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IBTEX No. 154 of 2018 July 24, 2018

USD 68.94| EUR 80.52 | GBP 90.24 | JPY 0.62

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
22421	46900	**86.78**

Domestic Futures Price (Ex. Gin), July

Rs./Bale	Rs./Candy	USD Cent/lb
22060	46144	**85.38**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	86.81
ZCE Cotton: Yuan/MT (Jan 2019)	15,780
ZCE Cotton: USD Cents/lb	**89.32**
Cotlook A Index – Physical	**98.20**

Cotton Guide: Cotton futures slipped and prices ended lower for the 4th consecutive session in the active months. December settled at 8681, down 27 points, giving it a 4-session loss of 153 points. Dec has also settled lower in 6 of the 7 sessions since its limit up close at 8854 (July 12), down a net of 173 points since then. The other months settled from 27 points lower to 13 points higher. From the trading front volume were 12,878 contracts and cleared on Friday were 16,688 contracts. However, open Interest 259,199 stood at up 732 contracts from previous close.

Overall market was dull, no fresh news on market and the trading activities were also low. Data published after the market close, was the USDA US Crop Progress report for the week ended July 22nd.

It showed cotton: 78 percent squaring (5-year average 81 percent); and 41 percent setting bolls (5-year average 37 percent). Crop conditions again declined overall, a pattern seen over the last several weeks.

Technically, the market hasn't been acting particularly well. However, the daily modern work is still mostly up, along with the long and ultra-long-term trends. We continue to see price trading in the same range of 86 on the lower side while 88/50/89 on the higher side. The daily momentum continues to be in neutral. However, 90 cent remains a very strong resistance to watch out for.

On the other side of the world, Chinese State Reserve cotton on Monday's auction had a turnover rate of 59.63 percent, spinners only. Offered were 30,006.849 tons (137,822 bales); and sold were 18,996.2642 tons (87,250 bales). The cumulative turnover rate is 59.63 percent (offered versus sold). This auction series started at 24.1 million bales and there were 16.5 million bales remaining.

From the domestic front the spot price traded on Monday at around Rs. 23160 per bale almost no change from previous close. The remaining arrivals are shrinking sharply. The ending stock this season will be much tighter and soon market will be talking about the new crop estimates.

On the derivatives front the July future that is due to expire in few days ended the session at Rs. 22060 down by Rs. 220 from previous close and the same has declined over Rs. 1000 per bale in last 7 trading sessions. We think the July contract might continue to trade down amid excess stocks lying in the exchange and the FED is 15th of August which effectively means all positions are to be squared off/stocks have to be delivered in the July contract. However, the next active contract is October which ended the session at 23380 down by Rs. 220 from previous close and the same is expected to trade further down towards to Rs. 23000 per bale.

Currency Guide:

On the currency front the Indian rupee has depreciated against the USD and trading at 68.93 and we think the local unit might continue to remain weak. The USD index has revived marginally and the trading at 94.67 against major currencies.

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

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INTERNATIONAL NEWS

China Unveils New Methods to Aid Growth Amid Trade Uncertainty

China unveiled a package of targeted policies to boost domestic demand as simmering trade tensions threaten to worsen the nation's economic slowdown.

From a tax cut aimed at fostering research spending spending to special bonds for infrastructure investment, the measures announced late Monday following a meeting of the State Council in Beijing are intended to form a more flexible response to "external uncertainties" than had been implied by budget tightening already in place for this year.

Fiscal policy should now be "more proactive" and better coordinated with financial policy, according to the statement — a signal that the finance ministry will step up its contribution to supporting growth alongside the central bank. The People's Bank of China has cut reserve ratios three times this year and unveiled a range of measures for the private sector and small business.

The meeting reiterated language that China will strike a balance between easing and tightening and keep liquidity "reasonable and sufficient." It also pledged to improve the transmission of monetary policy, a phrase the PBOC had dropped since a campaign to curb credit growth started in late 2016.

While there hasn't been an official shift from the central bank's "prudent and neutral" policy, steps announced in recent days indicate that officials are taking a supportive stance amid the trade dispute with the U.S. They include Monday's record injection of funding for banks and the publishing of new guidelines for the asset management industry.

The economy grew 6.7 percent in the second quarter, the slowest expansion since 2016. Expansion is forecast to slow this year to 6.5 percent, in line with the official target.

China's Piecemeal Shift to Looser Monetary Policy Gathers Pace

"I don't think there is a significant easing or a policy U-turn; it's more of a fine-tuning," said Larry Hu, head of China economics at Macquarie Securities in Hong Kong. "Policy makers are sewing patches, offsetting the deleveraging drive that was too rapid and fierce."

The meeting also called for faster investment growth and steady financing to local investment projects. Policy makers stressed they'd refrain from using stimulus to flood the economy.

The policy package includes:

- To give an additional tax cut of 65 billion yuan ($9.6 billion) to companies with R&D expenditure
- To expedite non-budgeted special bond sales to assist local government infrastructure financing
- To ease restrictions on banks' issuance of financial bonds for small firms
- To activate private investment by introducing projects in transport, gas, and telecommunications
- To further open up and improve policies to attract foreign businesses to re-invest
- To push local governments to make good use of untapped fiscal funds
- To guide financial institutions to ensure reasonable funding to local government financing vehicles, so that necessary projects aren't held up
- To facilitate construction and planning of a number of big projects that will meet development purposes and public demand
- To accelerate fundamental research and core technology breakthroughs

Source: sourcingjournal.com - July 23, 2018

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Mexico Pushes for NAFTA Deal with Trump by End of August

Mexico is redoubling its efforts to reach a Nafta agreement with the U.S. and Canada by the end of August, according to three people familiar with the negotiations, as President Donald Trump said he's heading toward a "dramatic" deal with Mexico.

Trump on Monday said that he's in discussions with incoming Mexican President Andres Manuel Lopez Obrador about doing something "very dramatic, very positive for both countries," without giving more details. Mexico's peso extended gains after Trump's remarks, rising 0.7 percent to 18.8951 per dollar at 4:48 p.m. in New York.

Lopez Obrador is "a terrific person," Trump said at a Made in America event at the White House, adding he spoke to the Mexican president-elect "at length on a call."

Minutes later, Lopez Obrador told reporters in Mexico City he's not aware of the deal that Trump was referring to, but that he's open to talking to the administration about one.

A quick agreement would allow Lopez Obrador to focus on domestic priorities when he takes office Dec. 1, while shielding him from any potential criticism involving the outcome of the negotiations, according to the people, who asked not to be named discussing private talks. Republicans in November's midterms could also tout the agreement as U.S. President Donald Trump accomplishing his 2016 presidential campaign pledge to fix or abandon Nafta.

Stalled talks

High-level Nafta negotiations are set to resume this week after a two-month hiatus for Mexico's July 1 presidential elections. While the nations had said progress was made earlier this year, the pact's future hangs in doubt. Trump last week repeated his threat to pursue individual deals with Mexico and Canada, and the three nations still remain far apart on major points almost a year after the negotiations first began.

An agreement depends on U.S. willingness to back off proposals that are opposed by Mexico, Canada and American business groups, such as an automatic expiration of the deal after five years and the end of dispute resolution panels, according to the people. U.S. Trade Representative Robert Lighthizer hasn't shown an openness to do that, the people said.

Canadian Foreign Minister Chrystia Freeland is scheduled to travel to Mexico City on Wednesday to meet with officials from the current and incoming Mexican administrations, including Lopez Obrador. Mexican Economy Minister Ildefonso Guajardo said last week that he and his team plan to travel to Washington on Thursday to meet with Lighthizer.

The Canadian foreign ministry didn't immediately respond to requests for comment. Lighthizer's office and Mexico's economy ministry declined to comment. The White House didn't immediately respond to requests for comment.

These Are Five Sticking Points to a New Nafta Deal: QuickTake

The Mexican foreign ministry on Saturday said that Jesus Seade, named by Lopez Obrador as his chief Nafta negotiator, will join the team on its trip to Washington.

Seade said in an interview last month that he sees a deal as possible before the U.S. congressional election, and that the incoming president's team fundamentally agrees with the nation's current negotiating positions.

Guajardo last week alluded to the possibility of an August deal. In an interview with Radio Formula, he said that in closed-door meetings with the current and incoming governments earlier this month, U.S. officials including Secretary of State Mike Pompeo indicated a desire to have a deal in 45 days.

Mexico is moving ahead in its efforts to integrate with the economies of South America and make itself less dependent on the U.S., which bought 72 percent of the nation's exports last year, according to data from the International Monetary Fund.

Mexico's current leader, President Enrique Pena Nieto, on Monday and Tuesday is hosting leaders including Brazil's Michel Temer and Argentina officials for a summit focused on bridging the gaps between Latin America's two major trade blocs: Mercosur, spearheaded by Brazil and Argentina, and the Pacific Alliance, which includes Mexico, Colombia, Peru and Chile.

While Trump said last week he may prioritize a bilateral trade talks with Mexico over Canada, both the current and incoming Mexican administrations have expressed a preference to preserve a three-nation free-trade agreement.

Source: sourcingjournal.com - July 23, 2018

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Cambodia's garment and footwear exports register robust mid-year growth

As per a report recently released by the National Bank of Cambodia (NBC), the country's garment and footwear exports rose to US$ 4 billion in the first six months of 2018, reflecting an increase of 11 per cent and almost doubled the 6.9 per cent rise recorded compared to previous year.

The industry insiders opine that the robust growth could have been sparked by strong sales in the US market. Manufacturers have also attributed the strong growth to favorable global economic conditions, particularly in the US and the European Union (EU), the main destinations for Cambodia's garment and footwear exports.

In a related development, in the first six months of 2018 Cambodia's exports of travel goods to the US increased from US$ 50 million annually to US$ 160 million. Formerly, the US had reinstated its Generalised System of Preferences (GSP) program for Cambodian travel goods. However, the growth rate of travel goods to the EU have remained flat.

The EU has criticised the Cambodian government's human rights record, and have stated that it is reconsidering Everything but Arms (EBA) program for Cambodia. An EU fact finding mission that had recently visited Cambodia is expected to submit its report in the coming days.

Cambodian trade officials have discounted fears of possible repercussions for the country's garment and footwear industry in the event that the EU scales back the preferential trade scheme for Cambodia.

Instead, soon the government officials have stressed on increasing exports to other markets such as Canada, Japan and China to cushion any adverse impact from a potential roll back of the EBA program.

Source: fashionatingworld.com - July 23, 2018

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TPP countries to start accession talks for new members in 2019

During a two-day meeting from Wednesday in the hot-spring resort of Hakone near Tokyo, the negotiators checked each member's progress toward the completion of domestic procedures to ratify the trade accord and discussed the future expansion of the TPP framework, currently covering around 13 percent of the world's economy.

Thailand, Indonesia, Columbia, South Korea and Taiwan are seen as willing to join the revised TPP signed in March, formally known as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Faced with growing concerns about the rise of protectionism and fears of a trade war, the TPP countries have been seeking solidarity in creating a wider free trade zone in the Asia-Pacific, despite the abrupt U.S. pullout from the framework.

"We will likely need to start procedures soon after the pact takes effect," Kazuhisa Shibuya, the senior Japanese government official in charge of the TPP, told reporters after the meeting, in reference to the planned accession talks.

He added that chief TPP negotiators will likely meet again by the end of this year.

For discussions about the expanded trade area, arrangements are expected to be made among the existing member countries to hold the first meeting of a so-called TPP committee in Japan.

The pact will take effect 60 days after at least six countries complete their domestic procedures. Japan, Mexico and Singapore have already ended their ratification processes, with three more countries -- Australia, New Zealand and Vietnam -- likely to follow suit by the end of the year.

In addition to the possible newcomers, Britain, which has decided to leave the European Union, has also shown interest as Trade Minister Liam Fox said Wednesday the country will consult with the public over its potential bid to participate in the TPP.

In Japan, Chief Cabinet Secretary Yoshihide Suga on Thursday hailed Britain's expression of interest, adding that Japan is ready to share necessary information.

New members interested in taking part in the TPP will likely be required to accept what has already been negotiated by the existing 11 countries in areas such as intellectual property.

Japan is promoting free trade through both multilateral and bilateral agreements. Earlier in the week, Tokyo signed a free trade accord with the European Union for one of the world's largest bilateral FTAs.

Negotiations are currently under way for a more diverse free trade bloc that also includes China and India, under the Regional Comprehensive Economic Partnership.

The 11 TPP members are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

Source: mainichi.jp - July 22, 2018

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Japan Market falls on stronger yen, Trump trade comments

Headline indices of the Japan share market closed down on Monday, 23 July 2018, as investors fretted over global trade war tensions after US President Donald Trump threatened more tariffs on Chinese imports. Meanwhile, selloff pressure intensified amid yen appreciation against greenback.

Among TSE33 issues, 24 issues declined, while 9 inclined, with shares of Transportation Equipment Information & Communication, Textiles & Apparels, Glass & Ceramics Products, and Electric Appliances issues being notable losers, while Banks, Insurance, Other Financial Business, and Securities & Commodities Futures issues were notable gainers.

The benchmark Nikkei 225 index declined 1.35%, or 306.33 points, to 22,391.55. The broader Topix index of all First Section issues on the Tokyo Stock Exchange, meanwhile, fell 0.35%, or 6.04 points, to 1,738.94.

President Donald Trump on Friday said China and the European Union were manipulating their currencies and interest rates lower, and repeated a threat to slap China with $500 billion worth of tariffs on import of their products into the US, as a trade dispute between the world's two biggest economies intensified with no signs a resolution was near at hand. Mr Trump's more aggressive protectionists policies have sparked retaliatory measures from countries around the world, rattling financial markets worried about the impact on global growth.

Shares of export-related players declined, as yen appreciation against greenback.

A stronger yen tends to reduce Japanese exporters' profits made abroad when repatriated. Shares of gaming giant Nintendo, chip-making equipment manufacturer Tokyo Electron, and industrial robots maker Fanuc fell in a range of 1% to 3%. Toyota Motor Corp, TDK Corp, Advantest Corp, and Panasonic Corp fell in a range of 0.9% to 3.5%.

Fast Retailing Co, the operator of the Uniqlo clothing chain, closed down, hurt by speculation that a potential tweak to the BOJ's monetary policy could put the shares at a disadvantage.

Banks, on the other hand, rallied on speculation that any tweaks to the BOJ's interest rate target could eventually lead to higher yields. Shares of Mitsubishi UFJ Financial Group Inc, Mizuho Financial Group, Sumitomo Mitsui Banking Corp, and Shinsei Bank advanced in a range of 3% to 4.5%

CURRENCY NEWS: The Japanese yen appreciated against U. S. dollar on Monday, as safe heaven demand resumed after US President Donald tweets attacking Beijing and the EU for "manipulating their currencies and interest rates lower" to gain a trade advantage on Friday. The dollar remained weaker in Asia, changing hands at Y110.98, against Y111.55 in New York late on Friday.

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

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BPPL opens Sri Lanka's first ever polyester yarn factory

Eco Spindles, a wholly-owned subsidiary of BPPL Holdings Ltd (BPPL), recently inaugurated Sri Lanka's first ever polyester yarn plant at Horana Export Processing Zone with an investment of SLR 800 million.

The unit, with spinning and texturing machinery from Europe, will manufacture polyester yarn from recycled polyethylene terephthalate (PET) bottle flakes.

The plant is one of two plants in the world that create yarn directly from flakes circumventing the polymerization where flakes are first converted to chips and then to yarn, according to BPPL CEO and managing director Anush Amarasinghe.

BPPL is also planning to invest SLR 1-1.5 billion in another yarn production plant at the same premises to expand production, a leading Sri Lankan newspaper quoted Amarasinghe as saying.

Meanwhile, BPPL expects to double the used PET bottle collection to 400 tonnes per month within the next 12 months.

He noted that 70 tonnes of recycled PET waste will be utilised for manufacturing synthetic yarn while around 150 tonnes of PET waste for the production of synthetic brush filaments.

The new plant can produce 15 percent of the polyester yarn required by the local apparel industry and can also produce recycled yarn, which is considered a niche segment with a good growth potential.

Source: fibre2fashion.com- July 23, 2018

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Myanmar: Garment factories shutter on rising wages, land leases

A total of 14 factories in Yangon’s industrial zones may cease operations within the next two months due to the rising cost of land and employees. Most of the factories are run by garment manufacturers.

The shuttering of the factories could leave over 3000 jobless, said Daw Sandar Min, regional representative in Yangon and chair of the Finance, Planning and Economic Affair Committee under the Yangon regional Hluttaw.

We will meet with the businesses from the Yangon industrial zones to learn why they want to shut down, as the consequences will have a large impact on the economy on the micro level,” Daw Sandar Min said.

U Myint Soe, chair of Myanmar Garment Manufacturers Association, reckons the main reason garment investors are throwing in the towel is rising production costs, particularly wages.

Earlier this year, the National Committee for the Minimum Wage set the country’s daily minimum wage at K4800 (US$3.60) or K600 per hour for an eight-hour day despite objections from both labour and employers. This is up by more than 30percent from K3600 before.

Myanmar’s low level of wages is among the top reasons foreign manufacturers choose to set up base in the country.

Now that the minimum wage has risen though, “I see that many businessmen, including the locals, are thinking twice before investing in manufacturing-intensive sectors like garments,” U Myint Soe said.

Rising land costs are also a problem. During her recent visits with six garment factories, Daw Khine Zar Aung, chair of the Industrial Workers Federation of Myanmar (IWFM), said some manufacturers have been forced to move out of the industrial zones as a result of rising land leases.

“The garment industry is under pressure from having to raise the minimum wage. At the same time, productivity, which is already lower than other countries in the region, has not improved. As a result, many garment businesses no longer want to operate here,” said U Myint Soe.

Seduno (Myanmar) Fashion Company, which is run by a Chinese investor, is a recent example. Earlier this month, the firm closed its factory citing low production, the inability to export in time, rising land and factory rentals and higher minimum wages as the main reasons for ceasing operations.

Foreign investments

As a whole though, foreign direct investments in garment manufacturing are still looking robust. According to data provided by the Directorate of Investment and Company Administration and Ministry of Commerce, foreign direct investments into the manufacturing sector are the third highest in Myanmar.

Manufacturing in Myanmar mainly consists of garments, which represents the country’s second largest export. In 2016-17, the industry exported garments worth some $2.2 billion.

According to Myanmar Garment Manufacturers Association, there are 400 garment factories including over 170 run by foreigners. Over 60 pc of these investors are Chinese. Myanmar-produced garments are mainly exported to Japan, EU, South Korea, US and back to China.

And, with trade tensions rising between China and the US, financial experts and industry watchers in Myanmar are now expecting the Chinese to move more production activities into the country, resulting in more Chinese factories opening up in Myanmar.

Source: mmtimes.com- July 23, 2018

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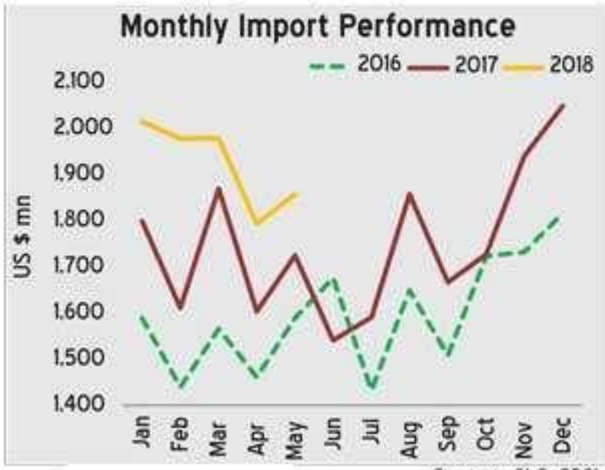
Sri-Lanka: Export growth outpaces imports in May

Sri Lanka's deficit in the trade account has been on a continuous expansion, but the pace at which it grew during the month of May decelerated after many months, as the country's goods exports grew faster than its imports bill.

The exports in May led by industrial goods grew by just shy of 10 percent to US$ 924 million from the same month in 2017, while the imports—driven mostly by fuel—grew by 7.7 percent to US$ 1.9 billion, digging a hole of US$ 933 million in the trade account compared to US$ 884 million deficit a year ago.

Sources: SLC, CBSL



Sources: SLC, CBSL

Meanwhile, for the first five months of the year, Sri Lanka had a US$ 4.9 billion trade deficit by importing goods worth of US$ 9.6 billion, up 11.8 percent year-on-year (YoY) and exporting goods worth of US$ 4.7 billion, up just 6.7 percent YoY.

May's exports were mainly driven by industrial exports, led by textiles and garments—Sri Lanka's largest export commodity.

Earnings from textiles and agreement exports rose by 10.9 percent YoY to US$ 398.3 million while the first five months' exports rose by 4.0 percent YoY to US $ 2.1 billion.

Export earnings from petroleum products increased by as much as 70 percent YoY to US$ 46.1 million due to the, "combined effect of high exported volumes of bunker and aviation fuel together with increased export prices", the Central Bank said in a statement.

Earnings from food, beverages and tobacco exports also increased notably during the month of May owing to the increase in manufactured tobacco and coconut related products. Such exports grew by 26.2 percent YoY to US$ 38.5 million.

Meanwhile, all categories of agricultural exports, barring spices and seafood, declined in May. The aggregate earnings from agriculture exports for the month stood at US$ 209.6 million, down 5.9 percent YoY.

Spices and seafood exports increased from the combined impact of higher prices and volumes exported.

According to the Central Bank, tea exports declined by 7.9 percent YoY to US$ 121.2 million in May, owing to the reduction in both volumes and prices.

With regard to imports, the Central Bank singled out fuel and vehicle imports as key factors for the higher import bill in May.

Gold imports have retreated after the imposition of heavy tax on imports in mid-April.

Sri Lanka's fuel bill for the month was US$ 348.9 million, up 61.8 percent YoY, of which refined petroleum and crude oil composed of US$ 233 million and US$ 116 million, respectively.

The Central Bank cited both higher global oil prices and volumes imported as the reasons for the elevated oil bill.

For the first five months, the total oil bill of the country was US$ 1.8 billion, up 23 percent YoY.

The non-fuel imports have declined marginally, the Central Bank said, stressing the notable contribution made by fuel to the country's imports bill.

Meanwhile, in May, Sri Lankans expensed US$ 150 million for importation of vehicles, up 120 percent YoY, bringing the total amount spent on vehicle importation during the first five months to US$ 666 million, an 111 percent increase YoY. It is widely expected that the Central Bank would bring macro-prudential measures to arrest the toxic impact on external account and other sectors of the economy through excessive amounts of vehicle imports.

As bank credit flows profusely into vehicle imports and other non-productive areas, the Central Bank recently said the relationship between growth in credit and economic growth is getting increasingly blurred in Sri Lanka.

Meanwhile, the food and beverage imports have declined by 21.1 percent YoY to US $ 129 million in May, demonstrating the impact of higher cost of imports largely due to rupee depreciation against the US dollar. As of July 20, Sri Lanka's rupee had depreciated 4.5 percent against the US dollar. Meanwhile, the expenditure on gold imports, which increased considerably since early 2016, declined notably to US$ 0.1 million. In May, last year, Sri Lanka has imported gold worth of US$ 36 million.

Further, import expenditure on machinery and equipment and transport equipment also declined demonstrating a slowdown in construction and other economic activities in the country.

Source: dailymirror.lk - July 23, 2018

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Vietnam: Trillion đồng question: to tighten monetary policy or not?

The rest of this year is likely to be a difficult period for the economy meaning challenges for the Government in achieving the targets set for the year.

The problems include a weakening of the đồng against the dollar and rising inflation, interest rates and public debt, and the Government will be walking a tightrope in terms of monetary policy.

The consumer price index jumped by 2.22 per cent in June and 4.6 per cent from a year earlier, a seven-year high, the General Statistics Office (GSO) reported.

Inflation in the first six months of the year was up to 3.29 per cent.

GSO experts attributed the sharp increase in inflation in recent months to the rise in prices of several major products and services.

Of 11 major categories of goods and services, nine saw prices increasing. Transportation services, housing, construction materials and food saw the sharpest rises. Pork prices rose by 20 per cent.

Meanwhile, the global economic uncertainties have pushed oil prices from US$50 per barrel to $80, and more pain is predicted this year with prices possibly reaching $100 by year-end.

Since fuel prices in Việt Nam depend on global oil prices, petroleum price adjustments are inevitable.

On May 23 the price of a litre of E5 RON 92 bio-fuel was hiked by VNĐ500 to VNĐ19,940 (US$0.87).

The price of RON 95 rose by VNĐ600 to VNĐ21,511, while the prices of diesel and kerosene went up by VNĐ587 and VNĐ523.

According to the Ministry of Industry and Trade (MoIT), with global oil and petrol prices likely to keep rising due to the political and trade instability, prices of key goods and thus the CPI are set to continue the rising trend.

In mid-July, the daily reference foreign exchange rate was up VNĐ5 to VNĐ22,653 to the dollar.

With the current trading band of +/- 3 per cent, the ceiling rate applicable by banks was VNĐ23,332 and the floor rate, VNĐ21,974.

The Vietnamese currency has fallen sharply against the greenback due to concerns that the US-China trade war may be escalating and because China's yuan too has depreciated, according to a report on the Vietnamese economy for the second quarter released by the Vietnam Institute for Economic and Policy Research.

According to Bloomberg, the yuan-dollar rate has been falling over the past month. On July 16 the CNY had fallen to $0.1497 ($1 = 6,678 CNY).

This puts Việt Nam under tremendous competitive pressure because the US and China are its two most important trade partners. While the US is Việt Nam's largest export market, accounting for a fifth of its total exports, China is Việt Nam's largest source market, accounting for about a quarter of its total imports.

Changes in exchange rates have a bearing on many aspects of the economy like trade, investment, securities, and inflation.

Analysts said amid the global political and economic volatility the central banks of major economies are tightening monetary policy and Việt Nam should not buck this trend.

Since 2015 Việt Nam has been adopting a loose monetary policy to spur growth, as evidenced by the fact credit growth has remained very high at 18-20 per cent.

To achieve such high credit growth rates, the banking sector has relentlessly reduced interest rates.

Analysts said it is necessary for the Government and central bank to think about tightening monetary policy to minimise risks for the economy, particularly the banking sector.

They said tight monetary policy would help stabilise the economy, mitigating the impacts of the depreciating currency and combating inflation.

But opinions were divided, with others fearing such a policy could hurt the economy.

They wanted the central bank to continue with its flexible monetary and fiscal policy of recent years to ensure economic growth is sustained while still controlling inflation, stabilising exchange rates and avoiding panic in the market.

According to the IMF, to ensure macroeconomic stability, Việt Nam's monetary policy should be tightened to bring it in line with ongoing financial reforms.

Greater exchange rate flexibility should be allowed to keep out speculative inflows, absorb shocks and help bring down the external surplus, it said.

The accumulation of foreign currency reserves should continue but more gradually, it said.

Modernisation of the monetary framework should start, gradually easing away from credit targets to begin a phased shift to inflation targeting and greater exchange rate flexibility, it said.

Heavy burden

Last month authorities in the northern province of Vĩnh Phúc once again refused to license a US$350 million textile dyeing project by Hong Kong-based TAL Apparel Group though it had been approved in principle by the Ministry of Environment and Natural Resources and the Government.

For the fourth time Vĩnh Phúc authorities petitioned the Government for permission to reject the project.

Earlier Đà Nẵng city too had rejected a $200 million textile dyeing project by a Hong Kong investor.

The main reason for their refusal is concern over environmental pollution.

For the same reason, the Hải Phòng city Party Committee recently decided to withdraw its announcement related to the backing for Chinese-owned Nine Dragons Paper (Holdings) Limited’s plans to set up a $800 million paper and pulp mill complex in the South Đình Vũ Industrial Zone.

At a meeting with leaders of the People’s Committee on July 5 Nine Dragons executives had outlined plans to build a complex comprising a paper plant and a pulp mill at a cost of $800 million.

They promised to equip the complex with the most modern manufacturing line, machinery and wastewater treatment system.

However, experts said it is not clear if the project would be environmentally friendly.

These decisions emphatically underscore the fact that many localities in Việt Nam are now ready to reject FDI projects, even those with huge investments, if they are likely to impact the environment, use a lot of land inefficiently or are labour-intensive.

This is a clean break from the past although many provinces and cities still do not have many advantages to attract foreign investment.

Many experts approve the decision to reject FDI projects like textile dyeing and paper that are not environmentally friendly.

They said such projects place a heavy burden on local administrations if their owners do not comply with environmental regulations because of the lack of resources to take care of these problems.

But the critics also pointed to another possible reason: projects in these sectors often bring an influx of migrant workers, creating pressure on housing, schooling and healthcare.

Other experts, however, said if provinces and cities reject all foreign textile and garment projects they would suffer socio-economic losses.

They said the Government has signed free trade agreements with many countries, which is causing many textile and garment projects to move from other countries to Việt Nam.

According to Việt Nam Textile and Apparel Association (VITAS), in 2014 there were 137 textile projects worth nearly $1.75 billion coming to the country. This rose to 197 and $2.6 billion in 2015 but has been falling since then, very sharply last year.

VITAS executives said localities should not be so cautious about FDI projects in the textile industry.

Not all textile dyeing projects use outdated technologies for wastewater treatment, they pointed out.

Such projects should be licensed, experts agreed.

They warned that if provinces and cities do not license textile and garment projects, the local textile industry cannot build supply chains on its own to take advantage of the tariff preferences offered by trade deals like the Việt Nam-EU Free Trade Agreement and Comprehensive and Progressive Agreement for Trans-Pacific Partnership.

Minister of Industry and Trade Trần Tuấn Anh has urged provincial and city administrations to have consistent and friendly policies for investment in the textile dyeing industry.

He said he believed that the environment would be properly protected if authorities around the country insist on proper wastewater treatment.

But they should not discriminate against the textile dyeing industry, he said.

In reality, some provinces have received garment and textile dyeing projects because they put those projects in a list of conditional business lines that require project owners to meet many strict regulations on waste treatment.

Bình Dương Province has for example recently licensed a $25 million garment project by Bermuda's Apparel Far Eastern Co Ltd and the Taiwanese Polytex Far Eastern Group.

The northern province of Nam Định has licensed Singapore's $80 million Ramatex textile and garment factory project.

It is expected to produce 25,000 tonnes of fabrics and 15 million pieces of garments annually, and offer 3,000 jobs.

Source: vietnamnews.vn- July 23, 2018

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Bangladesh: Apparel to gain from Sino-US trade row

The ongoing trade war between the US and China will be beneficial for Bangladesh's garment sector as the American brands will place more work orders here to branch out their sourcing, according to a new survey.

Respondents in the '2018 Fashion Industry Benchmark Study' expressed more interest in expanding sourcing from Bangladesh in the next two years as they actively seek China alternatives.

Some 75 percent of the respondents said they will source from Bangladesh. It was 61 percent in 2017.

Nearly half of respondents expect to somewhat increase sourcing from Bangladesh through 2020, up from 32 percent in 2017. Another 7 percent expect to strongly increase sourcing there, a record high since 2015.

“The “Made in Bangladesh” label enjoys a prominent price advantage over many other Asian suppliers,” said the study conducted by Sheng Lu, associate professor of the department of fashion and apparel studies of the University of Delware, in collaboration with the United States Fashion Industries Association (USFIA).

Like last year, respondents said Bangladesh offers the most competitive price, followed by Vietnam. Bangladesh was the fifth most preferred sourcing destination among American retailers due to price advantage, up from its previous position of seventh.

However, respondents still regard “risk of compliance” as a notable weakness.

The high level of media and public attention to the social responsibility problems remaining in the Bangladeshi garment industry, such as factory safety and treatment of workers, further adds to the complexity and sensitivity of the issue.

Since compliance is so important to American fashion companies, concerns about the compliance risks involved in sourcing from Bangladesh could hold companies back from giving more orders to the country, the study found.

The survey was conducted in the April-May period, when talks of a trade war by the Trump Administration were high.

For the second year in a row, respondents say the protectionist trade policy agenda in the US is their number one concern -- up from a ranking for number 8 and 11 between 2014 and 2016.

China remains the top supplier for most US fashion companies. However, China now accounts for only 11-30 percent of companies' total sourcing value or volume, compared with 30-50 percent in the past, according to the study.

Consistent with the official US trade statistics, China (100 percent of the respondents) and Vietnam (96 percent) continue to be the two most utilised sourcing destinations, followed by Indonesia (79 percent), India (75 percent), Bangladesh (75 percent) and Cambodia (61 percent).

Source: thedailystar.net - July 24, 2018

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NATIONAL NEWS

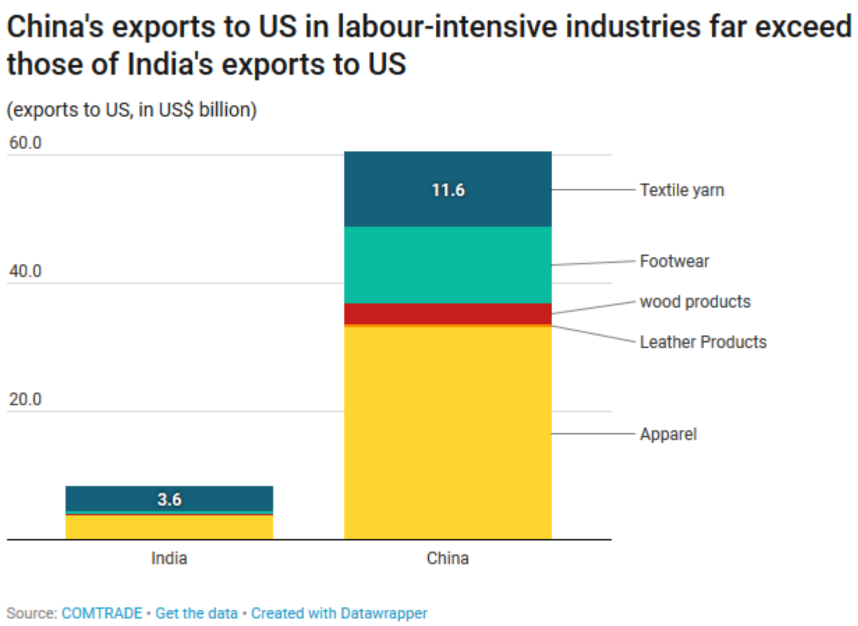
China-US trade war: Is there a silver lining for India?

While the trade conflict may open up a window of opportunity for India, it is unlikely to reap big gains unless it is able to improve its competitiveness

The growing conflict between the two largest economies of the world, the US and China, has stirred a debate on its impact on India, Asia's third largest economy.

Some believe any escalation in a trade-cum-currency conflict will be universally harmful for all economies, and particularly so for emerging economies such as India. Others are more hopeful about India being able to strike a deal with the Donald Trump-led US administration to corner a share of the market that China currently enjoys.

While these are still early days yet, and much depends on how trade negotiations between India and the US pan out, an analysis of trade flows suggests that it would be difficult for India to fill the large void which a Chinese withdrawal from US markets would create.

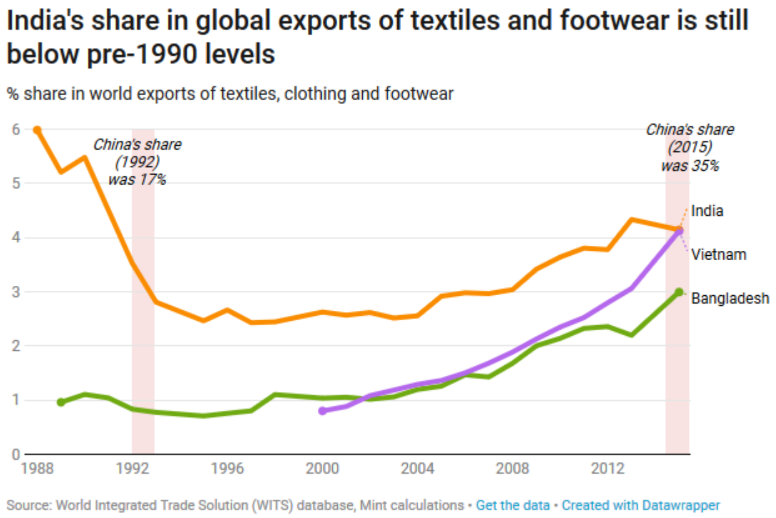


To begin with, India's exports to the US are a small fraction of Chinese exports to the same destination. Even including services, India's trade surplus of around $30 billion at the end of 2016 was one-tenth of China's. And more than a fifth of India's trade surplus with the US is on account of services (such as software exports).

In China's case, it runs a services trade deficit of $38 billion with the US. And it runs a massive $300 billion surplus overall (in goods and services) with the US, largely driven by manufacturing exports.

To be sure, the large gap between China and India is also an opportunity for the world's sixth largest economy. This is particularly true of labour-intensive products such as clothes, footwear and leather products, where India enjoys an advantage, at least in theory, because of surplus labour and low wages.

However, India's record over the past few decades does not inspire much confidence. Since India's liberalization more than a quarter century ago, India's share in global exports of textile and footwear has declined even as smaller economies such as Bangladesh and Vietnam have seen their market-share rise sharply.

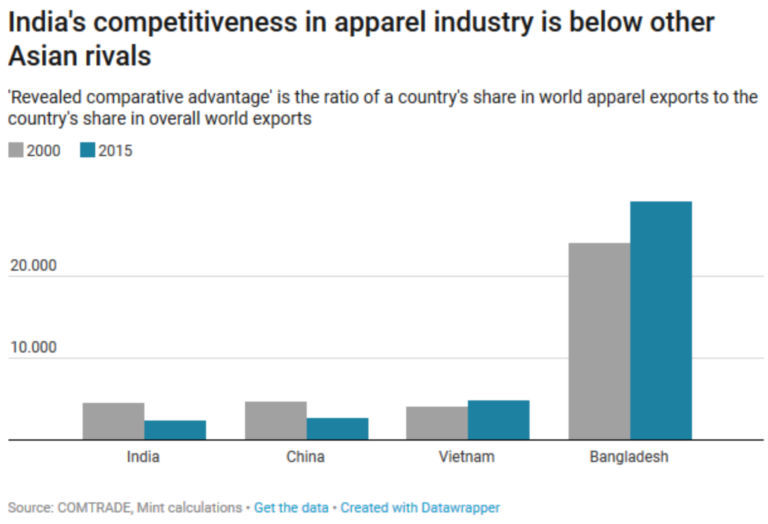


In the US market itself, India's apparel exports accounted for only 4% of the US's overall apparel imports in 2015, while Vietnam, Bangladesh and China accounted for 12%, 6% and 37% market-shares respectively.

Absence of labour market flexibility, absence of an effective exit policy, delays at customs and other red tape have been some of the biggest hurdles that have prevented India from profiting from its low-wage advantage, according to a 2005 IMF working paper authored by economists Prasad Ananthakrishnan and Sonali Jain Chandra.

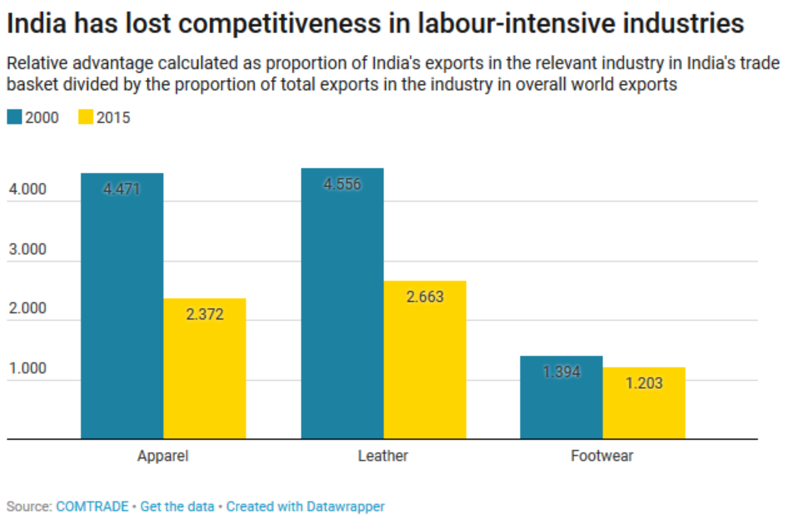
As wage increases in China limited its expansion in world markets for labour-intensive products in recent years, other Asian peers such as Bangladesh and Vietnam gained relatively more compared with India.

When it comes to apparel and leather exports, Bangladesh and Vietnam have been far more competitive, compared with India.



The competitiveness here has been measured in terms of the 'revealed comparative advantage'. The revealed comparative advantage is a measure of the relative market share computed as the ratio of a country's share in world exports of a particular item to that of the country's overall share in world exports of all items

Thus, Bangladesh's high revealed comparative advantage in garments simply reflects the growing share of the garment industry in its overall export basket.



While an escalation of the trade conflict between China and the US may open up a window of opportunity for India, it is unlikely to reap big gains unless it is able to improve its competitiveness. This would require tough reforms and investments in infrastructure that can make life easier for India's exporters. The chances of such reforms taking place ahead of general elections in the country next year are quite slim.

The upshot: don't expect big gains in Indian exports to the US just yet.

Source: livemint.com-July 23, 2018

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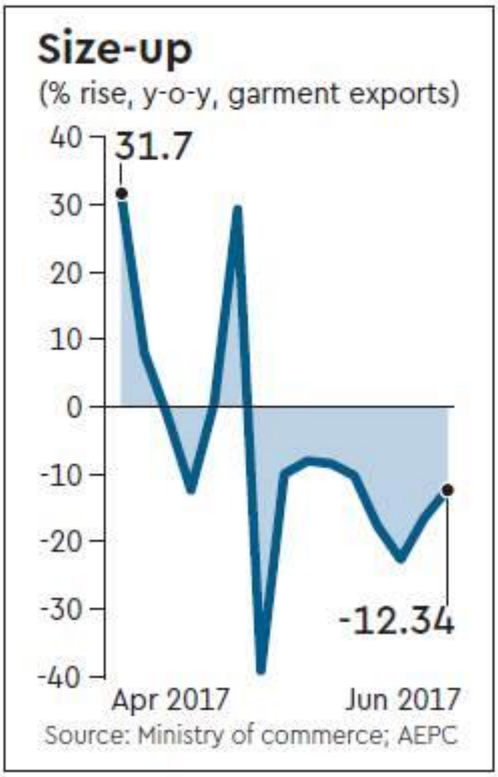
Garment exports: No extra relief for 'embedded taxes'

Garment exports have contracted for nine months in a row through June but a relief by way of raising the compensation level to exporters for both central and state levies is unlikely to come by.

Sources told FE the revenue department is unwilling to raise compensation under two key schemes — duty drawback and remission of state levies (RoSL) — from the current 3.7% (of freight-on-board value of exports) for cotton garments, even though exporters demand it to be raised to around 11% to stay competitive.



Although the textile ministry hasn't recommended any specific level of compensation, it has been supportive of exporters' cause.

For its part, the revenue department feels since the goods and services tax (GST) subsumed a number of central and even state levies, including sales tax and VAT, the duty drawback and RoSL rates were trimmed.

Being a multi-point tax on value addition that militates against cascading of taxes, the GST itself offsets a large part of the tax content on export goods, the revenue department reckons.

Since input tax credits can be obtained, what needs to be offset under the policy of zero rating of exports is, therefore, simply the tax on the final value added, it feels.

However, exporters argue that there are many levies outside GST that are embedded in the export prices, and so the demand for higher duty drawbacks and RoSL rates. "The current rates of support adequately offset any levies that both the central and state governments impose on garment exporters.

Effectively, these exporters are getting what they used to get before GST era, if the taxes that are subsumed by the GST are taken into account," said an official source.

However, if exporters can cite concrete evidence to suggest the existence of embedded taxes even under the GST regime, the revenue department will examine that, said the source. Just before the GST was introduced from July 2017, the compensation for exporters of cotton garments stood at 11% (duty drawback at 7.7% and RoSL at 3.3%).

As such, a committee under GK Pillai, former home and commerce secretary, is working out the GST duty drawback rates and is expected to submit its report soon. This report is expected to form the basis of the duty drawback and other such compensation to offset central and state levies in the coming months.

The RoSL, under which garment exporters get refunds from the Centre against all the levies they pay at the states' level, was a key scheme in the Rs 6,000-crore garments package announced by the government in 2016 to create 1 crore more jobs, Rs 78,000 crore in additional investments and $30 billion more exports over a three-year period.

The contraction in exports have already stoked fears of job losses and compounds problems of policymakers who are contemplating how best to compensate the textile and garments sector adequately once subsidies to promote such exports are phased out (by as early as December 2018, according to some analysts) to avoid disputes at the World Trade Organisation (WTO). Apparel exports dropped almost 4% in 2017-18 when the country's overall goods exports jumped nearly 10%.

According to HKL Magu, chairman, Apparel Export Promotion Council (AEPC), the cut in the duty drawback and RoSL in the GST regime, capital blockage due to slow GST refunds initially and uncertainties on the future of export subsidies have affected the deeply-fragmented garment industry.

Of late, though, the government has expedited the process of clearing refunds, which will release blocked capital in the sector, especially of MSMEs that have been hit by a liquidity crunch.

As such, garment exporters say they have been handicapped by the duty disadvantage against key competitors like Bangladesh and Vietnam to our key markets — the EU and the US — and high logistics costs. For instance, while Bangladesh ships out garments to the EU at zero duty, Indian companies are forced to cough up 9.6%.

India's logistics costs account for as much as 15-16% of the consignment value, against 10% in many countries. Of course, under the Merchandise Exports from India Scheme, garments and made-ups exporters get duty exemption scrips, freely transferable for cash, worth 4% of their total exports (raised from 2% in October 2017). But this supports still seems inadequate.

Source: financialexpress.com-July 24, 2018

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Free trade agreements find few takers despite India's high export hopes

The seven FTAs are not seen as necessary for India's expectations to double the size of her economy by 2025

Commerce Secretary Rita Teotia got the loudest applause at the Delhi Dialogue last week for her firm assertion that free trade agreements (FTA) India has signed up are not popular within the country, including the ambitious 15-nation Regional Comprehensive Economic Partnership (RCEP).

Addressing an audience of Indian business chambers like Ficci, external affairs specialists and delegates from some of the Asean think tanks, she said, "FTAs have to show they add to jobs. They have to allow our businessmen to do business with countries we have signed those with." Her assertion makes clear that FTAs not only do not enjoy political support in India, the sixth largest world economy, but with only 1.65 per cent share of global exports, as per WTO data, they are also in the sunset mode.

The seven FTAs are not seen as necessary for India's expectations to double the size of her economy by 2025. The government has plans to raise Indian exports from the current $302.8 billion (2017-18) to $1 trillion in the same period, but hopes to do so without sewing up new trade deals with partners.

The secretary's outburst came within days after a media report that both India and European Union are likely to formally announce the end of talks to sign the FTA. India has not denied the report. Experts agree the FTAs India had signed on were based on creating political alliances and are seen as of little importance to push Indian foreign trade.

So, politicians across the aisle treat trade treaties more as an albatross than electoral dividends. The suspicion is shared by the bureaucracy, too, as the generous support for the secretary's position among the audience demonstrated.

Indian FTAs are rudderless, said Amitendu Palit, Senior Research Fellow and Research Lead (Trade and Economic Policy) at the Institute of South Asian Studies, Singapore. "The priorities also get muddled due to lack of convergences between commercial and foreign policy objectives. In most countries, FTA talks commence only after extensive consultations between foreign and trade ministries. In countries like Australia and Canada, these departments have merged as Department of Foreign Affairs and Trade. Such an approach appears to be missing in India".

Agreeing with him, former IFS officer Ashok Sajjanhar said India's FTAs with Bhutan, Afghanistan or even Sri Lanka were more for diplomatic reasons. "But even with the India-Asean FTA (signed in 2010) which had an economic logic, the political benefits are not made clear." He said during his stint at the commerce ministry, an import of top end sarees from Bangladesh became a political hot potato as representations against the imports poured in from West Bengal.

The imports had to be scuttled.

At a larger scale, this angst continues. This month, India has announced a set of retaliatory tariffs on US goods. It has notified the WTO about its intention to impose tariffs on US imports worth approximately $240 million. The USA is India's largest trading partner.

"India is not one of the topmost exporters of steel and aluminum to the US and, therefore, would not have been hit as hard by these tariffs as larger exporters like Brazil, Korea and Japan would have been.

Incidentally, none of these countries have resorted to retaliatory tariffs," notes Palit. However, the commerce secretary said the concern on FTAs and the tariffs on US goods should not be linked though both reflect India's increasingly clear demonstration of going solo in trade issues.

Former commerce secretary Rajiv Kher and now distinguished fellow, RIS, during whose term India was close to sewing up an FTA with Australia, agrees it would politically have been difficult to sell the benefits.

"FTAs work best when there is a complementarity, and in this case we would have suffered." Kher did not offer any remarks on why New Delhi had engaged Canberra for the aborted trade talks, in the first place. Though Sajjanhar says it was the commerce ministry that primarily pushed the FTAs, once the political high noon was over, the eventual negotiations ensured a shallow FTA.

The India-Singapore CECA was signed in 2005 on for India to escape the repeated stock market meltdowns due to perceived flow of hot money from Mauritius. Once that scare passed, the treaty lurched. India has exported just $10.2 billion to the island in 2017-18 and imported goods worth $7.5 billion.

While the commerce ministry feels there is enough room to add to India's trade with countries, there is no reason to rush to sew up preferential trade agreements. Teotia said, "Once we signed on the India-Asean FTA in 2010, the pressure has built on us to be more ambitious in RCEP.

The ambition is too high on goods and low on services". She added that India will remain engaged with the negotiations, though.

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

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Rs 786 cr textile unit coming up in Karnataka's Chamarajnagar

Karnataka Heavy Industries Minister K.J. George on Monday said the state government would assist Sutlej Textiles Ltd in setting up its unit in Chamarajanagar district at a cost of Rs 786 crore.

The textile making unit is being set up at Badanaguppe and Kallambahalli villages of Chamarajanagar district, about 180 km southwest of Bengaluru.

"The new unit is one among the many new units coming up in the district as a result of the state government's development policies," George told reporters here.

The minister, who is also in-charge of the Sugar, Information Technology and Biotechnology (IT & BT) and Science and Technology portfolios, visited the industrial estate being set up by the Karnataka Industrial Area Development Board.

The estate will be spread over 1,460 acres of land.

The minister said the single window clearance committee headed by Deputy Commissioner of the district B.B. Cauvery has also approved 94 projects with Rs 162 crore combined investment in the southwest district to enable its development and create jobs for the youth.

The minister said Sutlej would make sportswear in the 46 acres of land allotted to it.

The company will offer jobs to about 1,800 skilled youth, George said, promising the state's help for its early commissioning.

"The state government is keen to encourage the industrial development of Chamarajanagar district as several of its regions are considered backward and do not have major industrial enterprises except granite and sugar factories," he said.

The state's Industrial Policy 2014-19 allows a subsidy of 20-25 per cent toAindustries being set up in the regions classified as "backward".

Entrepreneurs belonging to Scheduled Castes, Scheduled Tribes, backward classes get an additional five per cent subsidy to set up their businesses in the regions.

Women entrepreneurs, businesspersons with disabilities and those who have served in the armed forces also get an additional five per cent subsidy for setting up their businesses in the backward regions.

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

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GST Council allows ITC refund to fabrics

The Goods and Services Tax (GST) Council at its 28th meeting held under the chairmanship of Union minister for railways, coal, finance and corporate affairs Piyush Goyal has recommended for allowing refund of input tax credit (ITC) to fabrics.

The refund of accumulated ITC shall be with prospective effect on purchases made after notification is issued.

“Fabrics attract GST at the rate of 5 per cent subject to the condition that refund of accumulated ITC on account of inversion will not be allowed.

However, considering the difficulty faced by the fabric sector on account of this condition, the GST Council has recommended for allowing refund to fabrics on account of inverted duty structure.

The refund of accumulated ITC shall be allowed only with the prospective effect on the purchases made after the notification is issued,” the ministry of finance said in its post-Council meeting statement.

Welcoming the Council’s decision Confederation of Indian Textile Industry (CITI) chairman Sanjay K Jain said, “It was the need of the hour as fabric sector is already facing a lot of difficulties while competing with its counterparts in international market.

CITI has been consistently requesting to the government to give relief to the fabric segment as for the overall growth of the textile sector, fabric sector plays an important role and it also generates sizeable employment opportunities—40 jobs on ₹1 crore investment—which is more than any segment of the textile value chain.

Hence, decision to allow refund of accumulated ITC at fabric stage due to inverted duty structure is a big relief to the textile sector."

The Synthetic & Rayon Textiles Export Promotion Council (SRTEPC) has also termed the Council's decision as one of a great relief to the textile industry in general and fabrics manufacturers in particular.

"In the MMF textile segment which is highly fragmented and decentralised, individual units are specialised in particular field of textiles spinning or yarn preparatory or weaving or processing or value addition and instead of carrying out the entire textile value chain they are doing part of the job only," said SRTEPC chairman Narain Aggarwal.

"Since most of the exporters in the MMF textile segment rely on job work for getting their textile products manufactured, the accumulated ITC, which remain unrebated, was increasing financial burden, and liquidity crunch on the exporters as well as domestic manufacturers was substantial.

Therefore, this step of allowing refund of accumulated ITC on fabrics will benefit more than 5 lakh weavers and knitters in the country. This will be a big boost to the MMF segment in particular," he added.

Source: fibre2fashion.com-July 23, 2018

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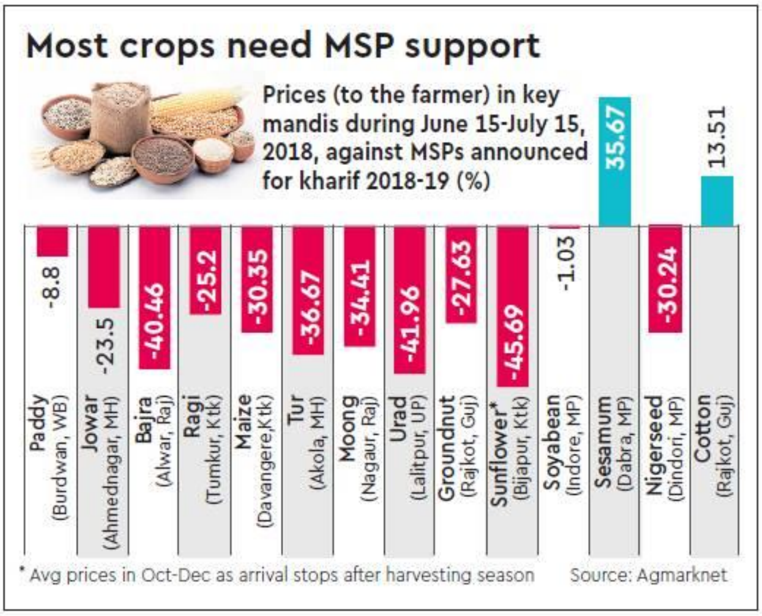
MSP hike an expensive policy? Market prices way below new minimum support price

Market prices of twelve among the 14 kharif crops for which the minimum support prices (MSPs) were announced by the government earlier this month for 2018-19 were below their respective MSPs between June 15-July 15, 2018, an analysis by FE of key markets showed.

The gap was above 20% in case of ten crops, and higher than 40% in case of three of them (see chart). The scenario confirms the fears that the implementation of the new policy of fixing for crops at 1.5 times the A2+FL costs or higher and assured MSPs would prove to be prohibitively expensive for the Centre and states and upset their fiscal consolidation processes.



FE had earlier estimated that if price to the farmer at the mandis is lower than the MSPs by 20%, the new policy's implementation would cost Rs 1.75 lakh crore (excluding cotton and sugarcane), as it would drive the farmers to bring all their produce to the markets.

While the marketable surplus is seen to be over 80%, Icrier has estimated that if the new policy's benefit is extended to all produces that is marketed and excluding government procurement of wheat and paddy at MSP and sugarcane sold to sugar mills at FRP/SAP, the cost could be Rs 1,13,035 crore, if market prices are lower than the MSP by 20%. If the prevailing market prices are to be used, the cost could indeed rise further.

Currently, the prices of the three main kharif pulses — urad, tur and moong — are lower than the 2018-19 MSPs by 42%, 37% and 34%, respectively. The market prices may not increase much once the new arrivals hit the market. Nafed already has more than 3 million tonne of pulses stocks and the sowing area for kharif 2018-19 is down 18% as of now, from the year-ago period.

The government is deliberating on the schemes that would ensure that farmers realise at least the MSPs and do not sell their produce in distress. Apart from a procurement-based system, it is also considering an MSP-based deficiency payment scheme (on the Bhavantar model of Madhya Pradesh), in which farmers are paid the difference between the MSP and market prices.

Source: financialexpress.com-July 23, 2018

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FIEO hails Textiles Minister

Textile industry sources are confident that the initiatives taken by Textiles Minister Smriti Irani will help make India a global manufacturing hub for textiles.

Thanking the Minister for her efforts in getting approval for GST refund of Input Tax Credit, A Sakthivel, Southern Region Chairman of FIEO, said this would go a long way in reviving the sector and making the MSMEs globally competitive. Sakthivel hailed the GST Council as well for allowing the ITC refund to the textiles sector.

Source: thehindubusinessline.com-July 23, 2018

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Fine-tuning GST

The GST Council's latest decisions will help clear implementation issues

The GST Council's decision to reduce rates on 15 items from 28 per cent to 18 per cent makes economic sense, and therefore should not be put down to electoral considerations alone.

The outgoing Chief Economic Advisor, Arvind Subramanian, for one, has held the view that the highest rate slab of 28 per cent should be done away with. In November last year, the GST Council decided to move 177 items out of the 28 per cent category.

Last week's decision to lower rates on items of middle class consumption such as white goods, paints and varnishes, etc., would leave only 35 items in the 28 per cent bracket. These include ACs, auto parts, cement, aerated drinks and demerit goods. While the reduced rates are likely to lift consumer sentiments by lowering prices as the poll season draws near, it will also discourage tax evasion. A further rationalisation of rates is called for; to this end, however, the Council should take the States on board.

Opposition-ruled States such as Punjab and Kerala have said that they were not adequately consulted in last week's meet. This is an unfortunate development. Decisions on GST so far have been marked by a remarkable faith — in contrast to the acrimony in the political space — in the federal consultative processes that have been put in place. Discord over the workings of the Council can harm the implementation of GST.

The Council seems to have hit upon the right way to reintroduce invoice matching, which was abandoned after the GST Network collapsed last year, unable to deal with the data uploads. Now, the buyer, rather than the portal itself, will validate the seller's invoice by 'locking' it. Amending a wrong entry has also become easier, as a separate form will be made available for this purpose.

The tax would be paid on the basis of the amended entry. This will come as a big relief for assessees who were forced to run from pillar to post trying to rectify an incorrect entry. While the new invoice matching norm will presumably take a few months to take effect, the GSTN cannot afford to fail yet again. Whether it can take the load of an entire country uploading invoices as the deadline draws near is a moot issue.

The Council needs to address issues such as locked up funds in IGST and the teething concerns in the e-way bill. It has rightly decided to focus on the concerns of small industries (and hopefully small, individual entrepreneurs) in its August meet. It is important to bring them into the tax net without punishing consequences.

A simple but crucial reform is to ensure that GST forms can be filled in all Indian languages, and not just English. At a broader level, a buyer's input tax credit should not be held up if his vendor has not paid his taxes. But, by and large, the GST process has gone past its initial glitches.

Source: thehindubusinessline.com-July 23, 2018

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ITC refund rule to cut fabrics prices by 3-4%: Industry

The GST Council's decision to allow refund of accumulated input tax credit (ITC) at the fabric stage could reduce fabric prices by 3-4% and ultimately help consumers, apart from improving competitiveness in the export market, senior industry executives said on Monday. The fabric segment often operates on a single-digit margin, so the relief is meaningful in the sense the move will enable it to pass on the benefits and generate higher sales, they added.

The average accumulation of credit (not allowed earlier) on this account for a powerloom in the last one year was around Rs 7,000, according to an industry estimate. The refund, however, will be allowed only with the prospective effect on the purchases made after the notification is issued, according to the GST Council decision.

Confederation of Indian Textile Industry (CITI) chairman Sanjay K Jain said: "It was the need of the hour as fabric sector is already facing a lot of difficulties while competing with its counterparts in international market." Jain said while bringing all the textile goods under the GST net, the GST Council had put the entire cotton textile value chain under the 5% GST slab. But in the case of synthetics, the fibres were brought under the 18% GST slab, yarn under 12% and fabric under 5%.

While the accumulated input tax credit (ITCs) refunds were allowed on all output materials, only fabric was not allowed to take the refund of accumulated ITC. This caused inverted duty problem on fabric to the tune of 4% and seriously affected the global competitiveness of the power loom and hand loom sectors. The yarn sector was also forced to reduce the price to share the burden on the fabric.

The fabric sector plays an important role and also generates a sizeable employment opportunities —40 jobs on an investment of Rs 1 crore — which is more than any segment of the textile value chain. Jain further said that the rates cut on Chenille and other fabrics under heading 5801 and handloom dari to 5% from 12% is a big win for the textile manufacturers who were reeling under immense pressure. It would further boost employment in the powerloom sector, as about 40,000 textile workers have lost their jobs in last one year.

A Sakthivel, past president of Tirupur Exporters' Association (the largest knitwear cluster of India), said: "The GST Council's decision will surely help the sector to revive strongly and become competitive globally. Especially, the MSME sector will largely get benefited. The entire textile sector today feels proud as the move is the path-breaking reform which will be silverline in the history of the sector."

Jain said that allowing quarterly filing of return for the small taxpayers having turnover below Rs 5 crore as an optional facility will ease out pressure on small businessmen/merchants and is expected to give big relief to about 93% of the over 10 million registered GST payers, from the complex procedures of filing monthly returns.

P Nataraj, chairman of Southern India Mills' Association (SIMA) said, the decision in this regard would create a level playing field for the independent weaving units, powerloom units and handloom sector to remain competitive not only in the domestic market but also in the global market.

Source: financialexpress.com- July 24, 2018

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