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IBTEX No. 85 of 2018 April 24, 2018

USD 66.34| EUR 81.04 | GBP 92.51 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19696	41200	**79.05**

Domestic Futures Price (Ex. Gin), April

Rs./Bale	Rs./Candy	USD Cent/lb
20850	43613	**83.68**

International Futures Price

NY ICE USD Cents/lb (May 2018)	83.19
ZCE Cotton: Yuan/MT (Jan 2018)	14,920
ZCE Cotton: USD Cents/lb	**91.61**
Cotlook A Index – Physical	**92.2**

Cotton guide: The start of the week Cotton has become very interesting but volatile. The most active July made a high of 85.29 cents close to the contract high of 85.60 witnessed on 1st week of March.

However the same has ended lower at 84.12 cents down by 61 points from previous close.

The other contracts have also moved in the similar fashion.

Interestingly May contract which 1st notice period starts today has moved erratic on 23rd of April. It made an intraday high of 86.44 cents but ended sharply lower at 83.19 cents. This is no surprise and generally during the 1st notice period of the contract so much volatile is evident.

Mills who had waited all through April to get a better price to fix their prior unfixed on call positions didn't benefit much with the yesterday's fall because earlier in the session when market crossed 86 cents most of the positions were squared off. The same can be understood with sharp cut in the open interest.

The other aspects in the marked showed steady Chinese state run action which was around 52% of the total offered. And the weekly planting report for Cotton showed 9% versus 10% average.

Lastly on the pricing front the July future is expected to trade in the range of 83.80 to 85.70 cents per pound.

Coming to domestic front the spot price held around Rs. 41300 per candy ex-gin. The April future moved close to 21K per bale. We expect market to remain positive. The trading range for the day would be Rs. 20860 to Rs. 21250 per bale.

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

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INTERNATIONAL NEWS

Trump's TPP whiplash creates confusion about trade policy goals

More than a year after President Trump shocked Washington by fulfilling his promise to withdraw from the Trans-Pacific Partnership, his struggle to determine whether he made the right decision has spilled into public view.

The president made a series of whiplash-inducing comments on the multilateral trade deal this month, causing frustration among aides and testing the patience of newly-appointed National Economic Council Chairman Larry Kudlow. During a meeting in early April with lawmakers from farm states, Trump told Kudlow to launch a review of TPP to explore whether American workers would benefit from the U.S. rejoining the free trade agreement.

“He multiple times reaffirmed the point that TPP might be easier to join now,” Sen. Ben Sasse told reporters upon emerging from the White House meeting. The Nebraska Republican described the moment when Trump turned to Kudlow and ordered him and U.S. Trade Representative Robert Lighthizer to take a second look at the 12-nation deal.

‘Larry, go get it done,’” Sasse quotes the president as saying.

“There’s out of the blue, and there’s, I guess, out of the dark, navy blue,” Kudlow later told the New York Times when asked about the president’s TPP request.

Five days later, Trump returned to criticizing the multi-nation trade pact. It is unfair to the U.S. in its current form and would be unwise for his administration to rejoin, he claimed at the outset of his two-day summit with Japanese Prime Minister Shinzo Abe.

“While Japan and South Korea would like us to go back into TPP, I don’t like the deal for the United States. Too many contingencies and no way to get out if it doesn’t work,” he wrote on Twitter, adding that “bilateral deals are far more efficient, profitable and better for our workers.”

A Republican source close to the White House, who supports the president's embrace of bilateralism, called his series of comments "unintelligible" and suggested he was acting in the moment when he first directed his economic adviser to review TPP.

"The president feeds off the energy in the room, and sometimes, that gets him into trouble. I don't know that he was ever serious about TPP re-entry," the source said, pointing to comments Trump made in recent White House meetings on gun legislation and immigration reform, from which he similarly departed days or weeks later.

Most administration officials viewed Trump's refusal to endorse a series of bipartisan immigration deals, after telling lawmakers he would "sign anything," not as a broken promise but as a campaign promise well-kept. None of the legislative proposals contained the four immigration reform principles he had promised Americans he would uphold, they had argued as frustration mounted on Capitol Hill.

However, his sudden TPP flirtation and equally sudden reversal is drastically different. Whereas Trump had not enacted new laws that could jeopardize the economy or displace certain immigrants if he suddenly changed his mind during congressional immigration reform negotiations, he has already withdrawn the U.S. from TPP and taken other steps to crack down on trade.

Injecting uncertainty and doubt into the administration's pursuits on trade policy could have profound consequences for the U.S. and its European partners, as well as on the domestic economy. In a mid-April consumer confidence survey by the University of Michigan, 30 percent of respondents mentioned Trump's trade policies as a primary area of concern.

Overseas, a top securities company in Vietnam warned that U.S. re-entry into the multilateral trade pact "would have a significant impact on [Vietnam's] economic growth, especially in sectors where the U.S. is a major export market."

Vermont Sen. Bernie Sanders, a top contender for the next Democratic presidential nomination who shares Trump's protectionist instincts, said re-entering TPP would mark "a betrayal of American workers."

But even as Trump spent a substantial portion of his Mar-a-Lago summit with Abe discussing the trade deal and what would have to change for the U.S. to return, it remained unclear whether his administration could negotiate its way back into the agreement that 11 countries remain a part of.

“Anything that the Obama administration touched, [Trump administration officials] want re-done,” Deborah Elms, executive director of the Singapore-based Asian Trade Center, told Reuters after the president requested a review of TPP.

“I do not think that there is appetite among the eleven, at least at this point, for complicated renegotiations,” she said.

Source: washingtonexaminer.com- Apr 24, 2018

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China's Alibaba partners with Thailand for digital trade

China’s Alibaba Group recently signed an agreement with the Thai Government to build a smart digital trading hub there and develop its capabilities in e-commerce, digital logistics, tourism and training. The partnership will give Thailand access to technologies and processes to advance its economy, while Alibaba gains a stronger foothold in that country.

Alibaba will boost trade efficiency in Thailand and educate Thai entrepreneurs and small and medium enterprises (SMEs) in digital commerce, according to a company press release.

The hub, to be located in Thailand’s Eastern Economic Corridor (EEC), will leverage technologies from Alibaba and its logistics platform, Cainiao Network, to streamline trade between Thailand and China and other markets, including digitizing the customs process.

The EEC is a key part of government program, called Thailand 4.0, aimed at expanding the economy beyond heavy industry and agriculture to technology and other innovations.

Both sides will also start educational initiatives to teach SMEs and entrepreneurs best practices for e-commerce to help increase the know-how and sophistication of Thailand's labour force.

The deal also gives Thailand greater access to China's consumer market. Related to the agreement, a flagship store was launched on Alibaba's Tmall platform to sell Thai rice, the country's chief export. Alibaba said it would also help drive sales of popular Thai fruits, such as durian, into China. Alibaba-owned online travel platform Fliggy is also part of the arrangement.

Source: fibre2fashion.com- Apr 24, 2018

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ACFTA to benefit Egyptian RMG exports: trade body official

Egypt's readymade garment (RMG) sector's exports to African countries do not exceed 2 per cent of its total RMG exports, but activating trade agreements, especially the African Continental Free Trade Area (ACFTA) signed in March, will raise that figure, according to Sherin Hosny, executive director of the Ready Made Garments Export Council.

Not having specific trade agreements with countries like South Africa and high tariffs are some of the obstacles that will be possibly done away with by the ACFTA, an Egyptian newspaper quoted Hosny as saying.

Egypt's exports of readymade clothes increased by 16 per cent in the first quarter of 2018, recording $382 million, compared to $330 million during the same period in 2017.

ACFTA will allow Egypt to import accessories from African countries for RMG manufacturing, Hosny said.

The council aims to increase RMG exports by 20 per cent by the end of this year, she said.

The Qualified Industrial Zone (QIZ) agreement, which Egypt signed with Israel and the United States in December 2004, has had a significant role in the rise of Egypt's RMG exports, she said.

The original agreement allowed Egyptian products to enter US markets with no tariffs, provided Israeli components represent 11.7 per cent of these products.

In October last year, the deal was modified reducing the percentage of Israeli components in Egyptian products to 10.5.

Source: fibre2fashion.com- Apr 24, 2018

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Bangladesh: Textile millers decry proposed gas price hike

The textile millers yesterday expressed concern over the proposed price hike of industrial gas because of which the production cost will increase and they will finally fail to remain competitive in the global market.

The spinners currently pay Tk 9.62 for every cubic metre of gas and use Tk 8 to Tk 9 worth of gas to produce a kilogramme of yarn, said Shahid Alam, vice chairman of Jalal Ahmed Spinning Mills Ltd.

But the government now plans to increase the price of a cubic metre of industrial gas by 66 percent to Tk 16, which will more than double the production cost of a kg of yarn to Tk 22, he said.

“If the new price is put in place, we will have to increase the selling price of yarn to make profits. But our buyers are not ready for the retrospective price rise.”

Alam spoke at a meeting on the existing gas and energy situation in the country's textile sector. Bangladesh Textile Mills Association (BTMA) organised the event at its office in Dhaka.

The government has so far increased gas price thrice since September 2015 when per cubic metre of gas for industrial use was sold at Tk 4.18, he said.

At the meeting, Khorshed Alam, managing director of Little Star Spinning Mills Ltd, shed light on the struggles he has been facing because of poor service of the state-owned Titas Gas Transmission and Distribution Company Ltd.

“I took Titas to the court as it has been supplying gas to my factory at 2PSI [pounds per square inch] although the gas pressure was supposed to be 15 PSI.”

Alam said he installed electronic volume corrector (EVC) gas metres to measure the exact bills and later the court ordered Titas to solve the issue immediately.

But the state-run firm did not pay heed to the call also, he said. “I am still paying gas bills at the rate of 15 PSI, which is costing me an additional of Tk 2.16 crore a year.

“I had to let go a big unique work order from Turkey as it was not possible for me to produce the goods in my factory due to low gas pressure,” he said.

Tapan Chowdhury, president of BTMA, said he wanted to see a logical gas price hike.

Chowdhury demanded that the government install EVC metres in all gas connections, give quick gas connections to factories which relocated and introduce a long-term industrial gas pricing policy.

“We have to find out the ways on how to survive if the gas price is hiked further,” says A Matin Chowdhury, managing director of Malek Spinning Mills Ltd, a leading spinner. He was also critical of the corrupt officials of Titas. There was an informal system where the textile millers used to give thousands of takas to the Titas officials to get new gas connections, he said. “Now they take money in lakhs.”

Abdul Hai Sarker, chairman of Purbani Group, another leading spinner, suggested that the policymakers sit with the millers before raising gas prices.

The pace of investment slowed down in the country due to a lack of gas connections, said AK Azad, former president of the Federation of Bangladesh Chambers of Commerce and Industry.

In July-March period of this year, capital machinery import registered only 0.13 percent growth while the import of such machinery grew at 58.55 percent in July-February period of 2017, said Azad.

"Previously, the lead-time for the Bangladeshi garment exporters was 120 days, but now it is reduced to 60 days. As a result we have to fight with the time and price of the goods," said Azad, who is also the managing director of Ha-Meem Group, a leading garment exporter.

Abul Mansur Md Faizullah, chairman of Petrobangla, the state-owned gas and power supplying authority, said the government has imported liquefied natural gas (LNG) to meet the demand in the industrial sector.

The government has also removed 122 percent tax on import of LNG, putting only 15 percent VAT in place for this imported gas, he said. He said the government has started giving gas connections to the industrial units.

Tawfiq-e-Elahi Chowdhury, energy adviser to the prime minister, said the government would launch a crackdown on Titas to cut corruption.

"If Titas is not corrected, the gas will be supplied by other companies and in this case Titas will get only a fee for renting the pipes across the country."

Source: thedailystar.net.com- Apr 24, 2018

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Tariff Dodgers Stand to Profit Off U.S.-China Trade Dispute

Want to avoid American tariffs? In China, a company called Settle Logistics says it knows a way.

Specifically, that way goes through Malaysia — a 4,600-mile diversion compared with sending a shipping container from China straight across the Pacific to the United States.

But when those Chinese products arrive at an American port, they will look as if they had come from Malaysia, according to the company, and will be spared tariffs aimed at Chinese goods.

"For those unfair trade barriers targeting our industries from certain countries," Settle Logistics says on its website, "we can adopt other approaches to bypass those trade tariffs in order to expand markets."

Such zigzagging routes are called transshipments, and President Trump has used them to justify the trade fight he has picked with a number of countries. They could also take on new relevance should the United States and China carry out their threats to levy a total of more than $200 billion in tariffs against each other.

Mr. Trump imposed tariffs last month on steel and aluminum imports almost no matter where they come from, citing transshipments, though he later carved out temporary exemptions for some countries. He argues that China uses transshipments to send much more steel to the United States than trade data suggests and that broad tariffs are needed to stop it.

“If you talk China, I’ve watched where the reporters have been writing 2 percent of our steel comes from China. Well, that’s not right,” Mr. Trump said last month. “They transship all through other countries.”

The scale of such tariff-dodging isn’t clear. Based on available data, many economists don’t believe that it plays a major role in American trade. For example, the United States imports only modest amounts of steel from Malaysia, Vietnam, Indonesia or other Southeast Asian countries that are popular stops for freight forwarders like Settle Logistics.

Still, the shadowy world of transshipments and other trade trickery is set to get a much closer look. Transshipments are likely to be a major part of any negotiations between China and the United States aimed at settling their trade dispute.

They could also figure into conversations with Europe, South Korea, Canada and other major partners looking to extend their exemptions from Mr. Trump’s steel tariffs. The governments may need to be on alert to make sure they do not become way stations and anger Washington.

Prime Minister Justin Trudeau of Canada announced on March 27 that his country would enact a series of regulatory measures to block transshipments. By contrast, South Korea has insisted that it makes sure the true origins of cargo are accurately identified and that tariffs are paid.

Transshipments are perfectly legal in most cases. The problems occur when somebody disguises the country of origin, which is illegal in the United States and elsewhere.

"Products requirement: Do not have a 'Made in China' logo," says the website of one Chinese freight forwarding company, CT-Chan, that promises it can help manufacturers avoid American tariffs.

Transshipments and relabeling aren't the only trade dodge out there, and China by no means has a monopoly on them.

American steel and aluminum companies complain that some basic metal is sent to other countries for minimal processing before it is shipped to the United States.

Critics say big multinational companies use an accounting trick called transfer pricing — a common way to dodge taxes — to avoid paying higher tariffs when shipping goods between their international subsidiaries.

The network of Chinese brokers that bypass tariffs in the West by shipping goods through other countries is extensive and highly developed. The company websites boast of sending steel, aluminum foil, clothing, solar panels and even stainless steel sinks to the United States and Europe while evading tariffs.

Many of the brokers try to shield themselves from any criticism in China by wrapping themselves in nationalism.

Source: nytimes.com- Apr 23, 2018

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Philippines looking for a revival in its garments sector

After the country lost its position as the world's top supplier, foreign buyers of Philippine garments are looking for a revival of the garments sector.

Robert Young, President, Foreign Buyers Association of the Philippines (FOBAP) stated the group will push for the immediate conclusion of a free trade agreement (FTA). Currently, Philippine garments going to the US are taxed 15 to 20 per cent.

Young says members of FOBAP, lost 70 per cent their market from $1 billion 15 years ago due to a number of reasons, primarily the removal of quota system that led buyers to source from other countries offering same products at half the price. Inclusion of garments in the US Generalized System of Preferences (GSP) as being lobbied by the Philippines, would also be a big help but the tax privilege is subject to graduation that they could lose in two years.

FOBAP plans a campaign for FTA in the US following a proposed bill that would have given Philippine garments preferential treatment not being passed by the US Congress. This would be the third attempt to revive the industry through the US. Young however says, it is not all bad news for the industry as big brands, still source from the Philippines as they are high priced items and cannot be competed with the basic garments like T-shirts which cost twice as much to produce.

Young also says incentives offered in Philippines are not enough, as these are limited to tax holidays and bonded warehousing. Even finding an economic zone under Philippine Economic Zone Authority which offers 5 per cent tax rate and tax and duty-free importation of raw materials, is not enough.

Young admits Philippines has also lost its efficiency and factories have become outdated especially with the advent of robotics, digital cutting and sewing. FOBAP members that include big retail chains Neiman Marcus, Walmart and JC Penney, have been conducting roadshows to teach factories about social compliance on like wages, working conditions to make sure there is no child labor or sweatshops.

The FOBAP's membership too has dwindled, from 75 to 40. It targets $850 million in exports this year for all items bought by members.

Source: fashionatingworld.com- Apr 23, 2018

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Bangladesh and India top T-shirt production

In 2016, the volume of global T-shirt exports grew four per cent compoared to previous year.

Bangladesh and India have seen the highest growth rates in T-shirt production among the main producing countries from 2007 to 2015.

Increased exports from these countries was due to the export-oriented means of production, with cheap labor costs.

While the share of Bangladesh, India and Vietnam increased, China indicated negative dynamics. Despite the fact that China remains a key global centre for the production of T-shirts, production is gradually shifting to other countries in Asia.

T-shirt consumption is set to maintain an upward growth trend in the immediate term, due to the recovery being seen in the global economy, the process of ongoing urbanization, the rising population, and increasing income levels. The globally T-shirt market is expected to continue, with a growth of 1.7 per cent annually in the medium term.

While mature markets of the US, Canada, and Western Europe are close to their saturation point in T-shirt consumption, emerging economies, such as China, India, Russia, and Brazil, are far from saturated.

They share a few similar characteristics, including a rising population, an improved economic situation, rising disposable incomes, and urbanization.

Source: fashionatingworld.com - Apr 23, 2018

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Surmounting the hurdles in Africa's cotton and textile industry

Africa's trade relation with the rest of the world, as it is presently, is awkward. It got worse in recent times, particularly in the manufacturing sector due to some powerful external factors. China's highly competitive manufacturing sector has devastated many smaller-scale rivals across Africa, Asia and Latin America in the course of implementing Beijing's global strategy and the pursuit of global ambitions, with growing dominance in global trade.

The recent launch of One Belt One Road (OBOR) was a bolder and more overt step in legalising China's expansionist programme which seeks to legally expand the frontiers of Chinese trade globally. Although it is being marketed on the economic front, it may well be a veritable prelude to a political façade.

In the cotton-textile-apparel sector, Africa's competitiveness is low. The African textile industry holds the short end of the globalisation stick and so loses out in the struggle with more potent outside economic forces. Nigeria has been particularly hard hit. Following the ripple effects of the damage done by pernicious economic policies of structural adjustment some three decades earlier, the Chinese contraband had so thoroughly captured the Nigerian market that it would be impossible for the Nigerian operations to compete.

The tide of fake Chinese-made textiles has risen so high that it could no longer be hid and has turned destructively against Nigeria. At a point in the past, Chinese fabrics fraudulently labelled "Made in Nigeria" used to be a hidden international trade. Not so anymore! From the Chinese factories, imitations of what Nigerians previously produced for themselves are churned out.

These fabrics make their way to West Africa's ports, particularly near Nigeria from where they undergo trans-shipment by smuggling into Nigeria in a trade estimated to be worth about $2 billion a year, equivalent to about a fifth of all annual recorded imports of textiles, clothing, fabric and yarn into the whole of sub-Saharan Africa.

In the context of OBOR, is China's dominance in the textile product business not likely to increasingly put Africa in general and Nigeria in particular at a greater disadvantage, further eroding the chances of continent's textile industry's recovery? Smuggled garments are bad news for Nigeria's textile industry. Imports comprise 85 percent of the market, despite the fact that importing textiles is officially considered illegal.

The World Bank has estimated that textiles smuggled into Nigeria through Benin are worth $2.2bn a year, compared with local Nigerian production that shrank to $40m annually. According to a team of experts working for the United Nations, in 2009, "The Nigerian textile industry is on the verge of a total collapse." What verdict would a review of the industry now yield, a decade after?

The reality now is that about half of the million farmers who used to grow cotton to supply textile mills no longer do so. Many have switched to other crops. With a rising rate of unemployment and a swelling labour market, formal jobs in Nigeria are scarce and precarious.

Each textile employee supports half-a-dozen relatives. The Nigerian economy occupies a prominent niche and takes a huge share of the African economy, and greater still when considering West Africa. Nigeria is thus seen as a microcosm of Africa in various socio-economic ramifications.

Nigeria was not in isolation in the deindustrialisation blight that swept through Africa. Measured as a share of the overall output of the combined African economy, the fall of manufacturing from 15 percent in 1990 to 11 percent in 2008 pushed countries that have started to industrialise into the reverse process.

Historically and in contemporary times, Nigeria's main industrial predicament remains the poor electricity connection to the factories. Nigeria reportedly produces only half as much electricity as North Korea. The crippling cost of electricity makes Nigerian textiles expensive to produce.

The government's attempt to support the Nigerian textile sector by banning imports remains futile and ineffectual. The textile industry was a significant non-oil sector of the economy, which provided direct and indirect employment to the masses.

Besides, varied and thriving economic activities were witnessed within the textiles gates and around the host communities. The sector was such a boom that it was rated the second largest in Africa after South Africa.

Cotton used to have a huge share in the estimated $3 trillion global textile industry. Sometimes ago, Nigeria was feeding the domestic textiles with as much as one million tonnes of locally produced cotton. Nowadays, however, the quantum has reduced drastically.

In the pre-SAP 1980, cotton turnover in Nigeria was worth N8.9 billion, which represented 25 percent of the National Gross Domestic Product (GDP), mostly from manual, small-scale farmers. Sadly, it slumped to only N300 million in 2012.

The concomitant effects on the ginning sub-sector were equally worrisome as only 26 out of 52 ginneries in Nigeria are currently operational.

From global assessment, a report by International Cotton Advisory Committee (ICAC) (2006/2007) showed that Nigeria had 51 ginning companies but only 17 were fully operational with 33 percent ginning capacity utilisation and approximately 250, 000 cotton farmers.

Recent reports indicate that the number of registered cotton farmers has dwindled to about 67,000. However, the ICAC 2016 data released December 1st showed that Nigeria now produces 51,000 metric tonnes of cotton on 253,000 hectares with the average yield of 202 kg per hectare only. Miserable, isn't it?

But the grim statistics were a result of a combination of manual operations rather than mechanised, poor quality and low-yielding varieties of planting materials, insignificant irrigation support and climate change impact on production.

Like in some other countries that took the structural adjustment pills of economic reforms, Nigeria made the strategic blunder of dismantling the Cotton Marketing Boards with no sustainable substitute afterwards. Nigeria spends $4 billion (about N1.36 trillion) annually on import of textiles and readymade clothing, further compounding the difficulties for those industries in the country to operate and compete.

Nigeria's National Bureau of Statistics (NBS) observed that the textile, apparel and footwear industries contributed only 2.10 percent of GDP in Q1 of 2016.

A proper diagnosis of Nigeria's standing in the global context of cotton and textile industry will depend on differences between supply (depending on factors like the environment, agricultural policies, mechanisation, etc.) and demand for cotton (resulting mainly from textile industrial activities) in the international cotton fibre trade.

According to an OECD report; "Since 1960, world production of cotton fibre has doubled, from 10.2 to 20.3 million tons, representing a moderate average annual growth of 1.7 percent.

Although there are numerous cotton-producing countries, global production is largely dominated by China (28 percent), followed by the United States (17 percent) and India (12 percent). These three countries alone account for nearly 60 per cent of total global production of cotton fibre in 2004/05, compared to 47 per cent, nearly 30 years earlier."

The era of global prosperity and rapid technological advancement has led to efforts directed at transformation and quest for alternative raw materials for the textile industry. Cotton represented 68 percent of total fibre use in 1960; this percentage underwent a downward trend to reach 38 per cent in 2000.

Between 1960 and 2000, global demand for cotton fibre increased at the same pace as population growth (1.8 per cent annually). By contrast, during this period, global consumption of artificial fibres increased by 4.7 per cent per year, with a relative decline of cotton compared to synthetic fibre.

Source: businessamlive.com - Apr 23, 2018

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Korea: Patent Applications Surging in Smart Apparel Sector

Patent applications related to smart apparel, which integrates clothing and electronic communication technology, is surging amid a rapid growth in the market for such clothing.

According to the Office of Patent Administration, patent applications for smart clothing surged in recent three years with the rapid development of sensors and communication technologies. They were six cases in 2014 but shot to 40 cases last year.

The global market for smart apparel is expected to grow 76.6 percent a year between 2016 and 2021. Patents for smart clothing can be classified into four sections: conductive textile materials, phase change/discolor textile materials, digital-devised clothing, and medical clothing.

Patent applications increased sharply in the infotainment sector, which combines information delivery and entertainment, and the medical sector.

The growth in the infotainment sector is explained by the easiness in integrating an electronic circuit in clothing, while the increase in the medical clothing sector is attributed to the expectation that investment return would be higher in this sector than others.

An analysis of the patent application trend during the recent 10 years shows that the infotainment sector tops with 35 applications (24%), followed by the medical sector with 28 (19%) and the protection and sports sectors each with 25 (17%), respectively .

Of all 146 applications, companies accounted for 51 (35%), followed by individuals at 41 (28%) and colleges at 37 (25%).

Over the past three years, 37 applications were filed by companies, accounting for more than 40% of the total 92 applications, which indicates a surge in industry interest and active corporate research activities. Koreans accounted for 139 cases (95.2%).

The global market for smart apparel is still at its initial stage. Yet the market is expected to expand rapidly through convergence with some of the Fourth Industrial Revolution technologies.

Experts advise Korean companies to secure more intellectual property rights in this field by expanding investment in technology development.

Source: businesskorea.co.kr - Apr 23, 2018

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Pakistan: Textile exports increase to $9.9bn

Exports of textile and clothing products recorded a 7.7 per cent growth year-on-year to $9.99 billion in the first nine months of 2017-18, the Pakistan Bureau of Statistics (PBS) reported on Monday.

The revival in the export proceeds from these sectors is due to the cash subsidy offered under the prime minister's exports enhancement package with maximum refunds/rebate of exporters being cleared in FY18. However, there are still outstanding amount which was yet to be released.

The main driver of growth was the value-added textile sector as exports of ready-made garments went up 12.56pc during the period in value and 12.85pc in quantity while those of knitwear edged up 14.12pc in value and 3.52pc in quantity during these nine months. Exports of bedwear went up 4.99pc in value and 3.16pc in quantity.

However, exports of towels posted a paltry growth of 1.18pc in value and 9.3pc in quantity. Exports of cotton cloth posted a growth of 1.05pc in value and 2.46pc in quantity during the period under review.

In the category of primary commodities, exports of cotton yarn witnessed an increase of 4.9pc while those of yarn other than cotton recorded a rise of 31.34pc.

Exports of made-up articles, excluding towels, increased 7pc while art, silk and synthetic textile exports grew 70.39pc during the period under review.

However, exports of tents, canvas and tarpaulin dipped over 38.39pc whereas proceeds from raw cotton recorded a surged by 35.76pc.

The total export proceeds posted a growth of 13.1pc to $17.07bn in July-March 2018 from $15.09bn over the corresponding period of last year.

The non-textile exports went up by 21.64pc to $7.08bn in July-March 2018 from $5.82bn in the same period of last year.

Data show a mammoth increase of 115.16pc in exports of petroleum products, which along with petroleum crude and naphtha, led the increase in overall sector exports.

Exports of carpets and rugs fell by 5.33pc during July-March FY18 from a year ago. On the other hand, foreign sales of sports goods went up by 4.81pc during the period under review, with football exports higher by 9.76pc. Tanned leather exports, however, shrank by 4.75pc in July-March from a year ago.

Leather products' exports increased by 4.03pc during this period and were mainly led by sales of leather gloves.

Footwear exports rose by 11.78pc during the period under review despite facing strong competition especially from Chinese exporters in Europe despite preferential market access.

Exports of surgical goods and medical instruments went up by 13.05pc and engineering goods by 12.49pc during these nine months.

Foreign sales of gur (jaggery) soared by 31.24pc, handicrafts 40pc, jewellery 9.19pc and molasses 247.8pc while the exports of cement fell by 13pc, and furniture 14.58pc during the period under review.

In the food basket, exports of rice witnessed an increase of 28pc owing to higher foreign sales of both basmati and non-basmati rice.

Source: dawn.com- Apr 24, 2018

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Bangladesh emerges largest importer of Indian cotton

Bangladesh has emerged as the biggest importer of Indian cotton this season. It imported around 21 lakh bales of cotton from India overtaking China, which was largest importer of Indian cotton until now.

For many seasons, China has remained the largest importer of cotton from India and has imported around 17-18 lakh bales during any given season. However, for the past couple of seasons, China has not been importing much cotton because of large reserves of the crop within the country itself. In the last two seasons, China has imported some 19 lakh bales of cotton.

Bangladesh, on the other hand, has imported around 36 lakh bales during this period. According to industry people, there have been no restrictions on the import of cotton in Bangladesh.Cotton is exported from India via Kolkata port and the road route from Benapole. Traders say that expenses on logistics are reduced since Bangladesh in India's neighbour.

Bangladesh produces less than 8 lakh bales in a season and is not considered a significant cotton producer. Over 90 % of the country's textile mills' needs are met through imports. The country has over 85 textile mills and a large presence in powerloom and processing.

The country's textile business has 35% foreign direct investment, industry sources said. Both US and China are large investors in the textile business. US exports around 25-28 lakh bales.

The Cotton Association of India (CAI) has estimated domestic consumption at 324 lakh bales while the exports for the season are estimated at 65 lakh bales which is higher by 5 lakh bales than the CAI's estimate of the previous month as the country is now witnessing a good export demand.

The carry-over stock at the end of 2017-18 season is estimated by the Association at 21 lakh bales, which is lower by 1 lakh bales of 170 kgs each than the CAI 's earlier estimate.

Several new textile mills have come up in Gujarat and other states have started operations resulting in about 35 lakh new spindles this year. India is also the second largest exporter of cotton in the world next only to the US and it also has a vibrant import market.

So far, India has exported 15 lakh bales of cotton to China. As per data provided by CAI, the country has contracted 15-20 lakh bales for exports to China. Following the trade war with the US, China has imposed tariffs on import of cotton from the US. Cotton is one of the 106 US goods on which Beijing has imposed up to 25% tariffs.

Atul Ganatra, President, Cotton Association of India (CAI), had earlier said India has been receiving demands for cotton from several other countries, including Vietnam, Indonesia and Turkey. According to the CAI, India had exported 63 lakh bales of cotton last year. Each bale has nearly 170 kg of cotton.

Sourcing cotton from India is more cost effective and less expensive in comparison to other countries, according to traders. India has already shipped nearly 53-55 lakh bales in the current season and contracts have been signed for another 8-10 lakh bales scheduled for shipment in April-May.

India will export 65-70 lakh bales of cotton in the ongoing cotton season 2017-18 (October-September) amid aggressive demands from neighbouring countries like Bangladesh, Pakistan and China, according to traders.

The country's cotton exports would reach 65 lakh bales by May-end as Bangladesh, the world's largest cotton importer, does not have much of its own production and its spinning mills largely depend on imports, CAI has said.

In the early six months of this cotton production and marketing season 2017-18 (October-March), India had sold 55 lakh bales of cotton, of which 17 lakh bales were shipped to Bangladesh followed by 11 lakh bales to Pakistan, 10 lakh to Vietnam, 7 lakh to China, 7 lakh to Indonesia and Taiwan, and 3 lakh to other countries including Sri Lanka, Turkey and Thailand, among others.

Source: financialexpress.com - Apr 24, 2018

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NATIONAL NEWS

The collapse in developing country exports

Since 2010, exports of developing countries have slumped, most of all in South-South trade. They need to factor this into their future strategies

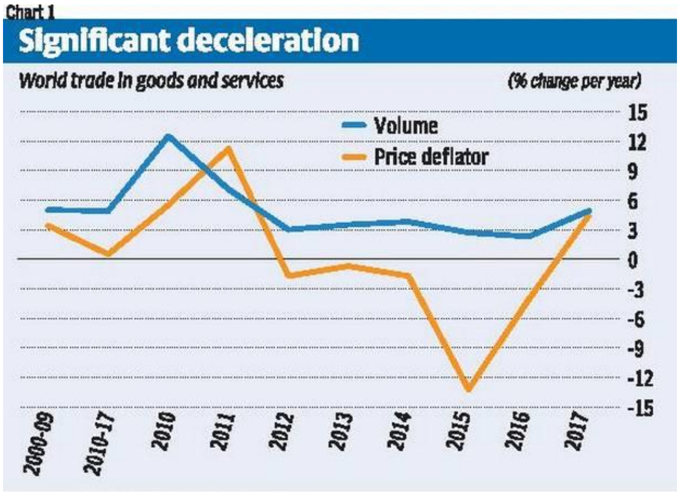
If there has been one big change in the nature of the global economy in the second decade of this century, it is in global trade. In the first decade of this century, especially in the period 2002-08, cross-border trade grew much more rapidly than total world output, and the integration of countries through greater exchange of goods and services essentially became the primary engine of growth.

It is true that the explosion of financial activity that has become such a prominent feature of contemporary capitalism also added substantially to income growth — and indeed generated the bubbles that were then expressed in more trade. But whatever the origins, this period was also the apogee of trade globalisation.

In the process, a few developing countries — particularly China — emerged as major beneficiaries of such trade expansion, and then brought about a significant increase in what was known as South-South trade. The geographical relocation of production and the emergence of global value chains generated significant increases in intra-industry trade among developing countries, which were often directed to final demand in advanced economies, but simultaneously enabled income and demand expansion in the periphery.

The associated growth of several emerging economies was more rapid than in the core, giving rise to theories of global income convergence and even of the "decoupling" of some countries in the periphery (particularly those in developing Asia) from the growth poles in the North.

The Global Financial Crisis put paid to the latter theory, even as the arguments about greater income convergence were shown to be overly based on a very limited number of "success stories" in the developing world. But the pattern of trade in the decade after the crisis has shown the fragility of that trade expansion.

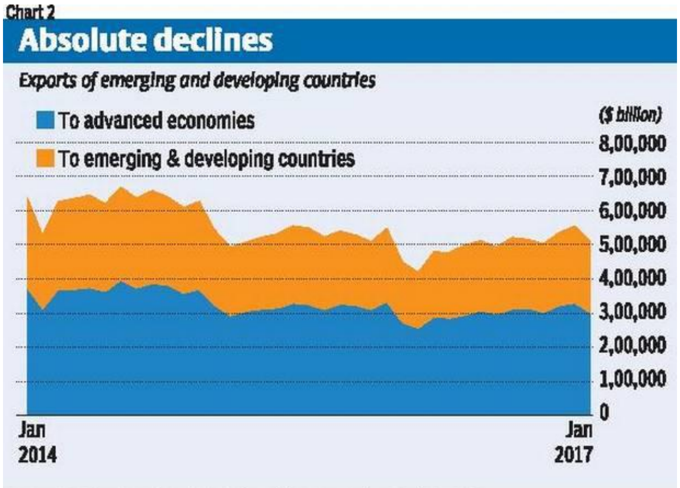


Source: IMF World Economic Outlook April 2018

As indicated in Chart 1, the period after 2010 in particular has been marked by a significant deceleration of world trade in goods and services. Most of this has been because of price collapses, as volume changes have been much less marked. While trade volumes grew by an average of 5 per cent per annum over 2000-09, they decelerated only marginally to 4.9 per cent in the period 2010-17. However, changes in world trade prices slowed down from 3.4 to 0.5 per cent per annum in the subsequent period, causing the growth in world trade values to fall below global output growth for the first time in the period of globalisation (that is, after 1980).

Indeed, in the years 2012-16 world trade prices fell, sometimes sharply, driven by the end of the commodity cycle that meant falling oil and primary commodity prices. The slight recovery in 2017 still left global trade values around 15 per cent below those prevailing in 2011.

Since so much of the growth experienced by developing countries during the boom was export-led, this slowdown and even decline in trade has obvious implications for their growth strategies. If anything, the situation has deteriorated in the most recent period.



Source: IMF Direction of Trade Statistics online, accessed on April 21, 2018

Chart 2 shows that there have been absolute declines in export values (in US$ terms) of developing countries since January 2014.

This has been so evident that the value of exports of developing countries in the six-month period July-December 2016 was as much as $725 billion less than the value three years earlier, in July-December 2014.

Much of this decline was due to South-South trade: while exports to the advanced economies declined by 20 per cent over this three-year period, those to developing countries fell by 25 per cent.

China factor

One of the most striking features has been the dampened significance of China as an important market for developing country exports. One of the most widely remarked features of recent world trade has been the dramatic emergence of China as a substantial player in global trade, not only because its exports have penetrated nearly all countries' markets, but because it had become a major destination for developing country exports, for both raw material and intermediate exports in particular.

Source: IMF Direction of Trade Statistics online, accessed on April 21, 2018

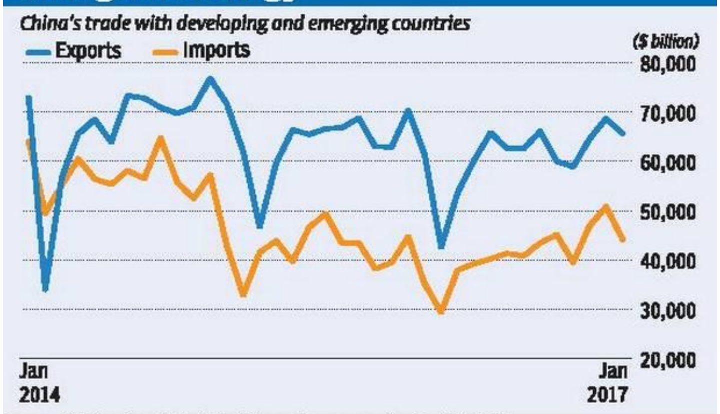
China's demand even drove up the prices of many primary products, leading to terms of trade improvements that contributed hugely to increased incomes in primary exporting countries. But in the past three years, China's share of the total exports from developing countries as a group has fallen, and recovered only slightly very recently (Chart 3).

Conversely, the shares of the euro area and the US have largely maintained or increased slightly.

(It should be noted that developing country exports here include exports from China, which complicates the matter slightly – but this should not affect temporal changes too much.)

The lower demand from China meant that, between July-June 2014 and July-June 2016, developing country exports to China fell by $78 billion, amounting to around a quarter of the overall decline in exports to other developing countries. Chart 4 shows how this reflects the change in China's own external strategy.

Chart 4
Change in strategy



Source: IMF Direction of Trade Statistics online, accessed on April 21, 2018

As the Chinese economy rebalances towards more domestic demand-led growth rather than export-led growth, it requires less imports from developing countries to use in processing for further export. This explains partly why — even as Chinese exports to developing countries have been volatile but still remained largely at the same level since January 2014 — imports from developing countries fell quite sharply in early 2015 and since then have stagnated at the lower levels.

What this suggests is that China is unlikely to play the same role of providing a much-needed demand impetus for developing country exports, that it played in the earlier decade. The possibility of Asia becoming a viable alternative growth pole for the world economy is also thereby undermined. The sooner other developing countries wake up to this reality and adjust for it in their own trade strategies, the better for them.

Source: thehindubusinessline.com- Apr 24, 2018

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Exports fall, apparel exporters shift focus to domestic market

Perturbed over continuous decline in apparel exports from the country due to intense competitive pressures in the global market, Punjab-based apparel exporters are now shifting focus to domestic market.

According to the industry, around 30-40% of the exporters have already started utilitising their partial or full capacity to cater to the domestic market.

The apparel exports from the country are on continuous declining trend since October 2017.

The industry saw declining numbers in October, November, December 2017, January, February and March 2018 – a fall of 41%, 14%, 13%, 14%, 14% and 19% year-on-year, respectively, mainly due to stiff competition, slowdown and the discontinuation of certain export incentives.

The country's apparel exports in 2017-18 were to the tune of Rs 1,07,699 crore, posting a fall of 7.60% as compared to the same period of the previous fiscal. During 2016-17, India's apparel exports was to the extent of Rs 1,16,554 crore.

Compared to other states, the impact in Punjab, Haryana and Uttar Pradesh is in double digits as the input costs are higher.

"The dwindling exports have made it very difficult to survive. There are around 450 apparel exporters in Punjab and around 40-50% of them have shifted focus to domestic market. We have also shifted 50% of our production capacity to cater to the domestic market," said Harish Dua, managing director of Ludhiana-based KG Exports.

The domestic market is pegged at around Rs 3.25 lakh crore and it is almost three times more than the exports market. However, there is a catch to it. Manufacturers having only deep pockets can sustain in the domestic market.

Narinder Chugh, managing director of Ludhiana-based Million Exporter (P) Ltd., said, "In the absence of government support at this time, the exporters have no choice but to serve the domestic market in order to sustain. We are also planning to foray into domestic market and are in discussion with various MNCs for outsourcing."

Exporters say the decrease in duty drawback rates has made the Indian exporters uncompetitive as compared to other countries. Also, strengthening of Indian rupee against the US dollar has impacted the exporters. Countries like Bangladesh, Vietnam, China, Pakistan and Myanmar are posing major threat to Indian exporters as their products are more competitive than those of Indian exporters.

Source: tribuneindia.com- Apr 23, 2018

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Coming apart at the seams

Hit by falling production and exports in the aftermath of GST, garments needs policy support to address both immediate and structural issues. Amiti Sen and LN Revathy report

Tirupur in Tamil Nadu, India's well-known garments hub, employing about six lakh, wears a sleepy look these days. There aren't many load pullers and lorries stacked with material to be seen.

Nearly 3,000 km north, in Noida's garment units, there is an almost beguiling sense of normalcy. Inside a factory unit with large iron gates, workers are busy piling up reams of patterned cotton cloth, ready to be cut and sewn into attractive clothing.

Others are grouped together in different rooms going about their tailoring work like dutiful soldiers. But there can be no denying that India's garments industry, the second largest employment generator after agriculture, is in trouble. Apparel production and exports have both declined sharply over the past 10 months, despite a growth in global demand (see table).

CITI analysis of exports of textiles and apparel for March 2018 Value in $ million

Particulars	March 2017	March 2018	% Change	April 2016-Mar 2017	April 2017 - Mar 2018	% Change
Cotton yarn/fabrics/made-ups, handloom products etc	893	1,021	14	9,862	10,233	4
Man-made yarn/fabrics/made-ups, etc	439	469	7	4,557	4,823	6
Jute manufacturing including floor covering	27	25	-7	310	333	7
Carpet	139	126	-9	1,490	1,432	-4
Handicrafts excluding hand-made carpet	173	186	8	1,927	1,828	-5
Textiles	1,671	1,826	9	18,146	18,650	3
Apparel	1,813	1,491	-18	17,368	16,714	-4
Textiles and Apparel	**3,484**	**3,317**	**-5**	**35,514**	**35,364**	**-0.4**
All commodities	**29,302**	**29,109**	**-1**	**275,851**	**302,840**	**10**
% of Textiles and Apparel in total exports	**12**	**11**		**13**	**12**	

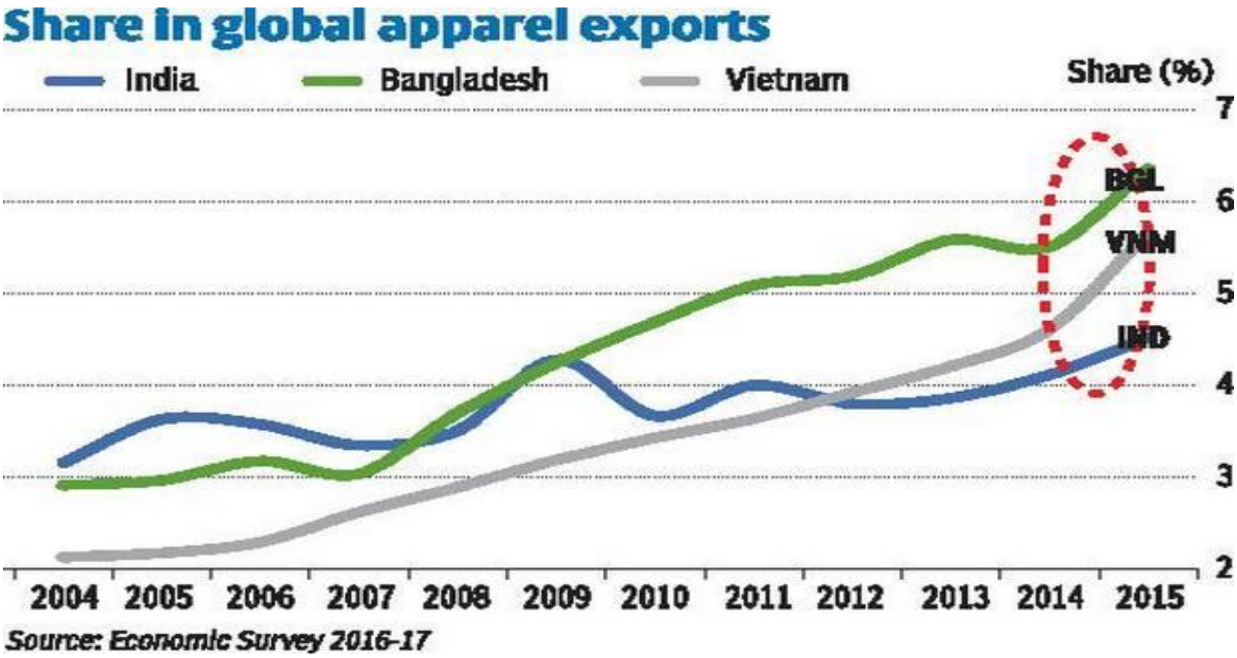
Source: DGCI&S & Press Information Bureau *CITI: Confederation of Indian Textile Industry*

What exactly is ailing our apparels sector, which accounts for over 10 per cent of total exports? "Acute liquidity crunch is the main reason. Because of lower rates of refunds under the duty drawback and remission of state levies (ROSL) schemes, manufacturers and exporters are short of cash. Smaller units are not in a position to take new orders," explains Anil Peshawari, Meenu Exports, Noida.

GST blues

It's been a triple whammy. The lowered rate comes on the back of slow GST refunds, as exporters (who are tax exempt) apply for both reimbursement of input taxes as well as IGST paid on the finished goods. The sector has barely recovered from the impact of demonetisation. After GST came into force last July, the Centre re-calculated duty drawback rates and slashed it to 2.2 per cent from an average of 9 per cent while the ROSL rates were reduced to 1.3 per cent from 3.3 per cent.

Subsequently, the government recanted and increased the incentives under the Merchandise Export from India Scheme (MEIS) to 4 per cent, from 2 per cent. But the net loss in reimbursements for exporters is 5-5.5 per cent of export value, as per industry calculations.



While Peshawari owns a large unit and is managing to somehow tide over the situation because of his scale of operations, smaller units are facing the heat. "My unit is small and I export to just a few countries in Europe, I had been doing well as orders were regular.

Because of the lowering of drawback and ROSL rates and the money stuck in GST refunds, my liquidity has taken a hit. I am now forced to reject orders and if things don't improve I fear that I may have to shut shop," another Noida -based exporter, who does not wish to be named, says.

Tirupur Exporters' Association (TEA) President Raja M Shanmugham agrees that it is the small exporter who is worst hit. "Small and tiny units are struggling to cope as they have not been able to get GST refunds. Only 300-odd cases were filed for refund up till April 10," he says. There are about 8,000 MSME units in the knitwear cluster. About 1,000 units are engaged in the export of garments.

While the tax authorities have been advising units to engage a senior person or auditor to help file GST returns, small players contend that they cannot afford to engage a person at a senior level.

HKL Magu, Chairman, Apparel Export Promotion Council, puts it thus: "The industry suffered because funds were blocked and payments to suppliers and workers were hit. This affected production." Apparel output fell by 10 per cent during April-February 2017-18.

As for the post-GST duty drawback cuts, the government rationalises the move by saying that exporters' taxes are completely reimbursed now. Exporters, however, contend that input taxes paid by exporters were low in any case and the GST refund was only giving them an advantage equivalent to 0.5 per cent of export value.

Despite low input taxes, the drawback rate in the previous regime was high as the government was using it as a mechanism to compensate garment exporters for disadvantages they suffered vis-à-vis competing countries such as Bangladesh, Cambodia and Sri Lanka.

"The high drawback rate was a way to support the domestic industry and help it compete against countries like Bangladesh and Sri Lanka that have got a free trade agreement (FTA) with the EU. Our products straight away become 9.8 per cent more expensive in the EU because of import duties as these countries' exports are duty free," says Peshawari. As the EU is one of the biggest markets for Indian garments and textiles, losing it would be a big blow.

According to A Sakthivel, a Tirupur-based garments exporter and an office-bearer of Federation of Indian Export Organisations, the reduction in incentives by about 5 per cent is a jolt. Exporters were already working on a thin margin of 3-4 per cent.

Structural issues

M Vijay Bhaskar, Professor of Economics, Madras Institute of Development Studies, explains that the wafer-thin margins are a result of sellers, mostly small-scale and fragmented, lacking pricing power against large, MNC buyers. With fashions being engineered to change every two months against, say, a year, about two decades ago, sellers are placed at a disadvantage, he explains.

Taking the pricing issue further, Ahmedabad-based Ashim Roy, General Secretary of New Trade Union Initiative, says: “Rather than focus on labour arbitrage at a time when wages are already rock bottom, the government should address the pricing issue by working towards some institutional framework. Logistics costs, too, are much higher in India than in competing countries.” Economic Survey 2016-17 too points out that Vietnam, while prevailing over India in market share, has a higher wage (see graphic).

The other structural issue is the traditional tariff bias against man-made fibre at a time when the global demand for it is on the rise. CMD, Indorama Synthetics, OP Lohia, says: “For cotton garments, there is synchronisation of taxes from raw material to garment, at 5 per cent.

In the synthetic sector, the GST on polyester fibre or yarn is still at 18 per cent, whereas on the fabric it is 5 per cent. It defeats the purpose of tax reform, when you have a higher tax on raw material.”

In sum, a government that seems intent on propelling the labour-intensive garments sector as a central actor in its ‘Make in India’ drive is yet to get its policy mix right.

Source: thehindubusinessline.com- Apr 24, 2018

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Diesel price hike affecting garment industries

The President of Garment Manufacturers and Wholesale Association of Telangana, Pavan Bansal, on Monday said that the recent rise in diesel prices was affecting the garment industries all over the country.

Speaking to ANI, Bansal said, "Diesel rates have increased more than Rs. 10 in the last four years. This will impact the garment industry negatively raising the product of the price of the materials. It will lead to huge losses for the traders."

He added that diesel was an important commodity for the industries as it was more affordable than petrol.

Highlighting the importance of the fuel, Bansal further said, "Diesel is used in several industries on a daily basis, whether it is garment or manufacturing industry. Our materials come from all over India. We send garment materials to neighbouring states like Karnataka, Andhra Pradesh, Maharashtra and Tamil Nadu. We also sell the materials in local areas."

He also criticised the increase of Goods and Services Tax (GST) on raw products as it was becoming an additional burden on the traders.

Meanwhile, Petrol prices have hit Rs 74.40 a litre, while diesel rates touched Rs 65.65, the highest ever since May 2014 in Delhi, according to Indian Oil Corporation (IOC).

In Kolkata, Mumbai and Chennai too, petrol prices climbed to new highs of Rs 77.10, Rs 82.25 and Rs 77.19 respectively. Diesel prices in the three cities touched record highs of Rs. 65.65, Rs. 68.35, Rs. 69.91 and Rs. 69.27 respectively.

The sudden hike in prices of diesel and petrol, along with a rise in crude oil prices, was due to the ongoing supply cut of oil by the Organisation of the Petroleum Exporting Countries (OPEC), coupled with a strong global demand for crude.

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

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Four States and Puducherry to roll out intra-State e-way bill from April 25

Madhya Pradesh, Arunachal Pradesh, Sikkim and Meghalaya join in

In keeping with its plan to roll out the e-way bill system for the intra-State transport of goods in a phased manner, the GST Council on Monday announced the third phase, from April 25, in which the system will become applicable for Arunachal Pradesh, Madhya Pradesh, Meghalaya, Sikkim, and Puducherry.

While the e-way bill system is applicable across the country for the inter-State transport of goods, it is so far applicable for intra-State transport in Andhra Pradesh, Bihar, Gujarat, Haryana, Himachal Pradesh, Jharkhand, Karnataka, Kerala, Telangana, Tripura, Uttarakhand, and Uttar Pradesh.

"E-way bills are getting generated successfully and till April 22, 2018 more than 1.84 crore e-way bills have been successfully generated which includes more than 22 lakh e-way bills for the intra-State movement of goods," the government said in a release.

"With the roll-out of e-way bill system in these States/union territory, it is expected that trade and industry will be further facilitated insofar as the transport of goods is concerned, thereby eventually paving the way for a nation-wide single e-waybill system," the government added.

Source: thehindu.com- Apr 24, 2018

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Migrant thread in Tirupur fabric

About 20 per cent of the workforce at Tirupur's garment units is from upcountry States

When Ajay, a native of Bihar, moved to Tirupur to work in a garment manufacturing unit six years back, he probably did not consider a permanent relocation.

"I just wanted to give it a shot. The initial years were not easy as I did not understand the local language. Over the years, a good number of people from my home town moved in to work at the garment manufacturing units here. Most of us are very much at home today as we stay in and around the same colony," said this 35-year old, in Hindi.

While some have moved in with their family, quite a number have left wife and children behind.

A little further away from this Bihari settlement are a group of youngsters from Uttar Pradesh, who prefer not to converse with strangers.

Beyond idli-sambar

Most of these migrant workers move in groups. "They turn up in hundreds and leave the same way, only to return after 2-3 months. They leave for their native village during harvest season or, say, when there is a wedding in the family.

The exodus is huge between December and February," said Raja M Shanmugham, President, Tirupur Exporters' Association (TEA).

Besides offering them jobs, some of the units have also set up a kitchen for such workers as they are not comfortable eating the typically South Indian sambar or idli.

Absorbing these migrants is given in a town like Tirupur, where the demand for labour is huge.

Industry sources acknowledge that workers from neighbouring districts and from places like Ramanathapuram and Tuticorin used to come and work in the garment units here till about seven years back. These natives of the State now prefer to work in districts closer to their village as the cost of living in Tirupur has soared.

The migrants from upcountry States such as Bihar, Chhattisgarh, Uttar Pradesh, Odisha and Jharkand, however, manage by spending just the required minimum.

Retention, the problem

“The issue that we face is not about providing a job, but retention. We imparted training to 15,000 unemployed youth and placed them in different units.

Later, we found that they did not stay in one unit for more than six months They hop jobs when a neighbouring unit offers over-time or something extra,” said R Senthilkumar, Chairman, Public Relations Committee, TEA.

The workers are paid on a weekly basis and Monday absenteeism is high, say industry insiders. There are close to 8,000 garment manufacturing units employing around 6 lakh workers in Tirupur alone. Nearly 20 per cent of the workforce is from upcountry States.

The steep decline in garment exports has not been reflected in the demand for workers in Tirupur. “The garment sector has always faced labour paucity — both in good times and the paradox we are in at present,” said Senthilkumar.

Source: thehindubusinessline.com- Apr 24, 2018

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Lift ban on letters of undertaking, say exporters

The apex exporters lobby Federation of Indian Export Organisations (Fieo) has written to the RBI and finance ministry seeking lifting the blanket ban on letters of undertaking (LoUs) saying it will further hurt exports by making them more uncompetitive.

The Fieo, promoted by the ministry of commerce and industry, has written to the RBI governor Urjit Patel and finance ministry seeking reintroduction of the crucial trade finance instruments, but feels that the government will have to take the lead to end the stalemate, a top Fieo official has said.

“The LoUs were in operation for many years, so at the drop of a hat you cannot abolish such instruments...why deprive our exporters or importers of it?” Fieo director general Ajay Sahay said.

Admitting that the lobby has so far underplayed the impact of the mid-March move by the RBI, Sahay said earlier Fieo felt that only the gems & jewellery sector used the instrument, but it has later transpired that others, including the employment-intensive textiles and leather industry, are also using LoUs.

When asked if the ban will impact exports, he said, “absolutely”, and added that while the gems & jewellery sector will be the worst impacted, others will also be hit.

Sahay pointed out that gems & jewellery exports have contracted by a massive 36% following the regulatory actions, which employs 5 million. He explained that the alternatives for LoUs like bank guarantees increase the cost by 1-3%, hence making exports uncompetitive globally.

Source: timesofindia.com- Apr 23, 2018

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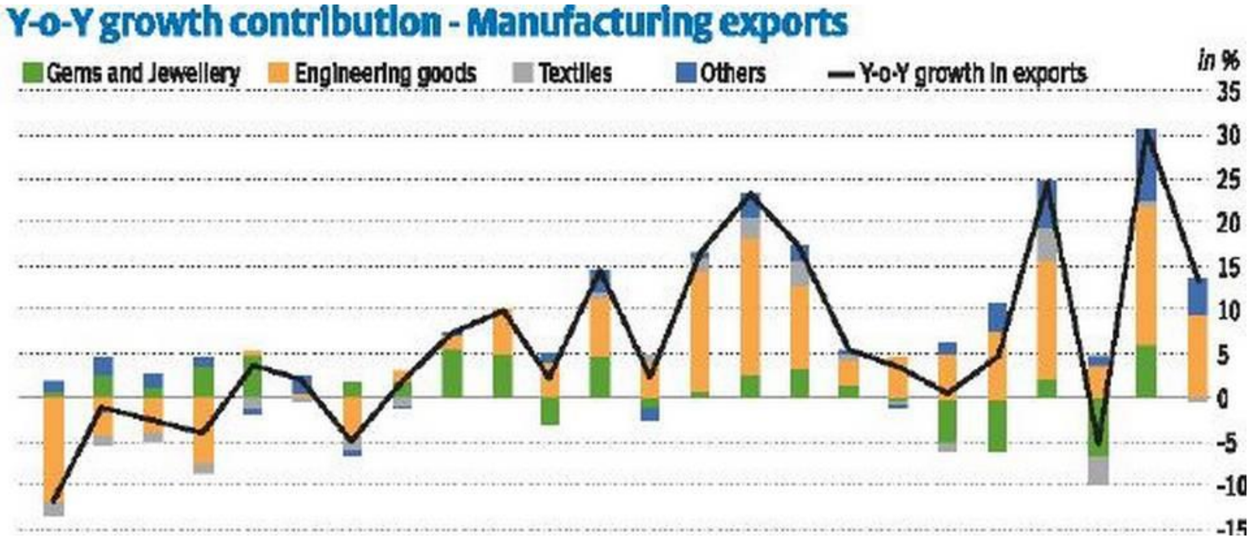
GST refunds issue refuses to go away

Slow GST refunds continue to hurt exporters (who are entitled to complete refunds as exports are zero rated) in certain sectors, despite government claims.



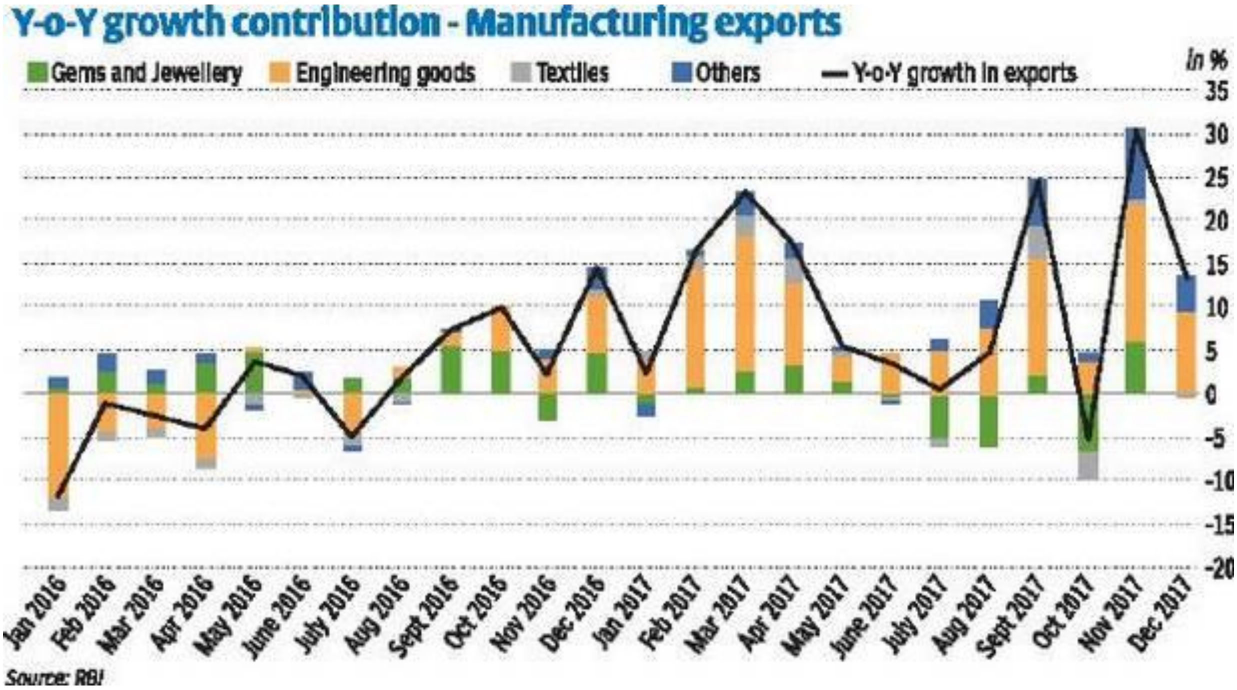
The government claims that corrective measures taken in October to speed up refunds have alleviated the distress in the case of working capital-intensive sectors, but the impact on the ground appears to have been uneven.

Here, too, there seem to be two factors at work. First, the higher the working capital to sales ratio, the more the disruption in the sector concerned. Second, it appears that sectors with a long domestic value chain have been impacted more by delayed refunds than those where the inputs are imported.

Two factors

An RBI paper “Working Capital constraints and exports: Evidence from the GST roll-out” (February 12, 2018) concedes that exports in October registered a de-growth of 1.2 per cent largely on account of the refunds delays. The 30.5 per cent growth in November exports is attributed not just to the base effect (demonetisation) but also to improvement on the refunds front. While exports were up 9 per cent in 2017-18, some sectors seem to have fared worse than the others. “The export contributing sectors with high working capital/sales ratio were hit the most due to these liquidity constraints,” the paper says.

Hence, sectors such as textiles, tea, gems and jewellery and electronic goods with high working capital to sales ratios (34 per cent, 41 per cent, 45 per cent and 61 per cent) registered negative growth in March-October 2017, to take only a few examples, according to the paper.

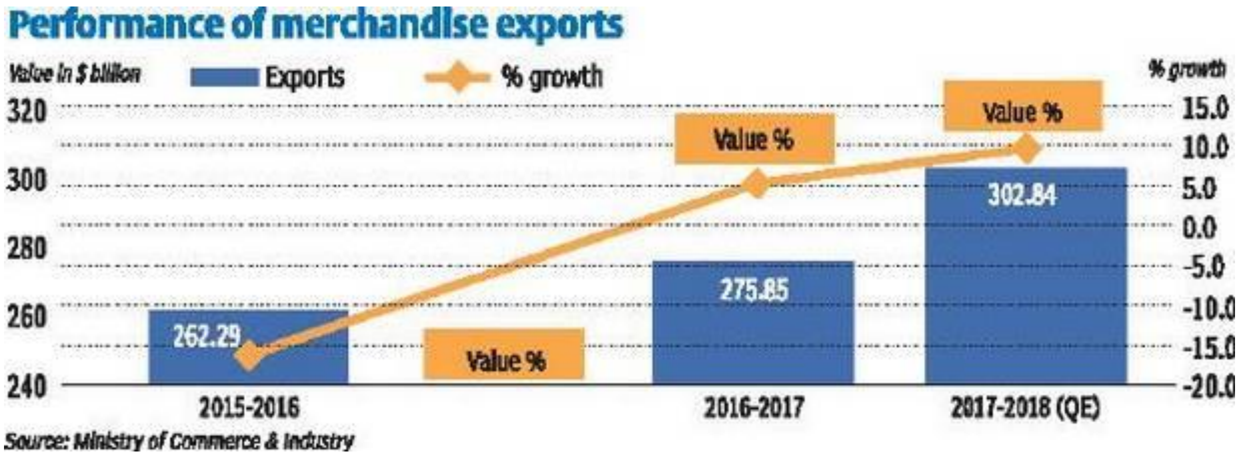


Biswajit Dhar, Professor of Economics, Jawaharlal Nehru University, explains: "It appears that GST refunds have hurt sectors with a long domestic value chain such as garments. It may not have impacted sectors such as pharma and gems and where the raw material is essentially imported."

Exporters claim that risk-averse banks are reluctant to extend credit to small exporters in particular. Ajay Sahai, CEO, Federation of Indian Export Organisations, says that for SMEs, a substantial portion of the refunds are stuck. Unlike the bigger players, who have access to the domestic market, these companies solely depend on exports, he says.

Exporters can claim refunds on the taxes paid on both inputs and the finished goods. IGST refunds are held up by the mismatch between the information in the shipping bills and the information filled in the GSTR forms. Mohan Lavi, an independent chartered accountant, explains: "The export general manifest should not be treated as a document for taxation purposes. The authorities are making a mistake here, as a result of which refunds are held up."

Even as tax authorities have set up help desks, there are localised reports of corruption. Forms in English pose a challenge to small industry, in particular. Small players lack the wherewithal to employ professionals.



Union Commerce Secretary Rita Teotia said: “We have had dedicated sessions of the GST Council primarily looking at refund bottlenecks. We have also examined the software glitches. There has been some improvement in the refunds. States must also begin the process of refunds.”

Overview of sectors

Leather: A sector with a large presence of small players is unable to afford professionals to sort out GST-related concerns. Israr Ahmed Mecca, Regional Chairman (South), Council for Leather Exports (CLE), states that “Exporters of finished leather, which accounts for 15 per cent of total exports, have been hit by refund delays.” Raw material attracts a higher tax rate (which ranges from 5 per cent to 28 per cent in the value chain), which can worsen the impact of refund delays.

Siddiq Ahmed, who handles finance for a small shoe manufacturer, says the company was unable to handle orders of 35,000 pairs of shoes, though the initial liquidity crunch had eased.

Banks, in the context of the recent scams, are tightening export credit, further affecting the exporters.

Mecca states that “Exports grew 1.48 per cent ($4,388 million) between April and December 2017 as opposed to $4,324 million for the same period in 2016 due to a revival of demand in the EU.”

"But the growth would have been more if not for the challenges we faced last year," Mecca adds.

Gems and jewellery: GST roll-out has streamlined retail financial operations.

Even as the tax rate on gold jewellery is fixed at a higher rate than the earlier regime, there is a greater possibility of increase in organised jewellery retailing, say industry spokespersons.

India's exports include cut and polished diamonds, coloured gem stones, gold jewellery and coins to the US, the UAE, Russia, Hong Kong, Singapore and China.

According to data from the the Gems and Jewellery Export Promotion Council (GJEPC), net exports of gems and jewellery in April-February 2017-18 stood at ₹1,97,553 crore, 9.15 per cent lower than ₹2,17,443 crore reported for the same period in the previous year.

Pharma: "Date expired" drugs are returned by the retailer to the company, and GST is expected to be paid at every stage, says DG Shah with the Indian Pharmaceutical Alliance, a platform for large domestic drug companies.

The industry had made a representation to the Government that "date expired" medicines being returned to the company should not be treated as a sale. And though there is an in-principle agreement, it has not translated into action on the ground, he says.

According to Shah, the estimated impact of this entire problem on the industry is about ₹500 crore.

On the export front too, there are delays in getting credits and other export entitlements, he says.

Working capital is blocked due to refund delays on duties paid on goods brought in for re-export, he points out.

Source: thehindubusinessline.com- Apr 24, 2018

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Production cuts loom large for cotton seed firms, farmers to be impacted

Producers' margins under threat on rising cost and falling realisation, R&D to get impacted badly

Squeezed between rising cost of production and falling realisation, cotton seed companies are planning to cut production for the kharif sowing 2019 which may impact India's 8 million farmers adversely.

Cotton seed producers claim that their production costs have risen by 20 per cent the past three years, especially since the Bollgard II Bt cotton price was fixed at Rs 800 per packet of 450 each two years ago. But, after stagnating for two years, the government of India decided to cut its prices by Rs 60 or 7.5 per cent to Rs 740 per packet for the current year.

The cut was announced at a time when seed companies initiated awareness programmes for farmers to help them adopt best farm practices to fetch higher yield from the same sowing area.

Last year, many farmers in Maharashtra, Andhra Pradesh and Telangana reported huge cotton output loss due to pink bollworm attack on the standing crop. The decline in output in major producing states prompted the government to reduce its cotton production forecast 5-7 per cent for harvesting season 2016-17.

"We had requested the government to raise seed prices after two years of stagnation at Rs 800 a packet (of Bolgard II) to accommodate increasing labour cost, fixed and other costs including the research and development (R&D). Instead, the government cut its prices by 7.5 per cent to Rs 740 a packet.

While the cost of production has gone up by nearly 20 per over the last three years, realisation slumped by 7.5 per cent. This will result into lower production and investment capacity for the next season as the distribution of seed packets for the current season got almost over.

Seed supply would impacted heavily next year," said Satish Kagliwal, Managing Director, Nath Seeds and Founder President of National Seed Association of India (NSAI).

India has seen a sharp increase in cotton production from a deficit country till two decades ago to one of the largest cotton producers now. With its production between 33 and 38 million bales (one bale = 170 kg), India's annual cotton exports stand at 4-5 million bales.

India sends cotton to China, Bangladesh and a number of other major textile manufacturing countries. Indian exports also include cotton yarn on a large scale to China and Bangladesh, among others destinations.

"With this kind of price cut, it has become difficult to realise cotton seed production as a sustainable business model," said Ashwani Yadav, Executive Director, Federation of Seed Industry of India (FSII).

Seed manufacturers prepare production and distribution strategies of seed packets a year in advance to enable farmers to source high yielding seeds from reliable sources.

Thus, seed producers ensure the packet reaches distributors by the first fortnight of March in north Indian states like Punjab and Haryana for farmers to procure seed for early sowing by March-end.

Sowing of cotton seeds gradually spreads to other states for sowing with the pre-season showers. So, the distribution for the current season has already done in the north Indian states.

India produces around 50 million seed packets of 450 grams each for 8 million farmers of the country to grow cotton in 12.26 million ha of land every year.

Last year, however, crop damage in Maharashtra, Andhra Pradesh and Telangana has raised questions on the quality of seeds supplied to farmers.

Source: business-standard.com- Apr 23, 2018

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Centre drops proposal to bar outsiders from leading trade unions

The Union government has dropped a proposal to allow only employees working in factories becoming office-bearers of trade unions in those units.

The government had proposed the move in the Code on Industrial Relations Bill, 2015, in an attempt to keeping a check on "politicisation of trade unions". However, the central trade unions viewed this as an attack on the trade union movement and said the government should not interfere in composition of unions.

"The provisions on restricting outsiders from becoming office-bearers in trade unions have been dropped following widespread consultations and studies on best international practices.

All the countries that we studied have allowed outsiders to become part of the trade union leadership," said a senior labour and employment ministry official on the conditions of anonymity.

The labour ministry observed that the proposed provisions were against International Labour Organisation conventions. The ILO Convention 87 on freedom of association states that workers have the right to elect their representatives "in full freedom".

"Though the convention has not been ratified by India, but we studied other countries such as China and the United States that have not ratified it. In these countries, too, outsiders are allowed to be part of executives of trade unions," the ministry official said.

According to the proposed Labour Code on Industrial Relations Bill, only people engaged or employed in an industry can become office-bearers of a trade union in the organised sector and two outsiders can be office-bearers of a trade union in the unorganised sector.

The Bill has been circulated for inter-ministerial consultations and is expected to be sent to the Cabinet in May, following which it will be introduced in Parliament. The government has also removed a proposed provision disqualifying a person as an office-bearer if he is an office-bearer in 10 other trade unions.

Under the present law, one-third of the office-bearers in a trade union in the organised sector can be outsiders (with a maximum limit of five such persons). In the case of the unorganised sector, half the office-bearers can be outsiders.

ROLL BACK

The Industrial Relations Bill seeks to combine the Trade Unions Act, 1926, the Industrial Employment (Standing Orders) Act, 1946, and the Industrial Disputes Act, 1947, into one law

PROPOSAL	EXISTING PROVISION	STATUS
Only people engaged or employed in an industry can become office-bearers of a trade union in the organised sector. Two outsiders can be office-bearers of a trade union in the unorganised sector.	**A third of the office bearers, up to five workers,** in a trade union can be outsiders in the organised sector. In the case of unorganised sector, half the office-bearers can be outsiders.	**The Bill is expected be sent to the Union Cabinet in May.** The govt has dropped its proposal following pressure from trade unions and a study of international best practices.

"I think it is a step in line with the spirit of ILO Convention 87, which the Indian government is bound to respect even if it has not ratified it yet. Nowadays, factories have a comparatively younger workforce and an experienced leadership is important. Outside workers will also not be subjected to any pressure from the management," labour law advocate Ramapriya Gopalakrishnan said.

According to XLRI Jamshedpur professor K R Shyam Sundar, who authored the book 'Contemporary Reforms of Labour Market and Industrial Relations System in India', Maruti Suzuki's Manesar plant witnessed violence between workers and the management in July 2012 that claimed the life of one of the carmaker's senior executives principally because of inexperienced union leaders.

"The Maruti Suzuki case has shown that the absence of experienced leadership will play havoc. Inexperienced and immature trade union leadership may lead to violence," Sundar said. Last year, the Gurgaon district court had sentenced 13 workers, all of whom were a part of the then newly formed Maruti Suzuki Workers Union, to life imprisonment.

The ILO had also felt that it should be up to the trade unions to decide structures and the government should play the role of a facilitator.

"Often workers who are part of a factory are unable to raise their voice when they become part of a trade union belonging to that unit. In such cases, the role of outsiders becomes important," Bharatiya Mazdoor Sangh (BMS) general secretary Virjesh Upadhyay said.

"Trade unions should be a true reflection of the workers. It is not that you hijack the agenda by bringing people from outside. We are encouraging those who are stakeholders and are involved with the workers to form unions," the then Labour Secretary Shankar Aggarwal had said in an interview to this publication in June 2015, justifying the proposal which has now been shelved.

This is the second contentious proposal that the Centre has withdrawn from the Bill. The Centre has also sidestepped from its proposal to allow factories with up to 300 workers to retrench workers and shut shop without seeking government permission, up from 100 workers at present. This also led the Centre to remove the proposed provision to hike severance pay three times to 45 days of wage for each year worked from 15 days of wage per year at present.

The Centre has, however, retained its proposal to curb flash strikes as workers in all factories will be required to give employers a strike notice of at least two weeks after the Bill becomes a law. At present, only workers in public utilities are required to do so. Public utilities include banking, cement, coal, cotton textiles, hospitals, among others. Go-slows, gheraos, squatting or demonstrations by employees at employers' houses during conciliation proceedings will not be allowed.

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

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Indian ports: Victims of inward vision?

Without transshipment, India's port-led industrial growth strategy through Sagar Mala would remain ineffective

It is well known that India's domestic infrastructure is not up to global standards. It is also common knowledge that its low quality infrastructure raises business costs and reduces global competitiveness.

Despite efforts to improve infrastructure for several years, the results are still not enough. This is evident from India's low global rank in ease of trading across borders. It is also evident from the challenges facing India in developing as a global maritime hub through the port-led development initiative of 'Sagar Mala'.

Ports integrate host countries with global production networks. Countries with high shares in global goods trade, or having trade as a major source of their national incomes, have no alternative other than having efficient ports. Depending on the size of the country's coastline and degree of integration with regional and global economies, ports play multiple roles.

These include just not facilitating exports, but also supplying imported resources and commodities to their hinterlands. Some ports specialise in transshipment and are vital for enabling cross-continental traffic and smooth functioning of global value chains. Singapore, Hong Kong, Shanghai, Busan, Jebel Ali and Colombo are some examples.

India is yet to develop major transshipment ports. Vallarpadam in Kochi was supposed to be a major transshipment port, but hasn't got going. Its transshipment container terminal is functioning at just around half of the installed capacity.

More transshipment capacity is in the pipeline as the Vizhinjam port develops on the Kerala coast. For becoming a global maritime hub, as the Sagar Mala aims to, India must develop good transshipment facilities. But such facilities, as well as facilities not necessarily focused on transshipment but on basic port function of handling high container cargo traffic for servicing hinterland needs, are unlikely to produce results simply from more new ports or upgrading of existing ports.

Till the cost of using port facilities in India remains uneconomic, they would have limited presence in global production networks.

It is unfortunate that even relatively new port facilities in India have hardly come up to global efficiency standards. Several ports have come up in India over the last two decades.

Except JNPT, which is ranked in the mid-30s on global port efficiency scale, no Indian port figures among the top 50 best ports in the world. This is because of high logistics costs of Indian ports. India's low rank of 146 in the World Bank's Trading Across Borders Index underlines the high cost.

The costs for Indian ports continue to be high for two major sets of factors. The first of these are due to features of the ports themselves. While some of these point to quality of existing infrastructure, a substantive part includes procedures.

The most important among the latter are lengthy processes that are still necessary for export and import. While customs operations in India are rapidly going paperless and converting to digital, inspections and scrutiny continue to be lengthy for cargo and other shipping operations.

The second important set of reasons for high logistics costs of Indian ports pertains to issues arising from problems of movement in hinterland. Connectivity between ports and hinterland is still a formidable hindrance.

Sagar Mala is trying to address this issue by emphasising on multi-modal connectivity to ports. But connectivity improvement plans continue to be affected by operational problems on roads as well as perennial problems of acquiring land for expansion.Even if India is able to substantially reduce logistics costs over the next decade, plugging a few of its ports deep into global supply chains would require major regulatory changes. Cabotage laws in India continue to remain restrictive.

Foreign-flagged vessels are not allowed to ship cargo from one Indian port to another as that remains a protected turf for domestic shippers. Some initial reforms have been introduced here, such as for Roll-on, Roll-off (RoRo) vessels.

But further change in cabotage laws is essential for encouraging transshipment functions on Indian coasts. Without transshipment, India's port-led industrial growth strategy through Sagar Mala would remain ineffective.

One wonders why even after 70 years of independence, and notwithstanding stated ambitions of becoming an economic superpower, basic maritime facilities continue to remain as inefficient as they are in India. Why does an economy, which does so well among its peers in protecting the interests of minority investors, fare so poorly in enabling trading across borders?

One really can't help wondering if regulatory attention among policy-makers has not been adequate on making India's trade simpler and less expensive as opposed to the attention other sectors have got. Unlike areas like 'registering property' or 'enforcing contracts' where India ranks low and central regulators have limited involvement, making these essentially state-specific, major ports and their functions are in central command.

There is hardly any reason why customs operations in India took such a long time to go digital. There is also no reason why cabotage laws remain as restrictive as they are and why major ports in India are yet to be corporatised. The only answer seems to be the low priority that outward-oriented infrastructure reforms in India continue to suffer from.

Source: financialexpress.com- Apr 24, 2018

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Textile industry banks on expo to promote Gujarat as garment hub

In a bid to transform Gujarat from a fabric manufacturing hub to apparel manufacturing hub, textile players are organising a three-day expo ‘Farm to Fashion’ from May 4 in Ahmedabad.

Local manufacturers will display their offerings to buyers from across the country and abroad. Players say instead of selling cotton and fabrics, the idea is to encourage production of garments within the state.

“The idea is to support entire value chain, from farmers to garment manufacturers. Gujarat is the largest producer of cotton in the country so logically we should also be the largest producer and exporter of garments. Ironically, we export cotton and fabrics to competitors like Bangladesh and lose out on apparels.

We want players to start garmenting within the state,” said Shailesh Patwari, president of Gujarat Chamber of Commerce and Industry (GCCI), which along with Maskati Kapad Market Mahajan is organizing the expo next month.

Relative lower productivity in cotton and garments combined with Free Trade Agreements (FTA) has resulted in Indian garments becoming uncompetitive to competitors like Bangladesh, Vietnam and Indonesia. A ‘White Paper’ conducting SWOT analysis of textile sector in the country will be prepared at the end of the event, which will also act as an input to modify the Textile Policy of the country.

Till the ecosystem for garment exports is set up, efforts to increase the exports of fabric will continue. Major export houses from Delhi, Bengaluru, Mumbai and other major hubs will also participate to promote the sales of fabrics.

“Of late Gujarat has witnessed tremendous growth in the capacity in the production of fabrics. We have invited buyers from the country and outside to give a boost to the sales,” said Gaurang Bhagat, president of Maskati Kapad Market Mahajan.

Gujarat Glamour

- Gujarat in top 5 garment hubs in India, but exports lag
- Textile contributes 13% of country's exports
- Surat contributes 40% to country's total Man-Made Fibre production
- With 68 million total jobs, the textile is a major employer.

Source: dnaindia.com - Apr 24, 2018

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Textile, handloom dominated day three of India Runway Week

The concluding day of India Runway Week (IRW) was high on textile and handloom with five designers from the past seasons dedicating their line to textiles and handlooms during the finale show.

Day three, on Sunday , was opened by young and aspiring designers at the main show area by Apeejay Stya University which was also a knowledge partner of the event of IRW. Students of the university showcased their creativity and talent on the ramp.

After this was the five designer show that was opened by Ambica under her label named as Peeli kothi who showcased Banarasi saree collection. The collection was based on make in India textiles.

Another designer Twinkle Pupreja's design was inspired by the form of Shiva's 'Ardhanareshwara'. Surface ornamentation and colour palette describes the concept behind the collection.

Tripti Chandak was the third designer in the five designer show who launched her collection named 'VYTBlack'. The collection was creatively designed as per the sine qua non of the mass yet stylish for one to look superlative in the crowd. Oindrilla Das presented her collection 'Perfect Blend' with the old and new in crisp silhouettes and inventive designs.

Last but not the least designer Ashima showcased her collection 'Misty monochrome' hues which is enamoured with the sass and elegance of a modern day woman.

"With the chic monochromes in our collection we also have a figurative reference to the blacks, whites and monotone hues which give a metaphor to the odds and evens faced by the women in our society despite which they emerge as world leaders in their respective fields," said the designer.

Bollywood Actress Mannara Chopra walked the ramp for Ashima. The third show of the last day was of two designers named Sadan Pandey and Shravan Gajam.

Designer Sadan Pande's collection was 'Kanchali Summer festive'- a colourful collection inspired from the culturally rich state of Rajasthan, known for its traditional colourful art and artistic traditions with vibrant colours, embroidery, mirror work and motifs.

Shravan Gajam 'Indigoberry Ikat' spring / summer 2018 collection witnessed Ragini Khanna walking for the designer. An unprecedented collection of rags and accessories by Gajam, solely crafted from handwoven warp-faced denim fabric using Ikat weaving technique from family run craft units in Telangana, India.

The fourth show of the day was a four-designer show by Shradha Goenka, Aditya Panchal, Shivani Bachheria,Vaani Raghupathy.

The finale was dedicated to handloom. The show was opened by Daniel Siyem collection 'ShaKiLum' who used the textiles of the tribes of Meghalaya to create a deconstructed, gender-fluid collection that highlights the unique tribal essence of the state within a modern and edgy collection.

The organic fabrics of Meghalaya have a unique thermal property that makes them warm in the winter and cool in the summer making it the ideal garment for a summer collection. Hyderabad designer Shravan Kummar showcased textiles of sunrise state Andhra Pradesh. His collection is organically dyed and all handmade. Shravan will be having master weavers from Hyderabad as his showstoppers.

Jenjum Gadi presented 'PHROZUH- the cotton yarn'. His collection is inspired by cotton yarn which is use to weave the fabric for the collection. His collection is a pure balance of masculinity and femininity and inspired by this characteristics most of the silhouettes are gender fluid or unisex.

Source: business-standard.com - Apr 23, 2018

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Catching up with the unemployment rate

Catching up with the unemployment rate

MAHESH VYAS

The employment rate is an interesting concept that has not been used very often in public discourse. It is the proportion of people who are employed to the total working-age population.

World Bank's South Asia Economic Focus of Spring 2018 is titled "Jobless Growth?" Its findings are based on a substantial standardisation of household census and household survey data obtained from South Asian countries over time. The key variable it uses in its analysis is the employment rate.

Keeping the employment rate reasonably high and constant, or at least not letting it fall from a minimum, seems to be a useful macro-economic target. It is important to ensure that sufficient people are working and sufficient new jobs are created to at least provide work in the same proportion as in the past to the newcomers into the working age population. That sounds logical and elementary. But it is different from a macro-economic objective of keeping the unemployment rate low.

A low or falling unemployment rate as we have seen in this column in the past can be misleading when the labour participation rate is also falling. If people who lose jobs following an economic shock like demonetisation do not even look for alternative jobs following the shock or if the new potential entrants to the labour markets simply do not enter the labour markets (possibly disheartened by the state of the jobs market), then the unemployment rate falls and misleads to imply that the shock had a positive impact.

This happens because the unemployment rate is disconnected from the working age population. Its connection is only to the labour participation rate which consists only of those who are either working or seeking work. It does not include the inactive population, at least some of which could have been working.

The World Bank report brings into focus the importance of the employment rate as it tries to relate it to the income levels.

The World Bank report suggests that there is a U-shaped relation between per capita GDP and the employment rate. The employment rate is high for very poor countries — perhaps because of the necessity of employment at the low income levels. The employment rate falls when the per capita GDP increases initially as a somewhat richer society spends more time on education and women prefer to pay greater attention to the family. As income rises further, the employment rate rises smartly reflecting access to better overall infrastructure.

However, India along with Pakistan, Bangladesh and Sri Lanka have a much lower employment rate compared to their respective expected values given their per capita GDP levels. The original data was standardised by World Bank researchers to bring about better comparability of the data across nations.

According to the World Bank report, India's employment rate is 50 per cent, which is significantly lower than the expected rate of about 60 per cent.

Although the report presents standardised data, its standardisation is based on official statistics which are too liberal in considering a person to be employed.

We believe that India's employment rate is much lower than the World Bank's estimate of 50 per cent. Further, and rather worryingly, India's employment rate has been falling.

Estimates based on the BSE-CMIE effort to measure employment/unemployment in India show that India's employment rate averaged at 42.9 per cent between January and October 2016. This is the average for the 10 months preceding demonetisation in early November 2016. Then, after demonetisation in November 2016 it fell and has kept falling steadily. In the 10 months following demonetisation the average employment rate fell by 100 basis points to 41.9 per cent. And in March 2018, it fell to its lowest level of 40 per cent.

India's much lower employment rate compared to its expected value given its per capita income, as shown in the World Bank report, and the falling employment rate as shown from the BSE-CMIE surveys point to a malaise in India's economic development that needs urgent expert attention.

The World Bank estimates presented in its "Jobless Growth?" report show that India needs to add 8.5 million jobs annually to keep its current employment rate constant. But if it aspires to catch up to the U-curve level in 20 years, it needs to add 13.5 million jobs a year. This, the report estimates, could require real GDP growth rates of 10-15 per cent per annum. This is implausible and therefore there will be a need to add more jobs per GDP growth compared to the levels today.

The author is managing director and CEO, Centre for Monitoring Indian Economy P Ltd

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

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