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The Cotton Textiles Export Promotion Council [TEXPROCIL]
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai - 400 004. Maharashtra State. INDIA
W. www.texprocil.org E. enews@texprocil.org T. +91-22-2363 2910 to 12 F. +91-22-2363 2914

IBTEX No. 18 of 2018 January 24, 2018

USD 63.68 | EUR 78.47 | GBP 89.35 | JPY 0.58

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19911	41650	**83.18**

Domestic Futures Price (Ex. Gin), January

Rs./Bale	Rs./Candy	USD Cent/lb
20610	43111	**86.09**

International Futures Price

NY ICE USD Cents/lb (March 2018)	82.26
ZCE Cotton: Yuan/MT (Jan 2018)	15,315
ZCE Cotton: USD Cents/lb	**92.19**
Cotlook A Index – Physical	**92.1**

Cotton & currency guide: Cotton futures witnessed biggest loss in 2 weeks. The most active March future ended the session lower at 82.26 cents down by 115 points from previous close.

The other months also traded marginally lower. Market failed to crack 84 cents as key resistance level and therefore price corrected down amid lower cash sales in the market.

On the trading front the volumes were relatively better. On Tuesday the total traded volumes were 43,286 contracts out of which 32,248 contracts were cleared. However, the interesting part is the open interest which continued to surge. As of Tuesday the OI held at 313K+ contracts.

This morning ICE cotton is seen trading at 82.54 cents marginally recovered from previous close. We believe based on the chart pattern and price behavior of Tuesday market may remain sideways having strong support at 82. Any break down below 82 would mean a strong selling in price towards 79/80 cents.

Coming onto the domestic front, prices for Shankar-6 were steady at Rs. 42,350 per candy, ex-gin (84.70 US cents per lb at the prevailing exchange rate). Rates for Punjab J-34 were slightly weaker at Rs. 4,420 per maund (about 84.25 cents per lb). On the supply side, estimated seed cotton arrivals was about 192,500 lint equivalent bales (170 kgs), which was lower than in recent days because of rain in northern India. It includes 55,000 registered in Maharashtra, 50,000 in Gujarat, and 40,000 in Andhra Pradesh and Telengana.

However, the domestic futures price have corrected sharply amid steady spot performance and decline in the ICE futures. The February future ended the session lower on Tuesday at Rs. 20790 down by Rs. 230 from previous close. The January future due to expire this month also ended at Rs. 20610 down by Rs. 200 from previous close. There has been change in chart pattern and might move down upon break of Rs. 20700 per bale.

For the day trading range would be Rs. 20700 to Rs. 20900 per bale February future at MCX. Next support below Rs. 20700 would be around Rs. 20500.

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

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INTERNATIONAL NEWS

6 things to know about the trans-Pacific trade pact CPTPP

The 11 countries of the Trans-Pacific Partnership (TPP) are set to sign their pact without an original partner, the United States, in March in Chile. The deal was reached on Tuesday (Jan 23) after two days of talks in Tokyo.

Here's a look at what the latest deal, renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) after Washington's withdrawal, is about.

1. What is CPTPP?

In November 2017, ministers of the remaining 11 TPP countries agreed on the way forward to implement the TPP agreement without the US, and also renamed it as the CPTPP.

The CPTPP will incorporate the original TPP agreement, with suspension of a limited number of provisions, while still seeking to maintain the high standard of the agreement.

Tariffs schedules are kept as negotiated with custom duties on 95 per cent of trade in goods to be removed in the long run.

Commitments to liberalise in key areas such as textiles, technical barriers to trade and sanitary and phytosanitary measures, competition, state-owned enterprises and small- and medium-sized enterprises, labour, and dispute settlement, are still intact.

But the ministers also endorsed the List of Suspended Provisions. These provisions were part of the original TPP text. They suspended 20 provisions from chapters on trade facilitation, investment, services, public procurement, intellectual property rights (IPR), environment and transparency.

These rules - included earlier in the TPP at the US' insistence - have now been put on hold, but could be reinstated in the future.

From 40 per cent of global GDP, the latest trade deal - without the US - now covers about 14 per cent, and involves the livelihoods of 500 million people. It is estimated that the net benefit of CPTPP to all its members from liberalisation of trade in goods and services is roughly 0.3 per cent of their combined GDP or US$37.3 billion (S$49.2 billion), in the medium term.

So, the 11 members will still be better off with the CPTPP than without it.

The countries will now work towards inking the CPTPP by early March.

2. Which are the 11 countries that make up the CPTPP?

Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

3. How were the sticking points resolved?

Canada, which has sought protection of its cultural industries, and Vietnam, which is worried about labour protection rules, will exchange separate side letters with other members on those respective topics at the time of the signing. The precise content of the letters will not be revealed until then.

4. How will Singapore benefit from CPTPP?

Minister for Trade and Industry (Trade) Lim Hng Kiang said that CPTPP will enhance trade among countries in the Asia-Pacific, resulting in more seamless flows of goods, services, and investment regionally.

"Singapore companies will gain from the substantial elimination of tariffs and non-tariff barriers for goods, improved access for service suppliers in a wide range of sectors, greater facilitation of investments, and improved access to government procurement contracts," he added.

5. What was the original TPP about?

In 2005, the Trans-Pacific Strategic Economic Partnership comprising four countries - Brunei, Chile, New Zealand and Singapore - was signed.

That pact was then expanded and became US-led during the Obama administration.

Dubbed the TPP12, it was initialled in February 2016, and member countries are: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States and Vietnam.

The TPP would have covered 40 per cent of the global economy, as the members represent a market of 800 million people with a combined GDP of US$27.5 trillion (S$36.3 trillion).

The 12 countries signed the deal - which set a new standard for global trade - on Feb 4, 2016.

But on Jan 23, 2017, US President Donald Trump signed a Presidential Memorandum to withdraw the US from the TPP. The TPP could not enter into force without the US, as it accounts for 60 per cent of the combined GDP of the 12 TPP members.

Japan then led a scramble to keep the deal alive, with the hope of enticing the US to return at a later date.

6. How does the CPTPP compare with RCEP?

The 16-nation Regional Comprehensive Economic Partnership (RCEP) covers nearly 3.5 billion people and account for a third of the world's gross domestic product. It is almost completed and could be signed this year.

It is an Asean-led initiative that seeks to bring into its fold China, Japan, India, South Korea, Australia and New Zealand.

Seven of them are also CPTPP members, namely Australia, Brunei, Japan, Malaysia, Singapore, New Zealand and Vietnam.

The RCEP was conceived in 2012. If approved, the free trade agreement will be the largest trade bloc in terms of population. The RCEP countries make up 46 per cent of the global population and are worth 24 per cent of global GDP.

Like the CPTPP, the RCEP also does not include the US.

Unlike the CPTPP, the RCEP deal lacks protection for labour, human rights and the environment.

Source: straitstimes.com- Jan 23, 2018

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6% increase in Egyptian textile, spinning exports in 2017

The Egyptian Textile Export Council announced that Egyptian textile and spinning exports increased by 6% in 2017, to record $832m compared to $783m in 2016.

This keeps pace with the announcement of Minister of Trade and Industry Tarek Kabil in January 2018, during the visit of President Abdel Fattah Al-Sisi to Sadat City, that Egypt will establish the largest textile and garment city in Egypt on an area of 3.1m sqm in that city.

The city will include 568 factories with a total paid-up capital of $2bn, which will be pumped over a period of seven years, 87% of which comes from foreign investments and 13% from local investments.

Furthermore, Kabil said that the textile and garment city will provide up to 160,000 direct job opportunities, with a total production value of $9bn per year.

Moreover, "this new city will include schools for training with the latest technology in the spinning and textile industry," Kabil assured.

The textile industry is one of the most important and oldest Egyptian industries and plays a vital role in the Egyptian economy.

In this context, "Egypt is home to the only fully integrated textiles industry in the Middle East, where the entire production process is carried out in Egypt, starting from the cultivation of cotton and ending with the production of yarns, fabrics, and ready-made garments, carried out domestically," the General Authority for Investment and Free Zones previously said.

Source: dailynewsegypt.com- Jan 23, 2018

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Pakistan: Textile: value-added growth persists

The numbers are in line with the Pakistan Bureau of Statistic's figures released a couple of months back and tell the same story. Value added segments have led the growth with 40 percent contribution to the overall increase in total exports of the country.

Readymade garments and knitwear have come to the rescue in terms of growing textile exports with growth of 16 and 9.5 percent respectively. The central bank cites the growth in textile exports due to recovering positive consumer sentiment in the country's traditional export destinations of the European Union (EU) and the United States.

Even though there has been an increase in exports to these areas, it should be kept in mind that the overall textile exports in total US and EU imports still remains low.

The central bank notes that despite outperforming all regional competitors including Bangladesh and Vietnam during 1QFY18, the share of Pakistan's textile products remains 3.55 percent as compared to India (7.23 percent) and Vietnam (7.13 percent).

The central bank has also considered increasing commodity prices as well as a rise in import of textile machinery as bullish indicators for future textile exports. However, this column feels that procurement of raw materials for value added segments as well as the shortage of skills needed to create higher quality products also need to be worked upon.

In its last annual SoPE annual report, the central bank highlighted the issue of Pakistani textile players being "excessively focused on cotton-based textile and apparel products." On the other hand global consumer preferences have shifted towards synthetic fibres. For example, the share of cotton products in total US textiles has decreased from 40 percent in FY10 to 29.7 percent in FY17.

Lastly, the cost of production is still much higher than regional peers and textile exporters claim that the implementation of previous incentive packages for the industry remains patchy. Refunds of sales tax have been pending for a while now, while due to the shortage of system based gas, more expensive R-LNG is being provided to Punjab's textile industry.

Source: brecorder.com - Jan 23, 2018

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Vietnam: Oil & gas loses the 'throne' as the biggest export item

In 2007, crude oil exports brought $8.5 billion in turnover, while the figure soared to $10.5 billion in 2008. Reports showed that crude oil made up 15 percent of the country's total export turnover.

However, the figure has fallen to 7.5 percent.

According to Virac, a consultancy firm, since 2009, or two years after Vietnam joined WTO (World Trade Organization), crude oil conceded the No 1 position to textiles & garments.

In the same year, Vietnam exported $6.2 billion worth of crude oil, while textile & garment exports brought $9 billion.

In 2010, crude oil fell from the second to fourth position with export turnover of $4.9 billion, after textiles & garments ($11.2 billion), footwear ($5.1 billion) and seafood ($4.95 billion).

Since 2012, crude oil has been superseded by phone and phone accessories which have seen export turnover soar rapidly.

The presence of multi-billion dollar factories of Samsung and other big manufacturers has helped push phone and phone accessories to the No 1 position.

The export turnover of these products soared from $12.6 billion in 2012 to $34.5 billion in 2016 and over $40 billion in 2017.

Meanwhile, crude oil, the 'one-time king', has fallen to the 13th position on the list of export items with export turnover of more than $1 billion in 2016.

Even vegetable & fruit export turnover has outstripped crude oil export turnover.

Analysts commented that the 'power' of crude oil has become weaker as a result of the downward trend in oil prices in the world.

The crude oil price dropped by half from $100 per barrel to $40-50, affecting Vietnam, Russia and other countries.

The exploitable crude oil reserves are on the decrease. Some oil fields have reached the limit, which has made it difficult to raise export value.

The peak exploitation period at the oil fields of Bach Ho (White Tiger), Su Tu and Lan Tay is over. As for new oil fields, the exploitation is going slowly because of their small scale and lack of capital.

An expert said Vietnam's potential cannot be compared with other oil & gas powers. Vietnam's total reserves are estimated at 750 million tons, while 430 million tons have been exploited.

Vietnam has exported 355 million tons of crude oil worth a total of U$145 billion since 1987, according to the national oil & gas conglomerate Petro Vietnam.

Source: vietnamnet.vn - Jan 23, 2018

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China assures Pakistan of help to lift exports

China on Tuesday assured to address Islamabad's concerns on the free trade agreement (FTA) during the upcoming talks and give maximum concessions to Pakistan to increase its exports to China .

Pakistan and China are renegotiating on the second phase of FTA and next round of talks would be held next month (February), said Chinese ambassador to Pakistan Yao Jing in a press conference along with Federal Minister for Commerce and Textile Industry Pervaiz Malik.

The Chinese envoy vowed to protect the local industry of Pakistan . "We never want to damage Pakistan's industry through any kind of bilateral agreement".

The ambassador said that China wants to facilitate the mechanism of bilateral trade. “We want to encourage and facilitate trade cooperation on principles of following Pakistan’s convenience, concerns and satisfying its requirements,” he added.

China is ready to open any door for improving trade with Pakistan , he said. Yao Jing admitted that currently bilateral trade is in China’s favour due to the import of machinery under China Pakistan Economic Corridor (CPEC). He said there is plenty of scope for increasing trade of many products to China including sugar, maize, vegetables, textile products and seafood.

Talking about the setting up of special economic zones (SEZs) in Pakistan under CPEC, the ambassador said that China would accommodate the proposals and suggestions of Pakistani stakeholders. “China will support Pakistan in special economic zones and through joint ventures in long-term, which would help increase its capacity to manufacture quality products for export to international markets,” he remarked.

Yao Jing further said that CPEC projects and special economic zones would reduce cost of production of various goods and improve Pakistan 's exports. He also assured to relax the business visa for Pakistani businessmen.

Earlier, Chinese ambassador invited Pakistan to attend a six-day international Import Expo scheduled to be held at National Exhibition and Convention Center, Shanghani, from November 5 to 10, 2018. He invited Pakistan as a guest of honor in the first-ever such exhibition in China . He said it will be a great opportunity for Pakistani exporters to display their products in this expo as it is an international event.

“China will love to buy Pakistani products whether these are edible, textile or any other items. China will like to buy whatever competitive products Pakistan introduces in the Chinese markets,” he said. He said Chinese President Xi Jinping last year had announced at the Belt and Road Forum for International Cooperation that China will hold China International Import Expo (CIIE) in 2018.

Before the press conference, Yao Jing, Chinese Ambassador, held meeting with Federal Minister for Commerce and Textile Industry Pervaiz Malik and Secretary Commerce Younas Dhaga.

Addressing the press conference, Pervaiz Malik said a number of issues have been discussed during the meeting with the Chinese ambassador. Younus Dhaga would visit China in February for the next round of the FTA discussions, he said and added that China has assured its support to review FTA, which is currently in favour of China .

He accepted the invitation of the Chinese ambassador to participate in the exhibition. “It is our own expo and we will have full representation in it.”

Source: nation.com.pk - Jan 24, 2018

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Uzbekistan Textile Industry Says It’s Well on the Road to Reform

Uzbekistan is well on its way to eradicating forced and child labor from its cotton supply chain, and with it the stigma that has plagued the sector and has caused many U.S. and European brands to not buy the raw material.

Representatives of the country’s textile industry joined Uzbekistan’s ambassador to the United Nations, Bakhtiyor Ibragimov, at a Textile Talks presentation at the Texworld USA trade show on Monday to declare that Uzbekistan has “phased out,” child and forced labor in its cotton growing and cultivating and manufacturing.

Acknowledging that the industry had been held back by prolonging the use of child labor particularly in growing raw cotton, Ibragimov said the government and industry have made great strides.

He said the inclusion of Uzbekistan in the U.S. State Department’s list of the worst cases of child and forced labor over the years, and last year’s update that “no advancement” had been made has hurt the textile sector, particularly in selling beyond its core customer base of Central Asian countries.

Ibragimov called this action “outdated,” and said, “Every representative of the government is committed to eradicating child labor from the supply chain. In 2018, we will have 85 percent of the cotton picking done by machine.”

He showed a document from the International Labor Organization that said it "recognized and confirmed the absence of child labor in the collection of cotton and the production of textile products" in Uzbekistan. The ILO said "The protection of children and human rights is a priority and direction of state policy in Uzbekistan and the ILO conventions ratified…are fully implemented in national legislative acts.

Ibragimov noted that the government has instituted incentives for investment and exporting for the textile industry, including exemption from income and property taxes, and easing of costs for Customs payments and fees.

The government is investing in the industry, including $65.5 million to create a textile complex in the Bukhara region and $22 million to support construction of a yarn plant in Denovsky.

Ibragimov said the industry has grown to $1.2 billion in 2017 and is forecast to be $1.5 billion this year.

"One of the reasons we are participating in this and other shows is to demonstrate to U.S. customers and consumers that the Uzbekistan in industry and government has changed and we have a good product to offer," Ibragimov added.

Uzbekistan had a handful of textile companies exhibiting at the show as a focus country, supported by the Authority for Foreign Investment of the Republic of Uzbekistan and Uztrade Import Export organization, representing more than 460 companies.

He also noted that last year the Textile Protocol between Uzbekistan and the European Union entered into force, resulting in Uzbekistan being granted most favored nation status and removal of quantitative restrictions with respect to trade in textiles.

Source: sourcingjournalonline.com - Jan 23, 2018

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EU envoy lauds Pak trade achievements

European Union Ambassador Jean-Francois Cautain has said that Pakistan has showed a number of trade achievements after GSP Plus incentives but there is still a lot of potential to be tapped to increase the trade volume.

Addressing the members of Pakistan Textile Exporters Association (PTEA) here on Monday, he said that the EU was in process to finalise new engagement plan to further strengthen the relations between Pakistan and EU .

He said that relationship between the EU and Pakistan had reached the mature level and needed to be strengthened further. The EU had adopted a 5-year Engagement Plan in 2012, which broadened and deepened the relationship between the European Union and Pakistan.

"We are finalising a new engagement plan to further strengthen the relationship," he said. He added that EU was reviewing the progress on the implementation of 27 UN conventions pertaining to human rights, labour rights, climate change, narcotics control and corruption.

The review is a part of the scheme which monitors progress in terms of the convention and then submits a report to the EU Parliament. Responding to a question, the EU ambassador appreciated Pakistan's efforts in fighting terrorism. In addition, he highlighted various initiatives taken by the European Union to help in the economic development of Pakistan.

Earlier, PTEA Chairman Shaiq Jawed welcomed the EU ambassador and briefed him about the progress of textile industry. He highlighted the prospects of future increase of textile exports to EU . He termed Europe as major export destination for Pakistan and the largest trading partner.

He thanked the EU for duty-free access that had opened new avenues of progress. GSP Plus incentives helped Pakistan build up its capacity to become more effective and competitive partner in international economics, he said.

Not only Pakistan's market share has increased but also exports to EU have jumped from 4.54 billion Euro in 2013 to 6.29 billion Euro in 2016, he said.

Textile export sector, the major beneficiary of duty waiver facility, also gained significant momentum with 55% increase; especially in home textile products with 60 percent increase, he said. He hoped that duty-free access would remain continue.

Highlighting the key initiatives taken by the Association to improve the implementation of social, labour and environmental standards in textile industry, he said that an International Labour Standard (ILS) Compliance and Reporting Programme were successfully running with technical assistance of ILO to improve workplace practices in the textile industry.

Another programme, in collaboration with WWF Pakistan, has also been initiated to support the enforcement, implementation and compliance with International labour and environmental standards.

In today's era of globalisation, the industry must keep abreast with new opportunities and technological advancement, he said. In this regard, he added, a Sustainable Production Center (SPC) was being established under the aegis of GIZ Pakistan to work jointly for the promotion and execution of production activities.

He said that the world was passing through an era of knowledge-based economy. Major expansion of knowledge in technology, industry and services sector around the globe had posed serious challenges to the developing countries.

"We are looking forward for the support to emerge Pakistan as a knowledge-based economy, compatible to the desired level of global change," he said.

Later, the PTEA shield was presented to the visiting EU ambassador. A large number of textile exporters including former chairmen of PTEA Sheikh Mukhtar Ahmad, Faiq Jawed and Ajmal Farooq were also present.

Source: nation.com.pk- Jan 23, 2018

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Pakistan: Textile exports up 8pc to $6.6bln in July-December

Textile exports rose eight percent to $6.642 billion in the first half of the current fiscal year of 2017/18 as exporters availed the government's incentives to boost exports.

Pakistan Bureau of Statistics (PBS) data showed on Tuesday that textile exports amounted to $6.146 billion in the corresponding period a year earlier.

Value-added sector, which accounted for more than 55 percent of textile exports, also experienced decent growth, fetching nearly four billion dollars in exports' revenue.

PBS data showed that knitwear exports recorded a double digit rise of 13.38 percent to $1.335 billion in the July-December FY2018. Export of bedwear increased 6.22 percent to $1.124 billion.

Readymade garments exports surged 13.52 percent to $1.248 billion during the period under review.

Exports of cotton remained flat at $1.066 billion in the first half.

Total exports, during the July-December period, amounted to $11.001 billion.

Government expected to achieve $23 to 24 billion in exports revenue in FY2018 as export sector, buoyed by tax incentives for cotton import and textile exports, was energised to bring up foreign inflows in the country.

Rupee depreciation of over 10 percent last month would also improve competitiveness of Pakistan's products in the international market.

The central bank also supported the government's export target and even revised up the country's annual export target in its latest quarterly economy report.

Adviser to Prime Minister on Finance Miftah Ismail, in a meeting with textile exporters on Tuesday, said the government would take further measures to maintain upward trend in exports and speed up processing of tax refunds and drawback cases to resolve the industry's liquidity issues.

"The government has taken important measures for enhancing exports and would extend all possible support to the textile industry…," Ismail said in a statement.

In December, textile exports rose 10.2 percent year-on-year and marginally increased 1.1 percent month-on-month to $1.132 billion. Exports of knitwear, bedwear, towels and readymade garments improved during the last month.

PBS data further showed that other big ticket was food sector that earned the country $1.932 billion in exports revenue during the first half of the current fiscal year, depicting 16.8 percent increase over the same period last fiscal year. Rice was the key exportable product in the food sector, fetching $843 million in the July-December period, up 18.32 percent.

In July-December, the country exported 484,834 tons of sugar with $181 million of exports revenue as surplus sweetener stock was available ahead of crushing season, starting from November last year.

Major exports took place in the past two months. Meanwhile, imports also soared 18.9 percent to $28.94 billion in the first six months of the current fiscal year.

Oil import was the major spending with import bill of petroleum products standing at $6.675 billion in July-December FY2018, showing a rise of 33.4 percent over the corresponding period a year ago.

Machinery import fell 3.1 percent to $5.494 billion during the period under review as there seemed to appear a slowdown in new power projects as the recently-established electricity plants are about to add 10,000 megawatts to energy grid this year, set to make the country surplus in energy production after meeting of local demand of almost 20,000 megawatts.

Import of power generation machinery sharply fell 37.7 percent year-on-year and decreased 22.6 percent month-on-month in December.

There was 19.2 percent rise in import of agriculture and other chemicals amounting to $4.284 billion in July-December. Food imports increased 13.1 percent to $3.239 billion, followed by metal group import ($2.568 billion), transport ($2.012 billion) and textile ($1.378 billion).

Source: thenews.com.pk- Jan 24, 2018

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Russia guarantees Bangladesh duty-free RMG market access

Russia has guaranteed Bangladesh to provide duty-free and quota-free market access for Ready Made Garments (RMG) products soon. According to the discussion of World Tread Centre (WTO) Bangladesh gets duty-free and quota-free market access to Russia on 71 products but RMG was still not in the list due to some complications.

To remove complications, Bangladesh has signed an agreement with Eurasian Economic Commission to be its member. Soon Bangladesh will become its member and then RMG will get the duty-free and quota-free market access to the country. Meanwhile Russia wants to organise the next World Expo in 2025 and has asked Bangladesh to support them as it is one of members of World Expo who will elect the organiser through voting.

Source: fashionatingworld.com- Jan 23, 2018

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Bangladesh: Garment exports to India soared 66.41 per cent in first six months

On the back of demand from Western brands operating in the neighboring country and closure of some small- and medium-scale factories garment exports to India soared 66.41 per cent in the first six months of the fiscal year between July and December last year.

Garment shipments to India fetched $111.33 million, reveals data from the Export Promotion Bureau, Bangladesh.

The reason for the spike, is global retail giants like H&M and Walmart have started sourcing apparel from Bangladesh for Indian consumers. The shuting of a horde of small and medium factories all over India for their failure to maintain strict compliance requirements and pay higher wages over the last two years also played a part in the surge in shipments from Bangladesh.

Abdul Matlub Ahmad, President of India-Bangladesh Chamber of Commerce and Industry says the cost of importing garment items to India from other countries is high, due to which Western retailers have started sourcing apparel from Bangladesh in big volumes.

Siddiqur Rahman, President of the Bangladesh Garment Manufacturers and Exporters Association says apart from Western retailers, some Indian retail giants have also been sourcing garment in big volumes from Bangladesh.

Although the majority of Bangladeshi goods enjoy duty-free benefit in the Indian market, garment exports to India did not rise much over the last few years due to the imposition of 12.5 per cent countervailing duty on items from Bangladesh. Bangladeshi exporters also face provincial taxes and non-tariff barriers in India, which has an apparel market worth nearly $40 billion. Nevertheless, garment exports to India have shown signs of pickup compared to 2017.

Source: fashionatingworld.com- Jan 23, 2018

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Robotic 'Sword of Damocles' hangs over low cost sourcing countries

World Bank President Jim Yong Kim said recently that automation could render about two thirds of jobs in the developing world redundant. An ILO report on Textile and Clothing Sector in ASEAN states the textile, clothing and footwear (TCF) sector is at the highest risk of losing jobs to automation.

Reports suggest Raymond will be firing 10,000 workers across its 16 manufacturing units in India. These workers will be replaced by robots in around three years

Adidas, in 2016, successfully tested an automated shoe factory, ‘Speedfactory’, using 3D technology and robotics. Under consideration is another automated plant in the US as well as its newest factory in 2018 in Arkansas which will house autonomous robots — and their human supervisors— will be able to daily manufacture 8,00,000 sports shirts.

Texprocess, a major trade fair for the international garment-manufacturing and textile processing industry, put on display a Digital Textile Micro Factory at its May 2017 show in Frankfurt, Germany. It was a live demonstration of an integrated production chain for apparel right from the design stage to digital printing to automated cutting to sewing.

The threat from automation is real and developing countries such as Bangladesh cannot escape this threat as “we service the same brands that will demand higher productivity, lower cost, lower carbon footprint, better working condition, quicker turnaround time, and flexibility” said an industry expert.

In Bangladesh, over four million workers in the garment industry are earning over 82 per cent of the nation's overall export income.

The main ‘product’ of Bangladesh is the labour of the millions who take raw textiles and turn them into finished garments, however, much of this labour is concentrated in the final phase of production before shipping known as ‘Cut and Sew — the same process that Western innovation is working to automate.

The question now is for how long Bangladesh can sustain production on the ‘low labour cost” advantage? A fiscal rethink may soon be necessary if the wave of automation causes large numbers of job losses. Then making the robot pay tax and using the money to retrain humans may be a solution to a problem.

Source: fashionatingworld.com- Jan 23, 2018

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NATIONAL NEWS

India can become one-stop sourcing destination for ASEAN: Smriti Irani

India has potential to become the one-stop sourcing destination for brands and retailers from ASEAN as opportunities exist for textile manufacturers from the 10-nation bloc to invest here and cater to the domestic market as well as exports, Textiles Minister Smriti Irani said today.

Addressing a conference here, the minister said India has strengths in production and exports of almost all kinds of textiles and apparel including all handloom and handicraft products that demonstrate the unique skills of the country's weavers and artisans.

"In the year 2016, India exported textiles and apparel worth $1,203 million to ASEAN and imported textiles and apparel worth $546 million from ASEAN," Irani said, adding that this is just a monetary testimonial to how we can go forward. "With ability to produce a diverse range of products, India has the potential to become the one-stop sourcing destination for brands and retailers of ASEAN nations," the minister highlighted.

She said there exists an opportunity for India to attract textile manufacturers of ASEAN nations to invest in manufacturing in India to cater to both domestic market within the country and the export markets across the world. "I am hopeful that this is just one of the many areas where we can participate and leverage our strengths," Irani observed.

Addressing a seminar on India-ASEAN Weaving Textiles Relations', Irani said she is hopeful that the programme is the beginning of a new era in the textiles sector.

"A new friendship (referring to India-ASEAN relations) that we can forge to ensure that we give better manufacturing opportunities, better wage opportunities and also help strengthen our legacies in the handloom and handicraft sectors," said the minister.

ASEAN (Association of Southeast Asian Nations) is a multilateral body whose member countries include Thailand, Indonesia, Singapore, Brunei, Laos, Myanmar, Cambodia, Malaysia, the Philippines and Vietnam.

Source: financialexpress.com - Jan 24, 2018

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Union Budget 2018 to be pivotal for Modi government's 'Make in India' and the manufacturing sector

Let's cast our minds back to the year 2015 when PM Narendra Modi first announced the government's 'Make in India' initiative. The intention was to project India as an attractive destination for manufacturers, indigenous and foreign, to invest and build in India. With the world's second-largest population at 1.3 billion and rising, India represents a profitable destination for any manufacturer looking to expand a business.

Since then, progress on this front has been above average and several policies and regulations have made it simpler for manufacturers to flourish in the nation. Last year's Union Budget also put forth several great policies that aided the sector, and the expectation is that Budget 2018-19 will be similarly progressive to add further impetus to this movement. Recent reports stated that in November 2017 the Index of Industrial Production (IIP) hit a 17-month high of 8.4% and the objective should be to continue this growth rate. Highlights from last year's Budget that helped the manufacturing sector

All eyes are on Budget 2018. Here is a quick recap of some of the key highlights from last year's budget which helped the manufacturing sector:

- Reduction in the income tax rates for MSME companies with turnover up to Rs. 50 crores
- Disbanding the Foreign Investment Promotion Board (FIPB) by 2018
- Extending MAT credit to 15 years from the previously restrictive 10 years
- Launching a Phased Manufacturing Programme (PMP) to encourage domestic manufacturing of electronic components and smartphones
- Raising the FDI limit within the defense sector to 51% to encourage greater stakes than the previous 49% and build 'strategic partnerships' to manufacture submarines, fighter jets, helicopters and armored vehicles
- Setting up 4 Centers of Excellence (CoE) for textile machinery, machine tools, welding technology and smart pumps

While all these announcements were encouraging for the sector and have had a positive transformational impact, industry watchers expect that the government needs to take it up further in Budget 2018 and get deeper into policymaking so that it benefits the manufacturing domain in the country.

The importance of the Union Budget 2018-19 for the manufacturing sector thus has a lot riding on it.

Budget 2018 can boost manufacturing, Smart Cities and Industrial Corridors

So, what does the new Budget 2018 hold in store and what can we look forward to? India's value as a destination for high-quality manufacturing is on the rise and the government should be looking to implement policies that would boost the building of mobile phones, luxury brands, automobiles and more. Positive policies can aid India to climb the list of growth-oriented economies and manufacturing destinations in the world.

The Goods and Services Tax (GST) regime has been a big draw for investors and similar policies should be chased which set the country's diverse sectors down a similar path. Focusing on smart cities and industrial corridors is another step that can benefit all parties in equal measure. The motive of the Union Budget 2018 needs to be on building an integrated, well monitored and well-oiled environment that works for the betterment of industrial advancement and reduces restrictions on players. Bodies such as Society of Indian Automobile Manufacturers (SIAM) are also seeking the restoration of incentives on R&D and inclusion of electric vehicle parts in preferential tariff lists.

Incentivisation for MSMEs

In Budget 2018, the Finance Ministry should be aiming at providing greater incentivization for MSMEs in particular and improving taxation policies to have a positive impact on revenue chains from the ground up. The Micro Units Development and Refinance Agency (MUDRA) scheme can also see further encouragement in this regard. While the key focus of the government must revolve around better lending facilities for manufacturers, priority areas need to be identified and catered to with willingness. Sustainable development and renewable energy is one such priority area, and making it simpler for manufacturers to operate in this space should certainly be crucial for policymakers.

India's growth story can only be further enhanced by aligning objectives and policies that function together to place the country as a manufacturing base.

It is also crucial to encourage the use of high-end manufacturing processes and technologies in digital factories that can encourage Additive Manufacturing and other forward-looking initiatives for the sector.

Reducing import duties on strategic capital equipment like Additive Manufacturing machinery will also encourage the industry and the country to stay competitive in a global market.

Source: financialexpress.com- Jan 24, 2018

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India, ASEAN Explore Ways to Capture Global Textile Market

"India can be a reliable partner for ASEAN countries for its textile industry and, in turn, the countries can use India as a gateway to reach out to the west Asian, European and other western markets", Singh said while addressing the conclave.

Industry leaders from ASEAN are now in New Delhi to participate in the conclave titled "India-ASEAN weaving Textile Relations" organized by the Federation of Indian Chambers of Commerce and Industry (FICCI).

The Ministers from ASEAN countries included H.E. Lim Jock Seng, Minister at the Prime Minister's office and Second Minister of Foreign Affairs and Trade, Brunei, H.E. Enggartiasto Lukita, Minister of Trade, Indonesia, H.E.

RCEP is a grouping of 10 members from the Asean grouping, plus India, China, Japan, South Korea, Australia and New Zealand. "Keeping this in view, India will be working closely and constructively with all RCEP member countries, particularly Asean, towards early conclusion of negotiations", he added.

"Therefore, India and the ASEAN represents the aspirational world", Mr. Jaitley said.

Prabhu stressed that India is looking forward to further deepening our engagement with ASEAN, with all the special commemorative events lined up for the next few days, celebrating our Shared Values and Common Destiny.

"It is important to address the sensitivity of member countries and their aspirations as negotiations gather momentum". "Trade and investment prospects are high in India, as it has demonstrated its capacity to grow in adversity". India is pushing for greater liberalization in services sectors, especially for easier movement of its professionals to RCEP member countries.

"We would all aim to achieve an RCEP that results in the realisation of the potential of the three pillars of RCEP â€" goods, services and investments and in a manner that is balanced and collectively satisfying", Prabhu said in an apparent response to ASEAN trade ministers' call to New Delhi to help speed up the negotiations.

If signed, the RCEP would cover 16 Asia-Pacific nations with a total population of 3.4 billion people and a total Gross Domestic Product of $ 49.5 trillion. "We have moved from the seventh to the fifth largest economy".

Source: newburghgazette.com- Jan 23, 2018

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Softer cotton prices to save the day for spinners-Crisil

The second quarter of fiscal 2018 was the least profitable in five years for spinners, or cotton yarn mills. Margins touched 10.3%, compared with a peak of 18.8% in the corresponding quarter of fiscal 2014.

That's because the spread between prices of cotton (with a one-quarter lag) and cotton yarn was at a low of Rs 89/kg (compared with Rs 130/kg at peak in the fourth quarter of fiscal 2013).

The spread is a good indicator of the profitability of mills, considering cotton accounts for over 65% of the total operating cost. A one-quarter lag in cotton prices is presumed as most spinners maintain an inventory of 60-90 days.

Among other issues, disruptions stemming from rollout of the Goods & Services Tax (GST) took a toll.

As such, excess spinning capacity in the past two years (~2.5 million spindles added over fiscals 2016 and 2017) in anticipation of expiring textiles policies in Maharashtra and Gujarat had affected the pricing flexibility of mills. Further, a decline in yarn exports, induced by reduced sourcing from China (accounting for 36% of India's exports), also impacted the margins.

However, a sharp increase in cotton production (expected ~375 lakh bales) in cotton season (CS) 2017-18 will be a shot in the arm for spinners in the last two quarters of this fiscal, and thwart further drop in margins. Also, demand normalisation after demonetisation and GST-led disruptions would improve utilisation.

Falling cotton prices will also improve prospects for cotton yarn exporters in the second half of this fiscal. India is the largest producer of cotton, which improves competitive advantage of local mills for fibre procurement.

Further, rising synthetic fibre prices amid inflationary pressure on crude oil will drive substitution demand towards cotton yarn manufacturers. Overall, we still expect ~200 bps fall in the margins for cotton spinners on year basis in fiscal 2018 inspite of the improvement expected in the second half.

Source: business-standard.com- Jan 24, 2018

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Two slabs of GST will affect Bengaluru garment units: SIGA

The South India Garment Association (SIGA) has voiced its concern over the impact of the implementation of 2 slabs of GST on apparel. In a letter to Krishna Byre Gowda, a minister in the Karnataka cabinet and member of the GST Council, SIGA said that the implementation of two slabs of GST on apparel based on transaction value has been adversely affecting the industry.

The chairman (taxation) at SIGA, Anurag Singhla wrote that garments being made in Bengaluru are now costing more as those fall under the Rs 1,000-plus plus transaction value under 12 per cent GST to end customers.

The result is that sales have reduced at retail stores for Bengaluru-made garments.

Moreover, under-utilisation of actual production capacity has been leading to unemployment, and cheaper garments made in other parts of country are taking over the market.

Pointing out that Bengaluru is the largest manufacturing hub for men's garment manufacturing which generates employment for the poor, especially women, Singhla wrote, "Such scenario of unemployment especially in the outskirts is not a good sign for the growth of Bengaluru."

Urging the minister to look into the negative impact on the apparel industry, the SIGA official called for a single slab GST which would remove the 'discrimination' based on transaction values. "We suggest that only one slab i.e. 5 per cent be fixed for the garment industry."

Singhla also said that the introduction of the e-way bill was discriminatory, and that this would cause a hindrance in the free movement of goods. He pointed out that under the e-way bill system, a consignment up to Rs 50,000 in value and local movement within 10km have been exempted from the e-way bill system, whereas while small businesses have been given some relaxation in their GSTR filings. "This may lead to great confusion," he said.

Source: fibre2fashion.com- Jan 23, 2018

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Indian textile industry at inflection point: Report

The textile and apparel sector of India is at an inflection point where the businesses are expecting good revenues in the coming months, says a recent survey. There is an overall positive sentiment as the economy has started to recover from twin shocks of demonetisation and goods and services tax (GST). The industry is optimistic about the future.

The economy and industry are getting accustomed to recent policy changes, says Business Confidence Index by Wazir Advisors authored by Varun Vaid and Manjulika Poddar.

The index is an indicator of what businesses think is going to happen in the near future. The first of its kind biannual survey was carried out on 108 respondents in December 2017.

"More than half the respondents say that the industry's current performance has been worse compared to the last six months. However, almost two-third of the respondents feel that conditions will be better in next six. The industry is expecting increased demand in the backdrop of an easing liquidity crunch," the survey stated.

In general, there is a wait-and-watch sentiment in the industry. Though businesses are expecting good revenues in the coming months given the positive present and expected status of the order books, there is hesitation among businesses when it comes to investment, according to the survey.

Roughly 67 per cent of the respondents view increasing wages as the major constraint to business growth. This is followed by policy issues as 60 per cent view it as a major constraint.

Polled equally, competition from cheap imports, low demand, rupee appreciation and rising raw material costs are cited by 47 per cent of the respondents as a key constraint. Unavailability of skilled labour is cited as a major challenge by 40 per cent of the respondents.

"However, both the central and state governments are working towards providing fiscal and non-fiscal incentives to boost growth in the industry.

Many state governments are coming up with policies that not only provide direct fiscal benefits to businesses but also indirect support through infrastructure development and availability of plug-and-play systems among others.

Even the central government is taking measures to boost investment and trade such as revision of GST rates on manmade fibres, rebate of state levies, duty drawback and merchandise exports from India scheme," the survey pointed out

Source: fibre2fashion.com- Jan 23, 2018

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Trade integration with Asean an imperative

To enhance the value chain integration process with Asean, Indian policymakers must show more flexibility in regional trade negotiations

With the US withdrawal from the Trans Pacific Partnership (TPP) in early 2017, many had come to believe that megaregional trade deals had run their course and bilateralism would be the norm thereafter. However, its revival as Comprehensive and Progressive Agreement for TPP (CPTPP) by the year-end established continued relevance of mega-regional trade deals, particularly, in the wake of a floundering Doha Development Agenda and a multilateral trading system under threat. Revival of the TPP has also re-introduced competitive pressure on the other major regional trade formation in Asia, namely, the Regional Comprehensive Economic Partnership (RCEP).

The RCEP is a regional trade partnership among the sixteen founder members of the East Asia Summit (EAS) established in 2005 with the primary objective of creating an Asian Economic Community (AEC). The EAS has since expanded to include the US and Russia as members and adopted a broader working agenda. The AEC objective, meanwhile, was sought to be achieved through the five free trade agreements (FTAs) that China, Japan, Korea, India and Australia-New Zealand established with the 10-member Asean regional grouping.

In 2012, the Asean and its six FTA partners launched negotiations towards the RCEP as a means to achieve deeper economic integration. The RCEP was expected to be finalised, first in 2015 and then in 2017. But after 20 rounds, the negotiations are yet to be concluded. One reason for protracted negotiations has been India's offer of tariff concessions lower than the other members and differentiated in terms of number of tariff lines and time schedule for its FTA and non-FTA partners, especially China. This has been resisted by other member countries.

More recently, India has shown willingness to drop the offer of a differentiated schedule subject to getting concessions in services liberalisation, in particular, in mode 4. This could further slowdown the RCEP negotiations as the intra-Asean services trade liberalisation is limited except in traditional sectors like transport, tourism and, to some extent, financial services.

In fact, it is in India's interest to ensure an accelerated pace of RCEP negotiations. This is particularly so, as the CPTPP membership is a subset of the AsiaPacific Economic Cooperation or APEC and future accession of nonAPEC economies, while possible, would be subject to approval of existing members. India is not a member of the APEC and its long-standing application for membership of the APEC has not been approved so far.

Also, as against the revived CPTPP which, even in its diluted version, will be negotiating "WTO-Plus" provisions, including regulatory reform, the RCEP has undertaken negotiations sequentially, with goods trade liberalisation first on the agenda. Most significantly, the RCEP is Asean-centric, ensuring thereby comfortable equations among its FTA partners in the negotiation dynamics. But Asean centrality of the RCEP also necessitates that India's trade integration with Asean be strengthened. The existing India-Asean trade relationship has made some gains but also faces several challenges.

The India-Asean trade relationship was institutionalised in 2010 with the implementation of an FTA agreement. From a pre-FTA level of $45 billion in 2008-09, trade with Asean has increased to $71 billion in 2016-17.But pre and post FTA, trade with Asean accounts for an almost constant share, 10-11 per cent, of India's total trade.

Within this, the share of exports (in India's total exports) has remained roughly constant at 10 per cent throughout, with a slight increase to 11.2 per cent in 2016-17. More importantly, the composition of India's trade with Asean shows little increase in manufactures trade. Post FTA, maximum gains have been registered in the import share of palm oil and the export share of meat and meat products.

Commodity categories like mechanical appliances, electronics and electrical equipment, that are leading sectors in Asean trade with the world, have registered a fall in import and export shares, respectively, in India's trade with Asean post FTA.

Asean trade in these categories is built through its participation in global value chains (GVCs). Asean participation in GVCs through backward linkages, as indicated by import content of exports, has remained high over the past decade, at more than 50 per cent in categories like machinery and appliances and transport equipment and subcategories like motor vehicles, and almost 60 per cent for electrical and electronic equipment.

In comparison, India’s backward linkage with GVCs is comparatively lower with the import content at 20-30 per cent in 2011. India’s forward linkages with Asean, as a source of value addition in Asean exports in these industries, are insignificant. The origin of value added in Asean exports is mainly other Asean and APEC economies1.

Not surprisingly therefore, India’s share in Asean total trade remains below 3 per cent. Trade enhancement with Asean, in particular, export enhancement can happen only if India enhances its value chain integration with Asean. RCEP would facilitate this integration process.

If India continues to remain inflexible in the negotiation process, other countries may choose to bring in more difficult provisions in the RCEP, as has been the case in Australia’s argument for undertaking liberalisation in terms of trade value rather than number of tariff lines.

India’s persistence with mode 4 services liberalisation may be countered by demands for e-commerce and investment liberalisation or stricter intellectual property provisions, areas where India is uncomfortable.

India also needs to appreciate that Asean countries have the option of joining both major trade arrangements (RCEP and CPTPP) , and, as is true of Vietnam, may also be willing to accede to and undertake reforms in line with the CPTPP as these help strengthen the value chain production that is at the core of Asean trade.

Given the dismal state of multilateral trading system, India thus risks losing opportunities for trade integration at both, the global and regional level. To overcome these challenges and enhance the value chain integration process with Asean, Indian policymakers must show more flexibility in regional trade negotiations and Indian industry has to be willing to face competition and shed their overly protective attitudes.

Source: business-standard.com- Jan 24, 2018

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Exporters ask government to speed up key infra projects

Exporters have asked the government to expedite major infrastructure projects like Sagarmala, Bharatmala and the eastern and western dedicated rail-freight corridors to help improve India's logistics facilities.

Citing inefficient freight movement, time taken for movement of trucks and road transportation being the preferred mode of transportation as the root causes of high logistics costs in India, they said high indirect costs of trade caused by undependable transportation and delays contribute to 38-47% of total transportation and logistics costs.

India's logistics and transportation costs are pegged at 14.4% of the GDP as against 8% of GDP in China.

For exporters, unreliable lead times do not necessarily increase inventory for themselves, according to Federation of Indian Export Organisations (FIEO) and Confederation of Indian Industry (CII).

"But it does increase inventory for their customers or distributors abroad, making them less attractive as a sourcing partner and also their product less competitive," the two industry bodies said in a study on export logistics in India.

India's cost to export stood at a $1,332 per container compared with $572 in Indonesia or $525 in Malaysia, as per the study.

The commerce department had commissioned the study in April last year to study the status of logistics in India, the constraints it faces and the strategy to address these.

The results of the study have come at a time when the newly-set up logistics division in the commerce department has kicked off an ambitious national logistics plan to allow seamless movement of inputs and finished goods across the country.

The study, which focuses on four sectors—auto, textiles, pharma and machinery—said complex customs regulations and non-uniformity in toll charges as regulatory bottlenecks.

Due to the high importance of textiles in India's exports and the foreign markets its services, the industry wants establishment of multi-modal infrastructure near textile manufacturing hubs.

"Changing fuel price, correlated with freight charges, adds to the volatility in costs for textile industry, which is already subject to wide fluctuations in raw material and labour costs," the study noted.

Source: economictimes.com- Jan 23, 2018

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