TEXPROCIL NEWS CLIPPINGS

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US 70.94 | EUR 78.99 | GBP 91.62| JPY 0.65

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19713	41200	**74.02**

Domestic Futures Price (Ex. Warehouse Rajkot), October

Rs./Bale	Rs./Candy	USD Cent/lb
19490	40734	**73.18**

International Futures Price

NY ICE USD Cents/lb (December 2019)	64.95
ZCE Cotton: Yuan/MT (January 2020)	12,765
ZCE Cotton: USD Cents/lb	81.95
Cotlook A Index – Physical	**75.20**

Cotton Guide: The ICE cotton futures again emanated a mixed tone, but this time with lower volumes at 24,729 contracts as compared to the recent few sessions. These small gains in the last few sessions have thus resulted into the prices heading north.

While looking at the daily chart we can figures out that the eastern world [for ICE] was more on the bearish end while the western world while trading after 6 pm IST were positive and dragged prices upwards after a decline.

ICE December settled at 64.95 cents per pound with a change of +28 points.

While having a look at the ZCE contracts of China, the contract emanated positivity. An important note, there is a correlation between ZCE contracts and ICE which later affects MCX Prices. Whenever we see ZCE escalated by around 300 yuan per tonne we can expect ICE to escalate by 1 cent per pound and similarly MCX by 200 Rs per Bale. However, yesterday the tone of the ZCE January contract was positive by +95 yuan and settled at 12,765 Yuan per Tonne, therefore we have not seen any major changes if we look from the correlation perspective.

The MCX contracts on the other hand were all mixed with changes seen at -10, -40 and +30 for the MCX November, December and January contract respectively. The settlement figures were 19250, 19260 and 19450 Rs per Candy respectively. However, the volumes were almost 1/3rd at 610 lots.

The cotlook index A has remained unchanged at 75.20 cents per pound. While speaking about the domestic scenario, the north India cotton supply is seen to be up by Rs 10-20 per mound. The arrivals are seen at 26,000 Bales till now with Punjab at 5000 Bales, Haryana at 12000 Bales and Upper Rajasthan at 9000 Bales.

On the fundamental front, we expect [US-China] optimism to drive the market north for both the ICE and MCX contracts. We also expect the Export sales data to remain high which is another positive indicator. Therefore for the short term our view is positive.

On the technical front, In daily chart, ICE Cotton after giving an Inverse Head & shoulder pattern breakout, is trading within an upward sloping channel. Price are above the daily EMA (5, 9) at 64.76, 64.32, along with 61.8% Fibonacci extension (63.80) acting as an immediate support. The momentum indicator RSI is at 64.95, implying positive bias for the price. The immediate resistance for the price would be at 66.40, 100% Fibonacci extension level, while the immediate support would be at 63.80 (61.8% Fibonacci extension level). Thus for the day we expect price to trade in the range of 65.50-63.80 with positive bias. In MCX, we expect the price to trade within the range of 19350-19650 with a sideways to bullish bias for the price.

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

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INTERNATIONAL NEWS

Chinese FDI in Vietnam up 60 per cent

China's direct investment in Vietnam has surged more than 60 per cent this year. Increasing production costs in China have pushed manufacturers to relocate their factories to Southeast Asian countries which have lower costs.

Vietnam is also seen as a country with a better labor supply. Manufacturers considering moving out of China are mainly producers engaged in low-end sectors in manufacturing, including textiles and garments, consumer discretionary and electronics packaging and assembly.

But high-end industries, such as electronics and machinery, are also showing signs of relocating to Vietnam.

Vietnam relies on China to propel its rapidly growing economy. China is Vietnam's biggest trading partner. Vietnam has capitalised on the fallout of the US-China trade war to become a top destination for manufacturers looking to avoid tariffs.

China now is the third biggest FDI investor to Vietnam, climbing up from fifth in 2018. Another reason for the Chinese shift to Vietnam is the trade dispute with the US.

The trade war is also benefiting countries like Cambodia, Myanmar and Bangladesh.

The massive outflow of production from China is going to them. While outerwear is moving into Myanmar and Vietnam, sportswear and bottoms are moving into Cambodia. There has also been an increased general outflow into Bangladesh.

Source: fashionatingworld.com- Oct 22, 2019

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Mexico apparel exports decline 9.9 per cent in 10 years

Latest World Trade Organisation (WTO) data indictes, clothing exports from Mexico declined by 9.9 per cent in the last ten years, to 14 billion dollars last year. The value exports fell from $5.1 billion in 2007 to $4 billion in 2017.In 2017, the sector was affected by Donald Trump's threat to suspend the North American Free-Trade Agreement, which regulates trade relations between Mexico, Canada, and the United States.

Finally, the three governments reached an agreement to create a new agreement, the T-Mec, which has already been ratified by Mexico and is pending the green light of Canada and the United States. The entire Latin American market witnessed a decline during the period.

The progress of Southeast Asia undermined the importance of this region as a productive pole for the sector. Foreign sales of clothing from this market have fallen almost every year since 2008, with the only exception of 2019 and 2011, when it was 16.4 billion dollars. The following year, exports fell again by 8 per cent, and have continued to decline until they reached 14 billion dollars last year.

Source: fashionatingworld.com- Oct 23, 2019

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What the Free Trade agreement in Africa means for the logistics sector

The African Continental Free Trade Area agreement, or the AfCFTA as it is known, is being seen as the world's largest free trade zone since the establishment of the World Trade Organization.

The trade deal will begin by cutting tariffs for goods traded and then eventually expand into other areas. Fifty-four African nations met in July 2019 to work out an agreement on the pan-continental free trade zone – and also signed on the largest economy to the Africa Free Trade agreement, Nigeria[1].

To simplify it further, it just means with the cutting of these tariffs, and, in future, the barriers of entry as well, trade between two nations previously unheard of, can now happen openly. For example, Kenyan coffee can now be shipped across the continent without worries that it will, a) cost too much because of duties, and b) be more expensive than the coffee that the other countries now have to import because Kenyan coffee would have been expensive before this agreement. The same can be said for Nigerian textiles manufactured within the region and can now be sold anywhere in the continent without attracting much resistance from the pricing.

As reported by CNBC, the International Monetary Fund believes eliminating tariffs could boost trade in the region by 15-25% in the medium term, but that could double if other, non-tariff barriers are reduced. Those include poor road and rail links, large areas of civil unrest, border bureaucracy, and corruption that have held back growth and integration. Even though export trade between African countries is quite low at the moment, a decent 42 percent of those intra-African exports are industrialised goods and this number is expected to grow under the new AfCFTA agreement.

It is unclear whether the AfCFTA will succeed in removing some of the complications and duplications caused by the overlapping memberships of the eight regional economic communities, which include the Southern African Development Community, East African Community and the Common Market for Eastern & Southern Africa. The hope was that the AfCFTA would standardise rules of origin and tariffs for the same goods so that firms would face less fragmented sets of rules when doing business across African borders.

While the absolute advantages of African Continental Free Trade Area will be realised in the long term, in the short term, it will lead to more open business within the continent. This will help grow many forms of direct trades as well a whole plethora of support services that will be needed to support these.

One of the industries that will see a boom as a result of this accord is logistics. With the latest addition to Africa Free Trade agreement, Nigeria by virtue of being the largest economy in the continent, it will also be a crucial entry point for businesses to expand within the continent. Companies will need to move equipment, and people to various countries around the continent, and this will lead to better infrastructure and more structured border control.

The opportunity for service providers in the logistics sector will find more work as one of the first movers (pun intended), and as the enablers of building a network of connectivity within the continent. Most logistics providers will need to learn how to build and leverage the advantages of African Continental Free Trade Area and, as a result, build a precedent for new companies looking to expand their footing within the region.

Source: sme10x.com- Oct 23, 2019

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Dhaka gives priority to FTAs for trade expansion: Minister

The Bangladesh government is giving the highest priority to free trade agreements (FTAs) for expanding trade and exports, according to commerce minister Tipu Munshi, who recently told a seminar FTAs are needed to meet future challenges in the competitive global trade environment after the formal enlistment in the list of developing nations in 2024.

The seminar on 'Fostering Global Free Trade Relations' was organised in Dhaka by the Commonwealth of Independent States and the Bangladesh Chamber of Commerce and Industry.

Bangladesh has a good scope for its readymade garment (RMG) items in Eurasia and has the potential to export goods worth $4-5 billion to Russia and its adjacent countries.

The FTA with MERCOSUR countries, efforts for which are under way, would boost the country's RMG export, he said.

Commerce secretary Jafar Uddin said the government had been working to sign FTAs with several countries, including India, China, Russia, Brazil, Malaysia, Indonesia, Sri Lanka and Bhutan.

Source: fibre2fashion.com- Oct 23, 2019

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Bangladesh: Consumers: The missing link in sustainable apparel

Who should pay to make apparel supply chains more sustainable? This is a question we hear a lot, and it is also one which causes a great many disagreements between factory owners and apparel brands. Factory owners complain that apparel buyers drive a hard bargain on price and that, at the end of negotiations, there is little room left for extra spending on technological upgrading. Brands, on the other hand, claim they have their own pressures and that, actually, this is the way the industry works. People are in business to make money and, in a highly competitive industry, they have little choice but to keep costs to a minimum. If this means placing price pressure on suppliers, so be it.

There is another factor here which perhaps is not given enough consideration: end consumers. For while the apparel industry and its supply chain gets itself in a tangle over the issue of costings and prices, the one clear winner continues to be those purchasing the clothing.

For an economics student, the global apparel industry provides a remarkable case study. Is there any other industry where price deflation has been such a constant theme over such a prolonged period?

The US Bureau of Labour Statistics recently produced some data which showed that consumer spending on apparel as a percentage of total consumer expenditure has more than halved to two per cent from five per cent in 1987. This major 12-month study found that apparel was the only major consumer spend category to fall over the same period, with all other categories, including entertainment, dining out, alcohol, and furniture remaining relatively stable.

But here's the thing: the same research showed that people are actually purchasing far more clothing than at any time in history. How can this make sense? How can consumers be buying more clothing than ever yet the percentage of their income which they actually spend on apparel has fallen dramatically? The answer is rather obvious: deflation in the apparel sector which has come about due to the offshoring of apparel production from the West to Asia.

Let’s focus on this issue of price deflation and consumer expectations. This word—expectations—is key here. The problem which apparel brands face is that when you have given something to somebody—in this case, extremely cheap clothing—it is very difficult to take it away. Walk into a fast fashion store in London, New York, Paris or Madrid, and it’s possible to buy a T-shirt, a pair of jeans, a pair of shoes and a jacket and still come away with change from 100 Euro. In some stores, you can buy jeans for as little as 10 Euro, T-shirts for less than 5 Euro, jackets for 10-15 Euro. This might be great for consumers, but this is just madness.

We hear a lot of talk that the Bangladeshi ready-made garment manufacturers are in a “race to the bottom”. They might well be, but so are fast fashion brands.

This brings us back to the negotiations that take place between the apparel factories and brands. As a manufacturer, of course I would like to see an increase in unit prices paid to suppliers. But I can also see with my own eyes that if a brand is retailing a pair of jeans for 10 Euro or a T-shirt for 4 Euro, they have very little room for manoeuvre.

Consider the efforts that go into making a cotton T-shirt. People are paid to pick the cotton, the cotton is sold to factories, the seeds are extracted, the bolls cleaned, and the fibres spun into thread. A trader buys the spools of thread to be sold to mills, the mills produce the dye and the fabric, the fabric is sold to manufacturers, manufacturers create T-shirts and these then have to be shipped around the world before they can be sold in stores.

All these steps, all these efforts for a 4 Euro T-shirt!

How has it reached this stage and what can we do about it? There are many surveys which suggest that consumers would happily pay more for clothing that is sustainably produced. Really? I don’t see this sentiment translating into actual actions. What I do see is a market in which consumers are happy to hand over just a few Euros for their new sweater or trousers, never questioning how or why the retailer managed to provide it so cheap. Ignorance is bliss, as they say.

For the industry to change, for us to move towards a model in which suppliers are paid a fair price for their products—a price that allows them to pay workers a living wage while producing products through sustainable production methods—we need higher end prices for clothing. It really is that simple.

And how can these higher end prices be achieved? There are no easy answers here, but we must not despair. Transparency and openness are key, and as part of this we need to educate consumers, most of whom at present have their heads buried in the sand on this issue.

How about better hang tags for apparel products? If hang tags were required by law to provide better information to consumers, we could start to turn the needle on this issue. For instance, what if hang tags, while providing details on supplier information, also provided information about the product across all steps of the supply chain? Perhaps if consumers realised the complex array of steps required to provide the shirt on their back, they would be happier to pay a fairer price for it.

Better hang tags could be supported by marketing from brands. This is something the whole industry could collaborate on, an area in which they could put competitive considerations to one side. It's in the interests of all apparel brands to begin to "tell the story" of the clothing. The story of where it was made, how it was made, the steps it went through to reach the store, the skills of those making it. The "story-telling" of a clothing item should be part of its marketing. It should be used to add value.

Clothing, for way too long, has been treated like a commodity. Who'd pay a premium for a commodity of which there is an over-supply?

If we really want sustainable supply chains, we've got to shift away from this commodity model and put the value back into clothing items. Consumers say they want sustainably made clothing so it's up to brands to tell them the story of their clothing and why they need to be paying more for it.

Source: thedailystar.net- Oct 24, 2019

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Bangladesh: Message from RMG export decline

To go by the report on negative growth experienced by readymade garments (RMG) export to some major destinations in the first quarter of the current fiscal year, there is no reason to give a knee-jerk reaction to the development. Developments beyond Bangladesh's shores may indeed negatively affect the country's export, particularly when it is overwhelmingly dependent on RMG trade; competitors are fast scrambling for their shares and trade war between the US and China is stifling the international trade regime. Of the major destinations, the European Union is in turmoil over Brexit deal and its likely negative impact on economies of most members.

Canada, another major destination, has just emerged from the election as the incumbent Trudeau government gets a second term but with a reduced majority. Election period for any country could not be a good time to be paying enough attention to commerce and trade. Against this, however, the RMG export to Denmark, France and the Netherlands registers growth from the lowest 2.0 per cent to the highest 16.25 per cent. Even to the US, export marks some growth, albeit it is less than 1.0 per cent.

Evidently, not all is lost for the country's RMG. Also, the first quarter may not follow the proverb, "Morning shows the day". Yet the message from the export fall of RMG to some major countries should be taken seriously. The matter should give the garments associations like the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) enough cause for introspection.

Even the commerce ministry should feel prompted to review its export policy in order to decide the future course of action for diversifying the country's export basket and also looking for non-traditional export destinations. As for the manufacturers and exporters of apparel, the task is challenging because countries like Vietnam have outpaced Bangladesh in developing their garments industry by adopting advanced technology and augmenting production. In this respect, Bangladesh still has an option open to it - it must switch over to manufacture and export of high-end apparels instead of those meant for low-end market abroad.

The fact that the largest exporter of RMG, China that is, has been off-loading some of its export volumes in the face of trade war with the USA leaves a vacuum for others to step in. Bangladesh has a real opportunity here to take a substantial share in the off-loaded volumes.

Even if RMG can, however, make some inroads into the upmarket abroad through value addition, there is no alternative to diversifying apparel manufacture and the export basket to maintain a lead in the field. In fact a competitive edge has to be lent to the export environment of which energetic negotiations with retail giants will be an important part. Maybe Bangladesh needs to restrategise to cope with new competitors with policy backing and incentives repackaging here and there.

Fluctuations on account of new entrants on the scene like Laos - which is set to enjoy facilities of a free trade agreement (FTA) with the EU - pose a challenge. The RGM sector has to measure up to it. Overall, the country should prudently select more export items within a short time to counterbalance any loss because of decline in RMG export.

Source: thefinancialexpress.com.bd- Oct 24, 2019

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Bangladesh: RMG exports to China on the rise

Exports of garments to China are steadily on the rise thanks to the duty-free market, incentive packages and high cost of labour there, say industry insiders.

In the last decade, garments shipments to Chinese markets grew by 860 per cent to USD 506.51 million. Back in 2010–11, export earnings were only USD 52.81 million.

Based on year-on-year calculations, FY2018–19 saw a growth of 29.33 per cent, according to the Bangladesh Export Promotion Bureau.

Export items to China include cotton-based apparel like trousers, vests, breeches, jerseys, anoraks, T-shirts, shirts, singlets, windcheaters for men and boys, and pullovers and blouses for girls and women.

Siddiqur Rahman, former president of the Bangladesh Garment Manufacturers' and Exporters' Association (BGMEA), told The Independent that rising production costs in China have handed Bangladesh the opportunity to

export cotton-based apparel. China is reluctant to engage in the manufacture of low-end readymade garments since it is moving towards building high-tech industries, said Rahman.

Besides, the Chinese government discourages textile manufacture in their country because of environmental concerns, he added.

China is reducing its investment in apparel factories at the domestic level. Instead, it is relocating manufacturing operations to countries like Bangladesh, Cambodia, Vietnam, and India.

"China has already invested a large sum in the Bangladeshi apparel sector. We welcome new Chinese investment, but Chinese factories have to be fully compliant factories that are certified by global buyers," said Rahman.

"Lead times are pivotal for us in this era of fast fashion. The distance between China and Bangladesh is less compared to European countries and the United States. This has led us to increase the quantity of shipments to China," said BGMEA director Md Mohiuddin Rubel.

"We need to utilise the geographical closeness with China to swell our readymade garment exports", Rubel said. The stimulus package from the government for exporting to new markets appears to be working, he added.

Besides, since 2011, the Chinese government has provided Bangladesh a preferential trade benefit.Bangladeshi exporters enjoy duty-free access when exporting more than 5,000 products, which is the case for apparel exports. This has helped boost garment exports to China, Siddiqur said.

Bangladesh presently houses 90 LEED-certified garment factories, including 24 platinum-rated buildings, as per data from the United States Green Building Council (USGBC).

Source: theindependentbd.com - Oct 24, 2019

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Vietnam: International textile, garment industry expo opens in Hanoi

The Hanoi Textile & Garment Industry - Fabric & Garment Accessories Expo 2019 (HanoiTex2019) opened in Hanoi on October 23.

The three-day event was jointly held by the Vietnam National Textile and Garment Group (Vinatex), Vietnam Textile and Apparel Association (VITAS) and CP Exhibition Hong Kong.

VITAS Vice Chairman Truong Van Cam said that the expo is one of the important events of the Vietnamese garment and textile industry which gathers advanced technology, equipment and accessories in the industry as well as the latest information to serve the Vietnam's garment and textile industry.

According to Vinatex General Director Le Tien Truong, the expo covers over 5,700m2 with the participation of 179 suppliers from 15 countries and territories across the world such as China, the Republic of Korea, Germany, Italy, the UK, the US and others.

HanoiTex2019 will create conditions for Vietnamese garment and textile industry to learn and select modern and environmentally friendly equipment. The event will also provide an opportunity for enterprises to meet partners, promote their brands and seek business opportunities.

Deputy Minister of Industry and Trade Cao Quoc Hung said that the garment and textile industry has proved its significant role in generating jobs, ensuring social welfare, and contributing to the budget.

Vietnam is now ranked third in the world in terms of garment and textile exports with an export revenue of over US$36 billion in 2018 and an estimated export revenue of US$40 billion in 2029.

The industry has created jobs for more than two million people and continues to generate an additional 200,000 jobs each year.

Source: en.nhandan.org.vn- Oct 23, 2019

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Bangladesh: Cotton import from USA to soar American traders predict

Bangladesh's cotton consumption will continue to grow in the near future because of higher shipment of garment items stemming from the US-China trade war and for higher demand for natural fibre by Western consumers, said a top official of Cotton USA, an association of American cotton growers and traders.

"We see continuous growth of cotton consumption in Bangladesh," Bruce A Atherley, executive director of Cotton Council International (CCI), a platform of Cotton USA, told The Daily Star in an interview yesterday.

Bangladesh is perfectly positioned to take advantage of the China and US tariff war, he said.

The retailers and brands are coming back to Bangladesh with a lot of work orders as China became very expensive because of the trade war. Countries like Vietnam and Cambodia are also benefitting from the US-China trade war.

Another important reason is that the Bangladeshi spinning sector is very much unique in the sense that the majority of the yarn and fabrics are made from cotton.

"This is a very big advantage for Bangladesh as consumers, especially in the Western world, are coming back to natural fibre from man-made artificial fibre with the view to protecting the environment and for comfort."

The cotton fibres are biodegradable but the polyesters and other man-made fibres do not mix up with the soil and damage the water and soil quality.

"So, Bangladesh is in a good position for higher consumption of cotton," he said.

Over time, America's export of cotton to Bangladesh will grow because of good quality, competitive prices and timely delivery.

For instance, between 2015 and 2017 Bangladesh imported 226,000 bales of cotton each year, but the quantity tripled last year to 785,000 bales (one bale equals to 282 kilogram).

Last year, Bangladesh imported 8.28 million bales of cotton worth $3 billion.

Currently, Bangladesh imports 11 percent of its annual total requirement of cotton from the US, which was nearly 4 percent even three years ago.

“We want to see Bangladesh in third spot in the ranking of cotton-importing countries from the US by 2024,” he said, adding that the US wants to export two millions bales of cotton.

Currently, Vietnam is the number one cotton importer from the US, followed by China.

“We are very much optimistic regarding the growth of cotton consumption by Bangladesh,” he said.

The trade war also forced the US to shift marketing focus to Bangladesh from China, he said.

For example, before July 2018, China used to import 45 percent of its total annual requirement of cotton from the US. But now, it is only 15 percent. In the global cotton market, the US’s share is 40 percent.

Predominantly Brazil, Australia and India -- and to some extent some West African countries -- have increased their cotton export to China after the trade war.

The trade war has also helped lower the prices of cotton. Cotton was trading at more than 90 cents even in July last year, but the price of the fibre has now come down to 60–65 cents on the New York Futures market.

The higher production in some countries like the US is also responsible for the lower prices of cotton worldwide at present.

Usually, more than 18,000 farmers in the US produce over 21 million bales of cotton in a year, but next year the quantity may rise to 30 million bales due to favourable weather condition.

Globally, the production of cotton will remain more or less 120 million bales in the next year, he said.

Cotton USA has ramped up its marketing efforts in Bangladesh for grabbing more market share.

It opened its office in Dhaka and hired some technical persons for educating about cotton use and trade.

However, he mentioned three specific challenges to cotton trade in Bangladesh: double fumigation of US cotton in Bangladesh, logistic problems like longer shipment time from the US and marketing for higher cotton trade in Bangladesh.

William R. Bettendorf, director supply chain marketing for South and Southeast Asia of CCI, and William D. Kimbrell, vice-president of Cotton Incorporated, also spoke during the interview.

Source: thedailystar.net- Oct 24, 2019

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Pakistan: Economic impact of abolished zero-rating

One of the most detrimental aspects of the federal budget FY20 has been the elimination of SRO 1125 and the imposition of General Sales Tax of 17% on the previously zero-rated export sectors. The immediate impact of the withdrawal of SRO 1125 is the transfer of Rs 600 billion from industry to FBR for an extended period of time, the irony of which is that out of the Rs 600 billion, Rs 500 billion is to be refunded.

Abolition of SRO has also created unjustifiable discrimination against the domestic industry supplying input goods to exporting units against exporters importing their inputs through DTRE, EOU or Bonds which are available without GST while local supplies are subject to GST.

Withdrawal of zero-rated regime and imposition 17% of GST, along with steep depreciation of local currency, together have resulted in an unmanageable liquidity crunch for the entire export industry.

At a time when the country is facing stagnant exports and balance of payment crisis, the ending of sales tax exemption under the zero-rated regime has triggered a 'catastrophe' for the country's exports, Balance of Payments (BoP), domestic manufacturing and thus the overall economy.

It is difficult to comprehend that 17 percent sales tax has been imposed to mobilize Rs 100 billion additional revenue in the budget for next fiscal year, by the collection of Rs 600 billion from the industry and starting another refund cycle soaking up market liquidity. The government intends to implement the Bangladeshi model to provide refunds instantly through the central bank for exporters.

However, asking businessmen to "first pay taxes and then later get refund" is an irrational policy measure. When tax has to be returned eventually, it is better not to collect those taxes. Firstly, the government already has to pay refunds worth Rs 200 billion to exporters, but it has no fiscal space for making that payment, abolition of SRO-1125 will further create unbearable burden on the industry. Secondly, there is no reason for exporters to believe that they will get their sales tax refunded in due time while their prior refunds still remain unpaid. The outstanding amounts are as follows:

From the perspective of local manufacturers, there is a substantial increased incentive to 'cheat' since the differential for 'cheating' and smuggling has increased tremendously. Duty-free imports and smuggled goods will substitute domestically produced products because of this incentive.

Another aspect of the removal of zero-rating is that sales tax-free imports through DTRE/ Bond/ EOU are detrimental to the survival of local industry. These schemes allow a registered exporter to import goods without duty and taxes and to purchase zero-rated input goods. No exporter will buy inputs from domestic manufacturers if he has to pay 17% sales tax and await its ultimate refund for many months when these can be imported sales tax free through these import schemes. This discriminatory treatment between the imported raw materials and locally manufactured similar input goods is resulting in the closure of the local industry which is not a long-run phenomenon but in months a great proportion of local raw materials industry is going to be closed. Rather than encouraging import substitution, we are doing the exact opposite by disincentivizing local production and promoting cheap imports.

For instance, when a company holding a DTRE, Bond or EOU license needs to buy raw materials like cotton, yarn or greige fabric, if it imports them through these schemes, it does not have to pay sales tax or duties, whereas, if they buy the same material from domestic industry, it is required to pay 10% GST and wait for its ultimate refund after exports which entails a minimum wait of nine months. The new GST rules have distorted the level playing field that was operating and now heavily favors sales tax free imports. It appears that the government policies do not take into account the need to develop and support domestic industry and are actively substituting local production with imports.

Consequently, there will be de-industrialization and capital will drain from the country. This is likely to subsequently increase unemployment, while the government will face huge losses in foreign exchange. Moreover, the resultant liquidity crisis is hurting exporters. The export orders were taken on the basis of zero-rating; it is discriminatory and unjustifiable to deprive exporters and expose them to unforeseen loss in the business transactions by suddenly withdrawing the exemption after they have made legal commitments. Pakistan's exports are likely to fall by over 30% percent solely because of this one policy measure.

Taking the case of Pakistan's largest exporting sector textiles which accounts for almost 60% of national exports, 17% Sales Tax regime on exports has increased the cash flow requirement equivalent to additional Rs 25 to 30 billion per month on $ 1.1 billion (or Rs 170 billion) worth of textile exports each month. The laborious system of refunds based on receiving the export proceeds after dispatching the goods makes it difficult for industry to self-finance Rs 180 – Rs 240 billion to continue financing the export requirement. The refinance limit of Rs 480 billion has already been exhausted, which requires industry to finance Rs 520 billion through own resources which could very well have gone towards modernization and expansion.

Eliminating the sales tax waiver for the industry which is fragmented has increased the production cost for exports to colossal levels. Exports have become unviable due to squeezed liquidity and slim margins while the small- and medium-sized exporters are highly unlikely to survive this financial crunch.

On the one side, the government advocates promotion of exports and ease of doing business, but on the other hand problems have been created for industries.

The government should decide its economic direction so that the country may move forward on the path of economic development by promotion of business and industrial activities.

To keep the businesses running this sales tax should have been imposed in a step-wise progressive manner as agreed in a 3-year period, starting from imposing 7.5 percent in this fiscal year, then increasing it to 12.5% next year and then finally reaching 17% level in the 3rd year.

It is still in vital interests of the exports and economy that the government should consult stakeholders for initially imposing a rational percentage of sales tax to ensure adequate cash flow and hence timely fulfillment of export commitments.

Source: brecorder.com- Oct 24, 2019

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Pakistan: Cotton scales season's peak of Rs 9,500

Steady flow of buying orders from textile spinning industry on Wednesday kept cotton prices on the higher side.

Most of the transactions were finalised at Rs9,300 per maund. However, a deal of 800 bales from Ghotki (prime mark) was done at season's peak rate of Rs9,500 per maund.

Amid fear of short crop the textile spinners were induced by higher off-take of cotton yarn and positive development on world cotton markets where US-China trade optimism forced markets to rise, brokers said.

Meanwhile, Punjab Cotton Council has estimated a loss of around Rs300 billion to farmers of cotton, maize, rice and sugarcane due to climate change, they added.

The world leading cotton markets were firm with New York cotton rose for all future contracts, while Chinese and Indian markets closed steady.

The Karachi Cotton Association (KCA) kept its spot rates firm at overnight level of Rs9,100 per maund.

The following deals were reported to have changed hands on the ready counter: 1,000 bales, New Saeedadbad, at Rs7,700; 4,000 bales, Khairpur, at Rs8,900 to Rs9,000; 1,600 bales, Haroonabad, at Rs9,100 to Rs9,200; 1,000 bales, Fort Abbas, at Rs9,100 to Rs9,200; 1,600 bales, Haroonabad, at Rs9,100 to Rs9,200; 800 bales, Bahawalpur, at Rs9,150 to Rs9,300; 3,000 bales, Rahimyar Khan, at Rs9,300; and 600 bales, Feroza, at Rs9,300.

Source: dawn.com- Oct 24, 2019

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NATIONAL NEWS

Indian cotton industry hit by high prices; traders ask for relief

High cotton prices in India have kept the industry burdened with low earnings. While the traders find the domestic cotton price uncompetitive in the global market, the government finds the price reasonable.

“Indian supplies are uncompetitive due to higher prices. Buyers are giving preference to Brazil and the US,” Arun Sekhsaria, Managing Director of exporter DD Cotton told Reuters. The government has raised the minimum raw cotton buying price by 38 per cent in two years to Rs 5,550 per 100 kg, even as global were corrected to the lowest level in more than three years.

It is also being said that the government is trying to keep the cotton prices firm artificially, although the expectation is that bumper cotton production in the new season could dampen prices and make exports viable if the Cotton Corporation of India (CCI) buys large quantities from farmers.

Accepting that CCI buys only nearly 3 per cent of the cotton production, Dr P Alli Rani, Chairman-cum-Managing Director of the CCI, told Financial Express Online, “Depending on the season, India produces 320-380 lakh bales of cotton and despite increasing the MSP by over 20 per cent last year, the farmers are selling only nearly 3 per cent to the government as they are getting much better price of their produce by the private bodies”.

Dr P Alli Rani underlined that bulk buying by the private bodies apparently shows the good quality of the Indian cotton and their price competency. Organisations related to cotton production are optimistic about bumper production this year.

India’s cotton production in the current fiscal year is likely to jump as much as 20 per cent on-year to the highest level in five years due to a bigger cultivated area and a boost to yields from above-average monsoon rains, a senior industry official told Reuters. The surge in production is also likely to bring down the prices.

"As far as Cotton prices are concerned, last year domestic production was down at 32.8 million bales and Chinese stock was at a record low. Due to good domestic demand, empty pipeline and lower production numbers the cotton prices remained upward. However, we expect cotton prices to remain firm this year," Manoj Jain, Director-Commodities and Forex banking, India Nivesh, told Financial Express Online.

Asking on why India has to import cotton despite being the largest producer, Dr P Alli Rani said that India is self-sufficient in its cotton consumption but certain grades such as contaminated free certified cotton and extra long staple cotton are not produced in India. Thus they have to be imported as some exporters need them to maintain the product standards.

Meanwhile, bank credit to at least 12 different industries has contracted on-year by the end of August 2019, going by the official figures of the government. As a matter of fact, the cotton textiles industry has taken a maximum hit amid the slowdown when the government is consistently trying to boost investment by pushing credit into the industries.

Source: financialexpress.com- Oct 23, 2019

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Govt likely to extend two-year debt moratorium for struggling textile units

People in the know said the Union Ministry of Textiles, under the leadership of Smriti Irani, has made a recommendation to the Ministry of Finance

The government is considering a two-year moratorium for debt repayment to help financially stressed textile units.

This is to ease the liquidity crisis being faced by them because of a delay in refund of the Goods and Services Tax (GST) and other levies.

People in the know said the Union Ministry of Textiles, under the leadership of Smriti Irani, has made a recommendation to the Ministry of Finance. It is in an advanced stage of approval.

“Currently, the textile industry is facing huge liquidity problems because of a delay in refund of the Merchandised Export from India Scheme and the GST.

This is hurting business sentiment. The industry needs an immediate ease in the liquidity crisis for improvement. Two years of moratorium on debt repayment to banks would help improve liquidity,” said Rahul Mehta, president, Clothing Manufacturers Association of India.

Meanwhile, to raise the industry’s voice more effectively, the industry has formed the National Committee on Textiles & Clothing (NCTC), a steering committee, by housing all industry associations in the textile value chain.

The committee comprises all stakeholders of the textile and clothing industry, such as the national textile associations Texprocil, Apparel Export Promotion Council, Synthetics and Rayon Textile Export Promotion Council, Confederation of Indian Textile Industry, CMAI, as well as regional level textile and clothing industry associations under the chairmanship of T Rajkumar, CITI.

NCTC, in its first recommendation to the government, urged the government to place recycled polyester staple fibre under the 5 per cent GST rate. It also suggested that the Cotton Corporation of India, while procuring at a time when the prices fall below the minimum support price, should factor in international and domestic prices to protect the interests of farmers and the cotton textile industry.

NCTC submitted a joint memorandum apprising the textile minister about the urgent need to release the pending claims under Rebate on State Levies/ Rebate of State and Central Taxes and Levies schemes for exports of garments and made ups, urging the banks to upload documents expeditiously for the release of Technology Upgradation Fund Scheme subsidy etc.

NCTC, in its memorandum, has urged the government to reduce margin money for working capital from 25 per cent to 10 per cent and the debt-equity ratio norm from 1:1.33 for the textile and clothing industry. Improving Liquidity

- A two-year moratorium for debt repayment is on the cards to help stressed textile units
- This is to ease the liquidity crisis being faced by them because of a delay in GST refunds and other levies
- People in the know said the Ministry of Textiles has made a recommendation to the Ministry of Finance, which is in an advanced stage of approval
- To raise the industry's voice more effectively, the industry has formed the National Committee on Textiles & Clothing, by housing all industry associations in the textile value chain

Source: business-standard..com- Oct 23, 2019

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'RCEP will pose great challenge to dairy, engineering, agriculture sectors'

In a meeting held at the Southern Gujarat Chamber of Commerce and Industry (SGCCI), representatives of the industries under the leadership of Mitesh Modi, convenor of representation cell of SGCCI and a chartered accountant, took part

Representatives from the agriculture, dairy and engineering industries on Wednesday expressed their concern over the proposed Regional Comprehensive Economic Partnership (RCEP) agreement saying they would face great challenges on its implementation.

In a meeting held at the Southern Gujarat Chamber of Commerce and Industry (SGCCI), representatives of the industries under the leadership of Mitesh Modi, convenor of representation cell of SGCCI and a chartered accountant, took part.

"RCEP will affect all the industries. The government should improve infrastructure, provide financial assistance to industries and reduce interest rates of loans. The SGCCI will make representations to the government on these," said Modi.

Rajnikant Marfatia, former president of SGCCI associated with the textile industry, said, “China will dump its products in Indian market at cheaper rates. The business of small players will be majorly affected… To sustain, small businessmen will have to come on to a single platform and form a cluster to produce standardised items. A representation should be made to the government for non-tariff barriers.”

Rohit Mehta, former president of SGCCI, said, “Attempts are being made by consulates of China and other countries in India to do trade with India. We don’t see our consulate in other countries making such attempts. Our manufacturing industries are surviving on the quality of production but with RCEP, the industries will collapse. The government should come up with procedures of the licence, exporting products from India.”

Seeking exemption of dairy, textile and agriculture industries from RCEP, dairy industry representative Himanshu Mehta said, “In the local system, cattle rearers supply milk to the small dairy mandalis (societies) and from there it reaches bigger dairy mandalis. Due to logistics issues, the cost of produce increases unlike in other countries where large quantity of milk is produced in a single farm. Our dairy industry cannot compete with other countries.”

Sandeep Duggal from the textile industry said, “With RCEP, our production market will suffer and our country will become consumption market. We also see hope that we have an opportunity to export our products to China and other 14 countries with zero per cent duties. If our Indian products are not sold in other countries, then business in India will collapse.”

Pointing out that China was intending to increase the sale of its products in India and other countries, Pankaj Trivedi, SGCCI MSME sector chairman, associated with the engineering industry, said, “Engineering production is already declining in India.

Technology should be upgraded to sustain the industry by manufacturing quality products. The sector will also have to suffer a lot with the RCEP agreement.”

Source: indianexpress.com- Oct 24, 2019

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What drives long-term economic growth?

Recently, the term 'middle-income trap' has made a comeback in the Indian context as fears that the country may find itself caught in this trap loom large. Conceptually, the 'middle-income trap' refers to the phenomenon where countries attain certain 'middle-income' levels after which growth stagnates. Can this trap be avoided? What explains rapid growth in countries and then slowdowns?

Economists have explained rapid growth in low-income countries through the idea of convergence (or catch-up growth). The idea is simple—the larger the gap between the 'leader' and the 'follower', the faster the catch-up growth. However, once income levels begin to converge with that of the leader, i.e. the gap becomes smaller, growth slows down as well. This implies that there is a certain 'advantage to backwardness'.

However, renowned economist Lant Pritchett notes that a feature of modern economic history is that of divergence in the productivity levels and living standards of economies. Of course, there have been exceptions—consider Japan and other East Asian Countries as examples. These countries were successfully transitioned from low-income to high-income countries in the span of a few decades.

He demonstrates that being technologically behind is not enough to sustain 'catch-up' growth, implying that convergence may be conditional. Pritchett leaves us with four important questions to ponder over when considering the dynamics of India's growth story:

First, what accounts for continued per-capita growth and technological progress of those countries leading the frontier? Second, what accounts for the few countries that are able to initiate and sustain catch-up growth? Third, what accounts for why some countries lose growth momentum? Fourth, what accounts for why countries remain in low growth for a long period?

Pritchett's second and third questions are relevant to India's growth story, going forward. To answer the second question, I look at what the economic growth theory says. Broadly speaking, the literature on economic growth can be divided into two strands: exogenous growth and endogenous growth.

Central to the exogenous growth theory is the idea of 'total factor productivity' (TFP), popularly known as the Solow Residual. According to the Solow-Swan Model, factor accumulation (capital, labour) and TFP determine output. Given the underlying assumption of diminishing marginal returns to capital, technological change is the driving force behind growth in this model. However, the model stops short of telling us what the determinants of TFP growth are, assuming it to be exogenous. In essence, this theory implies that growth is fuelled by technological progress, independent or 'exogenous' of economic forces. This assumption of exogenous technological change led to the development of endogenous growth theory, popularised by Nobel Prize winning economists such as Robert Lucas Jr. and Paul Romer.

Endogenous growth models also see technology as the driver of long-run growth, but also hypothesise that technological progress is dependent on the decisions of economic agents, in contradiction to exogenous growth theory. So, growth in this model comes as a result of our usual factors of production (land and labour), but also knowledge accumulation.

However, both of these models (along with their various extensions) have been unable to fully explain the large differences in cross-country incomes. The conditional convergence hypothesis implies that being behind on the technological frontier is not enough to kickstart catch-up growth. The Solow-Swan Model implies that differences in capital account for little of cross-country income differences. Endogenous growth models further imply that technology is non-rival, therefore differences in technology are unlikely to explain cross-country income differences.

Despite different approaches in accounting for growth, the primacy of productivity is clear. This leads us to answer Pritchett's third question—why countries lose growth momentum? Could cross-country income differences potentially be explained by how well countries are able to utilise the given level of technology?

A World Bank working paper titled 'Avoiding Middle Income Traps' demonstrates that 85% of the slowdown in growth is explained through declining TFP growth. The hypothesis here is that the factors that generated growth at low-income levels tend to lose relevance as a country moves up income levels. This implies that the factors that support growth must evolve along with growth to take advantage of the new opportunities on offer.

We need to dig deeper to understand these differences. Social infrastructure, or social capability, has been identified as a key determinant. Here, the hypothesis is that social capability defines the ability of a country to absorb and exploit new technologies. It can also be thought of as the institutions and policies that align private and social returns to activities. In essence, social capability and infrastructure can be thought of as national competitiveness à la Michael Porter.

How does one go about estimating productivity? In a recent World Bank working paper, Kim & Loayza (2019) estimate the determinants of TFP through a panel of countries. Education emerges as a key driver of productivity in developing countries, supported by infrastructure, institutions, market efficiency and innovation. Missing, however, from their analysis is the role of health and nutrition.

The recently released Global Competitiveness Index (GCI) by the World Economic Forum (WEF) measures competitiveness or productivity through 12 pillars: institutions, infrastructure, ICT adoption, macroeconomic stability, health, skills, product market efficiency, labour markets, financial systems, market size, business dynamism and innovation capability. Both approaches include similar indicators to measure competitiveness or productivity.

The challenge before India is to sustain both economic and social development simultaneously. There are several areas where India has done well. Quality of the business environment has improved substantially, as evidenced by our performance on the Ease of Doing Business. Whilst macroeconomic stability has been achieved, the current growth slowdown has spurred reforms in key areas, such as the reduction in corporate tax rates. Investments in physical infrastructure continue in earnest, with the current regime committing `100 lakh crore worth of investments in infrastructure. Poshan Abhiyaan has been launched to improve nutritional outcomes. These are all productivity-enhancing measures that will support growth over the next decade.

A key takeaway from the GCI 2019 is that a balance needs to be struck between technology integration and human capital investments. Growth-enhancing structural reforms need to be complemented with investments in human capital. In terms of education, a focus on outcomes, along with raising public investments, emerge as macro-level goals. The focus on primary health and nutrition must continue.

For example, as per World Bank data, India's current expenditure on health (as a percentage of GDP) stood at 3.7% in 2016. In comparison, upper-middle income countries spent 5.9% of GDP on current health expenditures. China spent close to 5% in 2016 as well.

India must increase its social capability to enhance our ability to absorb and exploit current technologies. Only then will we witness sustained productivity growth that will drive our growth story.

Source: financialexpress.com- Oct 24, 2019

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Ease of doing business: India eyes record ranking on 'good reforms'

India is expecting a third straight year of good jump in the ease of doing business index on the back of 'good reforms' when the World Bank releases its latest rankings for various nations on Thursday. The government is confident of substantial progress in some of the crucial indicators (where the country has huge scope to improve) like starting a business, trading across the borders, resolving insolvency, paying taxes and construction permit, sources told FE.

However, as many 12 countries, including China, have also undertaken massive reforms in ease of doing business. So, India faces huge competition this year to improve its rank, according one of the sources. The government has set a target for the country to break into the group of top 50 nations in the coming years.

Last year, India witnessed a 23-notch jump to a record 77th position in ease of doing business index that captured the performance of 190 countries.

Each year's rank reflects stakeholders' perception of reforms undertaken up to the month of May of the previous year (except for the 'paying taxes' category where the deadline is end-December). For instance, the 2019 rank, released last year, had captured these reforms in the year through May 2018.

The country's rank under the Modi government jumped from 142nd in the World Bank's 2015 report (which reflected reforms undertaken mostly up to May 2014) to 77 in the last report. In the past two years alone, India jumped 57 spots, the most by any country.

However, India's stellar show in ease of doing business in recent years is in a stark contrast with its slide in some other indicators, including the global competitiveness index. The country slipped 10 spots to the 68th rank in the latest global competitiveness index of the Geneva-based World Economic Forum (WEF), having witnessed lower rank for a third straight year.

Last year, the country recorded improvement in the ease of doing business index in six of the 10 parametres, having witnessed a leap of 129 notches in the ever-laggard 'construction permit' to 52nd spot, 66 in 'trading across borders' to the 80th position and 19 in 'starting a business' to 137th rank among 190 countries. The government believes further improvement in these indicators can be expected this time.

Similarly, with the relative streamlining of the goods and services tax (GST) and the insolvency and bankruptcy code (IBC), the government hopes for a marked improvement in indicators such as 'paying taxes' and 'resolving insolvency' in which its rank had worsened last year, despite expectations to the contrary. Its rank in 'paying taxes' last year dropped by two notches to 121st position, while in 'resolving insolvency', the fall was by five spots to 108th.

As for insolvency, while the resolution of some of the large cases, including Bhushan Steel, has raised the chances of a better performance this year, the unusual delay in the resolution of cases like Essar Steel due to litigations may serve as a dampener.

But the government's recent step to mandate the conclusion of the insolvency resolution process within 330 days (including litigation) would help expedite the cases from now on.

Source: financialexpress.com- Oct 24, 2019

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Hope smooth Brexit, FTAs with other countries: Sweden's trade minister

Sweden's trade minister Anna Hallberg has said that there are hopes for an agreement on Brexit and that it should be as smooth as possible.

"There cannot be a hard Brexit, a hard Brexit would not be good for anyone," Hallberg, who is minister for foreign trade, with responsibility for Nordic affairs, said after her meeting with commerce and industry minister Piyush Goyal on Thursday here. Goyal is in Stockholm to attend the 19th Indo-Swedish Joint Commission and leading the Indian delegation comprising CII CEOs.

British Prime Minister Boris Johnson on Tuesday "paused" his Brexit Bill for leaving the EU by the October 31 deadline. If the UK fails to get the new Brexit bill through Parliament in time, the default legal position remains for Britain to leave the economic bloc without a deal on October 31.

"Of course, it's important for me as a minister for trade, and for all ministers for trade and the EU commissioner, that we also can continue to develop free trade agreements (FTA) with other countries and other areas of the world. It shoudn't stop," she said, adding that EU and India can take steps further when it comes to FTAs.

"We share a common view there", she said.

Talks for an India-EU Bilateral Trade and Investment Agreement (BTIA) have been stuck for six years and likely to resume later this year after elections in the EU.

As per an official statement, the minister "looked forward to working towards achieving a bilateral trade of $5 billion in the next 5 years as proposed by Goyal". India-Sweden bilateral trade was $2.11 billion in 2018-19.

Infrastructure sectors of railways, aviation, environment sectors such as water and health and education are the areas where Sweden could invest in India.

During his visit, Goyal also met Ibrahim Baylan, Swedish Minister for Business, Industry and Innovation

"He assured the Swedish side that India is committed to a balanced outcome for the BTIA that finds a mutually acceptable way forward for both sides," the commerce and industry ministry said in a statement.

Source: economictimes.com- Oct 23, 2019

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Diwali shopping: The spark is missing in Gujarat

Shop owners lose 40-80 per cent business amid weak sentiment, online purchases

The festival of the year — Diwali is here. But thin crowds at markets and malls are a clear indication of the not-so-sparkling festivities this year.

If the markets in Ahmedabad, Surat and Vadodara are any yardstick for urban spending, it is no surprise that traders are calling it an almost "mute" Diwali with some isolated bright sparks in select pockets.

In Ahmedabad, the iconic shopping streets, Relief Road in old city area, CG Road and SG Highway, have visibly thin crowds of shoppers. Shop owners complain of multiple factors taking the sheen away from their Diwali sale.

Vasantbhai Tirodkar, President of Footwear Retailers' Association in Ahmedabad, believes that the retail spend has taken a hit due to poor sentiment and heavy discounting by online players. "Our business is eclipsed by online players. Most of us are sitting on 20 per cent sale of last year. Diwali is just a few days away, but it doesn't feel so."

The situation is nearly same for garment, footwear, accessories, electronics and textile retailers, who have got only about 40-60 per cent of last year's business.

However, the malls are seeing increasing footfalls. Nexus Malls, which runs AhmedabadOne Mall has seen footfalls rising over last year. "The last weekend was very good for us. We are doing better this Diwali than last year. The growth is in almost double-digit and we are implementing additional measures and offering freebies, lucky draws to attract more footfall," said Jayen Naik of AhmedabadOne Mall.

But the owner of a shop inside the mall says, "The sales are about 20 per cent down than last year. The ticket size has also reduced as we can see people are buying fewer goods. Many others just visit and leave the store."

Jayendra Tanna, President of All India Vyapar MahaMandal, stated that the retail business is hit by multiple factors including a shift to online shopping, reduced spending power and overall slowdown.

This year the Diwali shopping appears to be just a formality. "There is no spark. The circulation of money isn't happening. Retailers aren't getting business, and, hence, don't keep stocks. High spending community has also curtailed their spend. The overall sentiment this Diwali is weak," Tanna told BusinessLine.

In Surat — the hub for textiles — buying picked up only in the last week ahead of Diwali. "People don't prefer to spend more. The small and middle income group — which are large spenders — are worried about their survival. The Government has not done enough to push up demand," said Devkishan Mangani, Advisor, Textile Trade Committee, Southern Gujarat Chamber of Commerce.

Source: thehindubusinessline.com- Oct 23, 2019

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Festive shopping: Apparel sales up, beat slowdown blues

They may not be buying too many homes or cars this Diwali but consumers aren't averse to replenishing their wardrobes. Indeed having realised this, retailers are rolling out discounts and freebies to woo buyers into their stores. So far, the response to the attractive deals has been decent, they say, even if buyers aren't exactly splurging.

Going by the trend so far, Rajeev Malla, CEO at Mumbai's R City Malls, expects this year's Diwali sales to register a growth of more than 10% over last year. To be sure, many shoppers are addicted to buying online and the Metro construction on LBS Marg is a turn-off, but consumers seem to be braving the traffic. "We're expecting footfalls to be about 10% more than they were last year," Malla said.

Consumers are spending on electronics, food and beverage, footwear, bags, kids wear, designer wear, sports items and cosmetics, Malla added. "This year our focus is more on doing quality events, customer led engagements, category promotions, which will drive higher spends," he said.Fashion retailer Biba said it is seeing an increase of 10-12% in like-to-like store sales growth and a rise of nearly 20% in overall growth this festive season compared with the previous year.

MD Siddhartha Bindra pointed out, shoppers do tend to spend considerably on new clothes and products, during festivals. "There could be a dip in the total spend but irrespective of the slowdown, consumers are going to spend on stylish, trendy and fresh products," Bindra added. Biba, whose sales surge typically during weddings and festivals, focuses on special decor and engages with customers through in-store activity like inviting make-up artists for patrons.

Japanese retailer Uniqlo, a newcomer to the Indian market with its first store having opened about three weeks ago in New Delhi's Ambience Mall, said denims continue to be popular with customers. "Products like ultra-light down jackets, fleece outerwear are in strong demand and customers are gearing for the winter season," the firm's India spokesperson said. The retailer is giving gifts for purchases beyond a certain value.

Fabindia, which claims to have had a good Durga Puja and Ganesh Chaturthi, is looking at about 15% sales growth year-on-year this Diwali. The retailer's experience centres that give customers a first-hand feel of products across categories seem to have helped. Ajay Kapoor, president, (retail), Fabindia, said the company launched 14 experience centres before Diwali.

Vasanth Kumar, MD at Lifestyle International, claimed sales so far are up in double digits. Rather than discounts, the Bengaluru-based retailer is offering gifts — like home appliances, gadgets, winter blankets and cookware — for high-value purchases.

Beauty and wellness chain VLCC told FE footfalls so far are up about 14% this festive season. "Historically, our footfalls start increasing September onwards with the onset of Durga Puja," a company spokesperson said. The same trend has been witnessed for our VLCC personal care products, retailed across India, the firm added.

Source: financialexpress.com- Oct 24, 2019

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