourcing fashion show to be held from October 27-30.

More than 35 leading Vietnamese designers and manufacturers of garments, textiles and fashion accessories as well as garment-related industries will be participating in the Global Sources Fashion Show in Hong Kong.

The emerging Vietnamese fashion brands include B.store, Emwear, Haberman, Hồng Ty, Cocosin and Fashion Link, according to Global Sources, the event's organiser.

A fashion parade will be organised as part of the show exclusively for rising Vietnamese designers to showcase their latest fashion collections.

In recent years Vietnamese fashion brands have strengthened their brands on the global fashion stage because of their "great design as well as OEM (original equipment manufacturing) capability", according to the organiser.

Vietnamese exhibitors include members of the Việt Nam Textile and Apparel Association (VITAS), Việt Nam National Textile and Garment Group, and Handicraft and Wood Industry Association of HCM City.

Vietnamese goods at the show will include apparel, fashion jewelry, underwear, swimwear, bags, luggage, scarves, footwear and fabrics.

The fair will feature verified suppliers from major fashion manufacturing hubs, including Việt Nam, Mainland China, Hong Kong, Taiwan, South Korea, Bangladesh, India, Indonesia and the Philippines.

More than 1,000 exhibitors worldwide are expected to promote their designs and brands at the four-day event. With over 2,000 booths of products, the fair is expected to welcome 12,000 buyers from 110 countries and territories.

The event will also feature industry-related conferences, including a workshop on how to source effectively from Việt Nam, according to the organiser.

Last year, the textile and garment sector earned US$36 billion from exports, up 16 per cent year-on-year, making Việt Nam one of the world's three biggest exporters of textiles and apparel, according to VITAS.

This year the sector has set a target of $40 billion in exports, up 11 per cent year-on-year.

The sector has set a target of more than $60 billion worth of exports by 2025. The industry is expected to enjoy a trade surplus of $20 billion, and create jobs for 2.85 million workers.

Textile exports during the first three quarters of this year reached $29.2 billion, a 9.1 per cent year-on-year increase, according to figures released by the General Department of Customs.

Global Sources, a Hong Kong-based media B2B company, is a primary facilitator of global trade through use of its integrated online and offline services.

Source: vietnamnews.vn- Oct 22, 2019

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Pakistan: APTMA Punjab chief assures to work with EU on all initiatives

The All Pakistan Textile Mills Association (APTMA) Punjab Chairman Adil Bashir assured Tuesday to work with the European Union (EU) on all the initiatives to ensure sustainability and growth of the textile industry in Pakistan.

He was speaking on the occasion of the visit of EU's Ambassador Designate to Pakistan Androulla Kaminara to the APTMA Punjab office. Chairman APTMA made a detailed presentation on the Association and highlighted that its members are corporate entities compliant to all social standards while producing goods predominantly meant for exports.

He said the APTMA has taken an active part in securing of EU's GSP+ status for Pakistan in 2014 to widen the market access available to Pakistan. Since the grant of GSP Plus status in 2014, he added, the exports of Pakistan to the EU have increased by 62%. In the early years of the facility, Pakistan's exports to the EU witnessed significant growth but it has become stagnant at 5514 Million Euros for the last three years. He said the prime reason was relocation of buying houses of major retailers and brands to other competing countries besides the high cost of manufacturing in Pakistan.

However, he stressed, the present government has taken special measures to encourage industrialization and exports, and the business scenario is changing fast in the country. APTMA along with the federal government is formulating a long term textile policy to set direction for sustainability and growth of Pakistan's textile sector, he added.

He said the prospective investors are keenly looking forward to undertake BMR, expansions, and Greenfield investment projects in all sub sectors of the textile value chain subject to the availability of enabling environment.

He said the industry has envisaged doubling textile and clothing exports to US $ 26 billion in next 5 years with an investment of US $ 7 billion by setting up 1000 garmenting plants which would result in the creation of direct job opportunities for one million workforces. In the garments industry, he added, the predominant majority of the industry workforce is women, which would also bring about a gender-balance in the workforce and have a salutary effect.

He said the GSP+ regime calls for Pakistan to fully implement its commitments under 27 international conventions on human rights, good governance, labor, and environmental standards. APTMA has undertaken a number of sustainability initiatives to keep the textile industry at par with global standards and expectations, he added.

The visiting envoy said the textile industry of Pakistan needs to prepare itself for meeting the challenges of sustaining GSP Plus status so as to avail the opportunities of increasing exports to the EU. The global consumer perception has completely changed and it has become more conscious to socially responsible for environment-friendly products.

There is no doubt that Pakistan has vast potential to double its exports, however, the perception management is the key for the government and industry to maintain and sustain, she added.

Source: brecorder.com - Oct 23, 2019

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Pakistan: PTI govt, APTMA forming long-term textile policy

ll Pakistan Textile Mills Association (Aptma) Punjab Chairman Adil Bashir has vowed to work with the European Union (EU) on all the initiatives to ensure sustainability and growth of the textile industry in Pakistan.

Talking to EU Ambassador-Designate to Pakistan Androulla Kaminara on Tuesday, Bashir said Aptma had played an active part in securing the EU GSP Plus status for Pakistan in 2014 to widen its market access.

“Since then, exports from Pakistan to the EU have increased 62%,” he said. “In the early years, following approval of the facility, Pakistan’s exports to the EU grew significantly but they have become stagnant at €5.5 billion for the last three years."

He stressed that the present government had taken special measures to encourage industrialisation and exports, and the business environment was rapidly transforming in the country.

He added that Aptma, in collaboration with the government, was formulating a long-term textile policy to set the direction for the sustainability and growth of Pakistan's textile sector.

"Investors are keenly looking forward to undertake BMR (balancing, modernisation, and replacement), expansion and greenfield investment projects in all sub-sectors of the textile value chain subject to creation of an enabling environment," he pointed out.

He said the industry had envisaged a 100% increase in textile and clothing exports to $26 billion in the next five years with an investment of $7 billion.

The visiting envoy said the textile industry of Pakistan needed to prepare itself for meeting the challenges of sustaining the GSP Plus status in a bid to increase exports to the EU.

"Global consumer perception has completely changed and it has become more conscious about environment-friendly products," she said. "There is no doubt that Pakistan has a vast potential to double exports, however, perception management is the key for the government and industry to maintain and sustain exports."

Separately, during a visit to the Lahore Chamber of Commerce and Industry (LCCI), the ambassador said Pakistan and the EU had immense potential to enhance trade in various sectors besides textiles.

She stressed that Pakistan needed to produce goods that were considered competitive in the EU. "We are ready to help Pakistan enhance exports to the EU and would like to be its partner in this regard," she affirmed.

Source: tribune.com.pk - Oct 23, 2019

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NATIONAL NEWS

India's new trade policy should address both domestic, foreign challenges

The current climate is fraught with uncertainty, slowing demand and exporting conflicts. The new Foreign Trade Policy should focus on measures critical for India's growth

India's trade policy faces multidimensional challenges in today's world of uncertainty, protectionism, falling global aggregate demand, elimination of export programmes and, perhaps the more important reason, domestic preoccupations.

Recognising the potential implications of these challenges, the Department of Commerce is working on the new Foreign Trade Policy and the task for framing the new trade policy is likely to be much more challenging, given the current developments in the international trading system. Broadly, India's trade policy challenges can be categorised as domestic and external challenges

Domestic challenges

At the domestic level, the greatest challenge to the development of a robust trade policy in India is the poorly developed manufacturing sector. It is a well-recognised fact that India has not been able to develop a strong manufacturing sector despite two decades of economic and trade liberalisation. A large number of structural issues relating to labour reforms, limited availability of power, factory and goods market reforms, low productivity, and lack of technology are responsible for a weak manufacturing sector.

One of major challenges for India's trade-policy makers is to deal with its export promotion programme, which acts as a catalyst for India's exports. There are clear signals that India is likely to lose its trade dispute on the export promotion programme against the US. This means that India has to overhaul schemes such as the Merchandise Export Programme (MEIS), Export Promotion for Capital Goods (EPCG) and Interest Subvention Scheme so as to make them compatible with the WTO rules.

The elimination of these schemes will have detrimental effects on the export competitiveness of a large number of MSMEs, who extensively use these incentives to offset high trade transaction and logistics costs.

For instance, imported capital-intensive goods under the EPCG scheme help the industry improve productivity and competitiveness, but its termination will adversely impact such imports, which are critical to enhance high-value added manufactured exports.

The Department of Commerce is working a new scheme called the Rebate of Duties, Taxes and Levies (RoDTL). This scheme is already being implemented in the textile and clothing sector but it has received a sharp criticism due to its bias towards specific components of textile and clothing value chains. The benefits of scheme are not evenly distributed across the value chain. This scheme will cause serious problems for sectors such as engineering, where value chains are highly dispersed and involve a wide variety of players with complex power dynamics.

External pressures

Challenges for India's trade policy are increasing manifold at the multilateral level due to increased trade protectionism, dispute settlement body and the Regional Comprehensive Economic Partnership (RCEP) negotiations.

The immediate crisis at the WTO is to address the issue of appointment of judges at the Appellate Body, held up by the US. Further, developed countries have started negotiations in new areas such as e-commerce, investment facilitation, MSME, gender and trade. They are seeking greater disciplines in new emerging areas at the WTO.

The US has terminated its Generalised System of Preference which provides duty-free market access to a large number of MSME products. It is adversely affecting India's exports worth $5.6 billion to the US market.

The next biggest challenge is the RCEP. The proposed tariff reduction commitments in the RCEP negotiations are well beyond the demand of the industry. As per media reports, India is likely to liberalise its 80 per cent tariff lines for China, Australia and New Zealand. This will far reaching implications to Indian domestic industry.

Need for coherence

Given these challenges, it is extremely important for Indian policymakers to focus on making trade policy much more coherent at both domestic and external fronts. A very good starting point would be to undertake bold reforms in three important areas.

First, it is important to promote “inner consistency and harmony” between objectives of policy and its implementation strategies. This requires a well-thought engagement in international trading arrangements.

India’s stance at the WTO and with FTAs must be shaped by domestic priorities that are critical for growth, employment and poverty reduction. This requires an active participation in areas of international and regional trade negotiations where India has strong economic interest, as well as in those areas where rules will have an effect on the domestic regulatory space.

Second, our trade policy is largely conducted at an aggregate level and fails to capture critical factors that shape dynamic comparative cost advantage of firms. Therefore, it is important that trade policy analysis should focus on firms rather than sectors. This requires dedicated efforts on collecting firm-level data to understand policy and operational issues of exporting firms so that our trade policy helps firms connect with value-chain networks.

But what is more important is that our trade-policy makers understand the dynamic linkages between upstream and downstream sectors. This is vital to understand how a policy decision that supports the upstream sector could actually hurt the downstream. A dynamic thinking is a prerequisite to analyse the implication of backward and forward linkages to our global export competitiveness.

Finally, there is also urgent need to reform our trade and related institutions to enhance their participation in policymaking and negotiations. For this, trade regulatory bodies, promotion councils and standards-related institutions should work together to create a dynamic database of imports and exports, so that information can be gathered at the product and market level to allow for a well-informed decision for trade negotiations. This will certainly help trade-policy makers leverage the benefits of global trade for firm-level productivity, competitiveness and job creation.

Source: thehindubusinessline.com- Oct 22, 2019

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Cotton trade caught in a web of uncertainties

Cotton traders across the nation are currently facing a huge dilemma over crop size and the likely behaviour of prices in the coming months. With rainfall extending well beyond the middle of October, apprehensions have gathered over the crop size as well as quality.

While it is clear is that the country's cotton harvest this year will be higher than it was last year, the quantum of increase is seen by different sections differently.

To be sure, the area planted to cotton this kharif season (2019-20) has been a record one at close to 128 lakh hectares (ha), up from 121 lakh ha last year. Maharashtra, Telangana and Rajasthan have reported higher acreage. However, we cannot ignore weather aberrations.

The South-west monsoon played truant the whole of June and most of July. Copious precipitation was witnessed in August and September that raised hopes of a bumper crop.

However, extended rainfall in the first three weeks of October, an unusual phenomenon, has raised concerns about the crop size and quality.

According to the Agriculture Ministry's first advance estimate released on September 23, the cotton crop is placed at 322.7 lakh bales (170 kilograms each). It has fallen short of the year's production target of 357.5 lakh bales, but rebounded from last year's 287.1 lakh bales, per the fourth advance estimate.

Subject to revision

But the government estimate is subject to revision. The first estimate of cotton production last year (2018-19) was 324.8 lakh bales, which in the fourth estimate was down by about 38 lakh bales.

The trade estimates are rather different. This writer has heard from different trade representatives cotton production estimates ranging from 330 lakh bales on the lower side to 370 lakh bales on the higher side.

However, it is unclear whether the loss, if any, caused by the recent spell of rains, especially in Maharashtra, has been taken into account.

Under the circumstances, arrivals are expected to gather momentum after Diwali. In other words, a realistic estimate of the crop size may be available around November 10-15.

However, the biggest challenge for the trade is from outside the country in the form of the ongoing trade negotiations between the US and China. Will there be a truce between the world's largest exporter and the world's largest importer of cotton?

China has reportedly agreed to purchase agricultural goods worth $50 billon from the US and as a result soyabean rates have firmed up. Will cotton, too, be added to the list? In anticipation, US cotton prices have begun to inch up.

Importantly, a lot of guesswork is on about the chances of China buying cotton from India. A delegation from China visited Mumbai and New Delhi last week.

This has raised hopes of the Asian major turning its attention to India. The visit is also seen as a fallout of the Indian Prime Minister meeting with the Chinese President earlier this month at Mahabalipuram.

Under the circumstances, Indian market prices stand to gain on any eventuality — lower crop and /or Chinese purchase.

Will the Cotton Corporation of India enter the market in a big way to support growers and ensure price support operations, is another question on the trade's mind. On its part, CCI appears to be ready to commence procurement.

Source: thehindubusinessline.com- Oct 22, 2019

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National Committee on Textiles & Clothing (NCTC) Proposes Measures to Boost the Textile and Clothing Industry

With the objective of highlighting the issues and challenges being faced by the textile and clothing industry as well as the urgent policy interventions required to address the same, all the stakeholders of Textile and Clothing Industry, viz., National Textile Associations, Export Promotion Councils (EPCs) as well as regional level textile and clothing industry associations representing the entire textile value chain have formed a steering committee called the "National Committee on Textiles & Clothing (NCTC)" under the chairmanship of Shri T Rajkumar, Chairman CITI.

The NCTC comprises major textile associations and EPCs at the regional and national level like TEXPROCIL, AEPC, PDEXCIL, SRTEPC, CITI, CMAI, ITTA, AFI, AMFII among others.

The NCTC is now meeting regularly to discuss various issues ranging from fibres to fashion to arrive at a common understanding on both short term and long term policy measures for domestic and international markets.

For the purpose of long term policy measures, the NCTC has decided to hire the services of a competent agency to undertake a study and recommend various policy measures to enable the entire textiles and clothing value chain covering all types of fibres and products to remain globally competitive and achieve a sustained growth rate, both in the domestic and international markets.

In the meanwhile, a list of short term policy measures has been finalised and the NCTC delegation led by Shri T Rajkumar, Chairman CITI met the Hon'ble Ministers for Finance, Commerce and Textiles respectively to apprise them of the grim situation facing the T&C sector.

The Hon'ble Minister of Textiles, Smt Smriti Zubin Irani assured the NCTC that all necessary action will be taken for the revival of the industry.

The NCTC thanked HMoT for recommending to the Ministries of Finance and Commerce, issues like extending 1-2 years moratorium or liquidity support for the financially stressed textile units; Slotting recycled PSF under 5% GST rate; and the CCI cotton MSP operations to factor in international and domestic prices to protect the interests of farmers and cotton textile industry.

The NCTC delegation led by Shri T Rajkumar, Chairman CITI also met the Hon'ble Minister of Finance, Smt Nirmala Sitharaman on 14th October 2019 and submitted a Joint Memorandum apprising her about the urgent need to release the pending claims under RoSL/RoSCTL Schemes; urging the banks to upload documents expeditiously for release of TUFS Subsidy; extending the benefit of enhanced MEIS & RoSCTL till RoDTEP comes into force; reducing the margin money for working capital from 25% to 10% and the Debt Equity Ratio norm from 1:1.33 for the entire textiles and clothing industry; extending 5% Interest Subvention for all textiles and clothing export products; and also all the benefits announced under special garment export package (SPELSGU) especially the 80JJAA income tax and enhanced EPF benefits extended for new jobs.

The NCTC proposed a slew of short term policy measures to the Hon'ble Minister of Commerce, Shri Piyush Goyal at a meeting held on 15th October 2019 which covered issues broadly related to GST, the Ease of Doing Business and RCEP negotiations.

The measures suggested were imposing adequate protection/safeguards measures on the imports of fibres, yarns, fabrics, readymade garments and used cloths especially from China, Bangladesh and Indonesia; extending the benefits of enhanced MEIS & RoSTCL till RoDTEP comes into force; consider including anti-dumping duty in the duty drawback calculation and enhance the rates appropriately; restructure the obligation period under the EPCG scheme; extend the remission of duties and taxes under the proposed RoDTEP scheme for the entire textile value chain viz. all fibres, yarns, fabrics, made-ups, garments, and all types of Technical Textiles. It was also suggested that in India's list under RCEP all textiles and clothing items must be kept in D Category for 20 years with certain sensitive items under exclusion list.

The Joint Memorandum submitted by NCTC hopes to receive valuable support from the Ministries to mitigate the challenges presently faced by the T&C Industry and boost exports.

Source: businesswireindia.com- Oct 22, 2019

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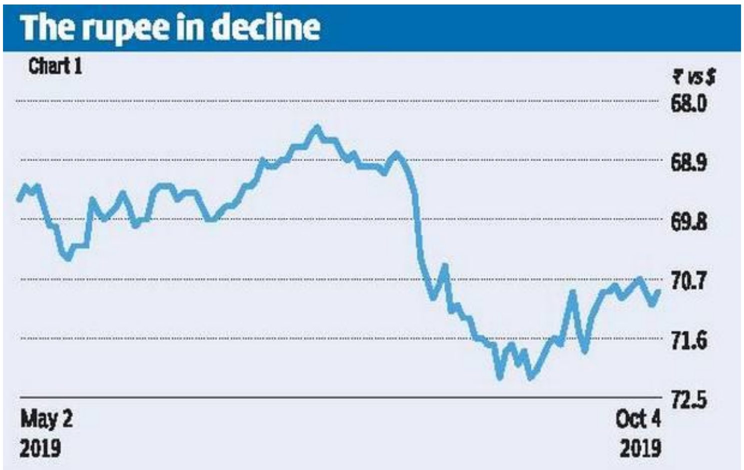
Rupee depreciation could aggravate the current slowdown

Although the rupee has stabilised after a steep fall, it remains under pressure from multiple sources. Depreciation currently brings many costs in lieu of few benefits



August was a particularly bad month for the rupee. From ₹68.9 to the dollar at the end of July, the currency depreciated to cross the ₹72-mark by the end of the month (Chart 1).

While India's perennial current account deficit underlay the currency's weakness, in August, the average of daily prices of the crude oil basket that India imports fell to $59.35 a barrel from $63.63 in the previous month and $71 in April 2019. This reprieve, combined with the depressing effect that slackening domestic demand would have had on imports, should have strengthened the rupee, not weakened it.

Global uncertainty

The rupee value declined in August, despite these beneficial economic developments, because of the exit of foreign portfolio investors, which resulted in a fall in net investments followed by an outflow of capital. In June, net portfolio investment fell sharply, and then turned negative over the next two months.

This decline and outflow contributed to the fall of the rupee (Chart 2). Subsequently, when net portfolio investment turned mildly positive in September, the rupee too, stabilised and registered mild appreciation. This central role of foreign investment flows in influencing the rupee’s movements make the currency vulnerable for the near future.

Clearly, uncertainty with regard to global output and trade growth was the basic factor responsible for the deceleration and reversal in the volume of net portfolio investment inflows. Evidence that the Indian economy too has turned sluggish has not helped an already weakened investor sentiment. These determinants of the recent depreciation of the rupee suggest that the currency could lose further ground vis-à-vis the dollar.

With uncertainty and anxiety on the rise in the world economy, cross-border capital flows are likely to shrink further, as wealth-holders flee to the safety of dollar-denominated assets. This tendency will be aggravated if projections of a plunge of the Indian economy into recession prove to be correct.

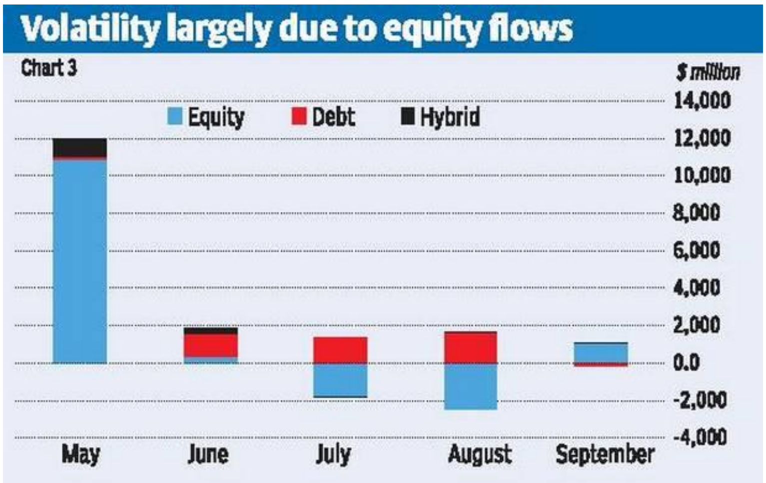
In normal circumstances, a rupee depreciation resulting from such factors would come with a silver lining. By lowering the dollar value of India’s exports, a depreciating currency could enhance India’s external competitiveness and contribute to a rise in exports. However, given the depressed demand conditions in the world economy, this outcome has not materialised.

India’s exports over the April-September 2019 period fell by 2.4 per cent to $159.57 billion from $163.48 billion in the corresponding period of 2018.

External borrowing

While exports are not responding, the depreciation is likely to have an adverse impact on the health of Indian business, which has become more reliant on external borrowing. As Chart 3 shows, much of the volatility, especially the overall decline in net inflows, was on account of shifts in equity investment. However, during the June-September period, when investment inflows into equity markets fell and turned negative, flows into the debt market were relatively stable.

This reflected a larger trend in which Indian business, attracted by the much lower interest rate in global markets and encouraged by the relaxation of restrictions on external commercial borrowing (ECB), have increased reliance on funds borrowed abroad. Overall, net ECB, that had fallen by ₹653 crore during April-mid-September 2018, rose by ₹54,073 crore in the corresponding period of 2019. The total stock of ECB rose 11 per cent from $193.4 billion to $214.1 billion over the year ended June 2019.



An important contributor to the rise was the easing of restrictions on ECB by the Reserve Bank of India. In the past, funds could be accessed through the ECB route only by manufacturing companies, special economic zone units, software companies, non-banking financial companies, and other similar entities. This policy was revised to allow all entities that are eligible to receive foreign direct investments and other specified entities like port trusts and start-ups, among others, to borrow from abroad. Service companies and trading entities could also access funds through the ECB route.

The sources from which funds could be borrowed were also widened to include any entity that is a member of the Financial Action Task Force and the International Organization of Securities Commissions. This brought in private equity firms and venture capital funds as investors in debt instruments.

Foreign currency risk

The increase in borrowing that resulted from these policy changes has also increased the exposure of Indian business to foreign currency risk. The depreciation of the rupee would raise the rupee costs of servicing debt in foreign currencies. This would either reduce profits or create losses, unless the borrower had hedged the foreign exposure. According to market reports, many borrowing entities, aiming to save on the costs of hedging and betting that the rupee would remain stable — or even appreciate — had not covered their foreign exchange exposure.

Here too, the RBI played a role. In a bid to ease access to foreign funds, in November 2018 the RBI reduced the mandatory hedge coverage to 70 per cent of the foreign exchange payment commitment, from 100 per cent.
It also reduced the loan tenure required for exemption from mandatory hedging to five years from 10 years. This would have contributed to an increase in unhedged exposures, raising the possibility that the rupee's depreciation has resulted in corporate losses.

To the extent that this occurs, rather than positively affecting growth by enhancing export competitiveness, the rupee's depreciation could dampen investment and even worsen the ongoing growth slowdown. It has been argued that the exit of foreign institutional investors from the equity and debt markets can aggravate the credit slowdown by withdrawing liquidity from the system.

In addition, we now have further reasons for concern about a possible worsening of economic conditions on account of the impact that foreign investors' exit would have on the value of the rupee.

Source: thehindubusinessline.com- Oct 22, 2019

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Indo-US trade negotiations on right track: Piyush Goyal

Indo-US relationship is at their best ever now and trade relations between the two countries have a huge potential which is yet to be tapped, India commerce and industry minister Piyush Goyal has said.

India and the US must look at a much larger agreement like a bilateral agreement, he said at the US-India Strategic Partnership Forum (USISPF) in New Delhi.

With regards to the trade talks between India and the US, Goyal said that things are on the right track and India is looking to the US for technology, innovation, skills and quality education. India on the other hand offers an attractive market to US businesses and skilled labour that can add value to American companies.

The commerce and industry ministry is working to create a single window for investments into India, said Goyal during his interaction at the USISPC. He welcomed innovative ideas and solutions for the creation of the single window. He also informed the gathering that the department of commerce is also working to bring down the cost of logistics that have to be borne by manufacturing companies in India.

According to USISPF estimates India-US bilateral trade is projected to grow to $238 billion by 2025. The assessment underscores the pathways for growth and economic opportunities in bilateral ties by highlighting current trends.

Sectors like defence trade, commercial aircrafts, oil and LNG, coal, machinery and electronics are areas of potential growth in US investments and commerce into India. Indian industry has an opportunity to promote automotive, pharmaceuticals, seafood, IT and travel services to the US market.

Source: fibre2fashion.com- Oct 22, 2019

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RCEP an opportunity before Asian giants to show a united front

An alarming level of deficit has now cast a shadow on the flourishing trade between the two fastest growing economies of the world and the engines of growth in Asia.

Bilateral trade between China and India touched $87 billion in 2018-19, with the trade deficit widening to $53 billion in China's favour.

Imports from China were 13.6% of India's total merchandise imports in 2018-19. These imports mainly comprise consumer goods and electronics, such as phones and ICs.

Despite the political frictions on the border, it is trade which has steered relations between the two countries. Though bilateral trade is expected to touch $100 billion next year, it is largely overshadowed by the rising deficit concerns on the Indian side.

Indian industry is worried that the further influx of goods from China will hurt local companies, especially those in consumer durables and manufacturing. In fact, many years ago, the India-China free trade agreement (FTA) was put on hold even after a Joint Study Group from both the Indian and Chinese side recommended the FTA largely due to lobbying by the chambers of commerce in India. Indian industry is also concerned that the 16-member Regional Comprehensive Economic Partnership (RCEP) agreement, led by Asean and China, will further increase India's trade deficit with all its major trading partners.

India's existing FTAs with RCEP members have increased India's trade with the region. However, Indian industry has held the view that these FTAs have largely increased imports into India rather than increasing Indian exports to regional markets.

Notable is the fact that India runs a trade deficit with 10 of the 16 RCEP member-countries at a whopping $104 billion—64% of India's total trade deficit in 2017-18, and this deficit has reportedly been growing over the past few years. This makes it all the more difficult for India to accommodate the demands of RCEP member-countries to open up its market to 92% of traded goods.

So far, India has offered to relax tariffs on 86% of traded goods to Asean, South Korea and Japan under the respective FTAs it has signed with them, as well as up to 74% of traded goods with China, New Zealand and Australia. But this, too, has been rejected by the participating countries as being too little, too late.

The Indian industry is particularly concerned about China in RCEP. Various sectors, including dairy, metals, electronics, chemicals and textiles, have urged the government to not agree on duty cut in these segments.

Indian industry is sceptical that the RECP deal would lead to further lowering of tariffs resulting in a flood of goods from China, while not assuring India of an equal access to the Chinese markets, thereby widening its large trade deficit and wreaking havoc on the Indian industry, especially small manufacturers of articles such as toys and consumer durables. Given the slowdown in the Indian economy, this is something which needs to be avoided.

Nonetheless, the RCEP is also a perfect opportunity for both India and China to take their cooperation in all mutual areas of interest, including trade to another level and show a united front to the world.

Indian industry will need to get competitive and prepare itself effectively to meet the influx of imports from all major trading partners, and the government will have to make consistent and concerted efforts by constantly talking to the Chinese officials on reducing the deficit. This trade imbalance between the two countries needs to be addressed for sustained growth and employment opportunities in India.

Source: livemint.com- Oct 23, 2019

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Government to soon change definition of MSMEs: Nitin Gadkari

The government will soon make changes to the definition of a micro, small and medium enterprise, Union Minister Nitin Gadkari said on Tuesday and hoped to generate five crore jobs in the MSME sector in five years. Finance Minister Nirmala Sitharaman had in August said the government would consider amending the MSME Act to move towards a single definition.

The update in the definition of micro, small and medium enterprises (MSMEs) may allow a single definition for purposes related to taxation, investment, etc. The new definition is likely to be effected through an amendment to the MSME Act and may lead to further improvement in India's ease of doing business scenario.

In February last year, the Union Cabinet had approved amendments to the law to change the criteria for classifying MSMEs from 'investment in plant and machinery' to 'annual turnover'.

Asked about proposed changes to the definition of MSME, the minister for micro, small and medium enterprises said this will soon be implemented.

"We will have one meeting and then finalise it (changes to MSME definition)," Gadkari told , adding that extensive changes will be made soon.

The minister was speaking on the sidelines of the Luxury Symposium 2019 here.

Observing that MSMEs are the heart of the Indian economy, contributing 29 per cent to the gross domestic product and have created 11 crore jobs till now, the minister said "now, the mission for five years is that we need to create more than five crore jobs in five years, particularly in tribal, rural and agricultural areas".

He said the government is already in the process of sanctioning 13 clusters under the Solar Vastra scheme and every cluster has a potential of creating 3,000-3,500 jobs.

Besides, Gadkari, who also holds the portfolio of the road transport and highways ministry, said work has begun on the 12-lane concrete express highway between New Delhi and Mumbai and mooted the idea of setting up an international standard museum on the highway which would prove beneficial for marketing of Indian Handlooms and Handicraft and also promote tourism.

He said the government is making use of kulhads (earthenware) mandatory at 400 railway stations in the country and also plans to implement the same at airports.

Source: economictimes.com- Oct 22, 2019

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Textile units: Govt to extend two-year debt moratorium for debt repayment

The Finance Ministry is considering to extend the two-year moratorium for debt repayments by struggling textile MSMEs.

According to media reports, the textile industry is facing huge liquidity problems due to delay in refund of the Merchandised Export from India Scheme (MEIS) and Goods and Services Tax (GST).

Earlier, to ease the liquidity crunch faced by manufacturers and exporters, the textile sector has sought immediate release of refunds under various government schemes.

In a joint memorandum presented by seven national-level textile associations and major export promotion councils to the government, the industry said that textile units are facing severe liquidity issues.

The industry has also formed the National Committee on Textiles & Clothing (NCTC), which comprises various groups under the chairmanship of T Rajkumar.

NCTC has urged the government to release pending tax rebate claims and reduce margin money for working capital from 25 per cent to 10 per cent and the debt equity ratio norm from 1:1.33 for the textiles industry.

Source: knnindia.co.in - Oct 22, 2019

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Bring $500 million FDI, get relationship manager: Government

Soon, those looking to invest $500 million or more in the country will have a designated person who will facilitate all clearances — from the Centre to local bodies — with officials from state government and central ministries too converging on one place to address investor queries and enhance flows.

Drawing from the experience in Gujarat, the department for promotion of industry and internal trade (DPIIT) and Invest India have joined hands to put in place a new mechanism aimed at attracting investors, many of whom have in the past complained of a plethora of clearances holding up their plans, officials told TOI.

"Very soon, we will be announcing it. Within Invest India, another format in which we actually do hand-holding from investment query that anybody makes to operationalising it in the field," DPIIT secretary Guruprasad Mohapatra said at an event on Monday.

While the issue has been discussed with commerce and industry minister Piyush Goyal, a formal approval is awaited.

Now, Invest India scouts for space

DPIIT secretary Guruprasad Mohapatra, who comes from the Gujarat cadre, is drawing upon the western state's experience during PM Narendra Modi's term where investment proposals were cleared quickly and facilitated by iNDEXTb, the state investment promotion body.

The Centre's investment promotion agency Invest India is scouting for space, where officials from several ministries, including tax and environment and forest, will be present to address investment queries. State governments, too, will depute officers at the facility.

The move follows several steps that have already been initiated. For instance, DPIIT has already put in place a platform that provides information on 21,000 acres of land that is almost in plug-and-play state across state industrial parks and the Delhi-Mumbai industrial corridor.

Mohapatra has now asked for land available across private sector industrial parks also to be housed on the online platform so that investors can decide the location.

Invest India, which already facilitates global investors, now intends to provide “relationship managers” to all investors looking to invest $500 million or more in the country.

Source: economictimes.com- Oct 22, 2019

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