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IBTEX No. 166 of 2019 — August 26, 2019

US 72.13| EUR 80.39 | GBP 88.48| JPY 0.69

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20431	42700	**75.46**

Domestic Futures Price (Ex. Warehouse Rajkot), August

Rs./Bale	Rs./Candy	USD Cent/lb
20950	43786	**77.38**

International Futures Price

NY ICE USD Cents/lb (December 2019)	57.97
ZCE Cotton: Yuan/MT (January 2020)	12,755
ZCE Cotton: USD Cents/lb	80.99
Cotlook A Index – Physical	**70.30**

Cotton Guide: Market is being ruled by Geopolitical NEWS since the last 14 months. On Friday Bejing announced that it would impose new tariffs of $75 Billion worth on US Goods. In retaliation, US President Donald Trump tweeted that he would raise the rate of existing and planned tariffs on China by 5 percent.

Moments later he asked American companies to cut ties with China. "Our great American companies are hereby ordered to immediately start looking for an alternative to China, including bringing your companies HOME and making your products in the USA", Trump tweeted.

Therefore, this morning we witness the ramifications brought in by the said news. ICE December contract settled at 57.97 cents per pound last week and now continues to fall rapidly. It is currently trading at 57.20 cents per pound. ICE December cotton futures have already formed a bearish flag pattern which indicate that the prices are headed to move further south. It is hard to mention, but yes, ICE December price could test levels of 54 cents per pound.

What we could understand from the way, the news is laid out; President Trump might lose votes from the corporate world, if he compels the US companies to leave China. On the other hand this trade war could continue further till October 2020 next year, where the Chinese lie in wait for a new US President to negotiate trade issues. The Chinese are looking at the possibility of Donald Trump Loosing the elections. This would not only affect cotton but all the securities as a whole.

Therefore we need to sit tight and wait for further news to come in.

The MCX contracts, have finally broken its streak of positivity. All the MCX contracts across the board were ended negative with the MCX August contract affected the most. It settled at 20,950 Rs/Bale with a change of -330 Rs. The MCX October, November and December contract settled at 19,700 Rs, 19,240 Rs and 19,200 Rs/Bale respectively with changes of -210, -180 and -230. The MCX contracts also saw a rise of total volumes, where the figures grew by around 100% (as compared to the earlier figures hovering around 1,000 lots) to 2047 lots.

The ZCE January cotton contract settled at 12,755 yuan per tonne with a change of -35 yuan. But what is noteworthy to analyse is the fact that ZCE January contract is currently negative at -450 yuan per tonne and is trading currently at 12,300 yuan per tonne. This indicates very strong bearish sentiments for the WORLD Cotton Prices.

The above when coupled with Bearish news of higher production figures throughout the globe is making the bears even stronger.

This whole situation is turning out to be negative for the Indian Spinning Mills. The Indian Government has been requested to protect the interests of the Spinning mills and Exporters. The Basis, not only of India but also of the other exporting countries is shaken. If these ICE prices prevail, [to certain extent] India will not be in a position to export cotton this year.

The combined better supply figures from US and Brazil would be detrimental for Indian cotton exports. Along with lower prices, contaminated controlled cotton is available from these growths, which pays a way for Indian Textile mills to decrease the use of Indian Cotton and continue booking Forward import contracts. It will not be long that the figure of Indian imports would be higher than the figure of Indian Exports.

We shall see the Indian Government play an important role in the coming months. If international prices continue to remain lower, the Cotton Corporation of India will be compelled to step in to purchase the Indian produce at the levels of MSP decided by the Government. Also, to protect the farmers' interest, there is a huge possibility of the Indian Government imposing import tariffs on Cotton from other growths.

The Cotlook Index A has been adjusted at 70.30 cents per pound with a change of -90 points.

On the technical front, prices has given a break down from the bearish flag pattern accompanied with negative crossover of the EMA(5,9)=(59.38,59.83) suggest the base trend is bearish. Considering the Fibonacci extension of the continuation pattern, prices are expected to slide further to the levels of 56.30/55.55.

Directional Movement index (DMI) Indicator is showing -DMI > +DMI, ADX =39.90 suggesting the Bearish trend is likely to continue. Sell on rise will be the strategy for the day to the targets of 56.30/55.55 till it sustains above 59.50.closing above 59.50 bearish view will be negated. In the domestic market MCX Aug future is expected to trade in the range of 20400-21000 with a sideways to Negative zone.

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

Trump Hikes China Tariffs Across the Board in Recession-Stoking Clap Back

Another day, another tariff increase.

President Trump has increased tariffs on more than one tranche of goods from China, a move provoked by China's promise Friday to tariff $75 billion worth of American goods if Trump pressed forward with his planned tariffs.

Reiterating China's unbalanced trading relationship with the U.S., which he claims has been a burden for the U.S. taxpayer, the president tweeted late Friday, "…In the spirit of achieving Fair Trade, we must Balance this very unfair Trading Relationship. China should not have put new Tariffs on 75 BILLION DOLLARS of United States product (politically motivated!). Starting on October 1st, the 250 BILLION DOLLARS of goods and products from China, currently being taxed at 25%, will be taxed at 30%."

The latest tranche four tariffs will see a new increase, too.

Continuing in a separate tweet, Trump said, "Additionally, the remaining 300 BILLION DOLLARS of goods and products from China, that was being taxed from September 1st at 10 percent, will now be taxed at 15%."

Already, the administration's actions on trade have given rise to rumblings of a recession, and created even greater angst among retailers wondering what will become of holiday sales. With Friday's news, conditions are expected to worsen.

"The problem for Trump is he has already shown that his hand is weak," said Thomas Prusa, a Rutgers University–economics professor and international trade expert. "There was a huge outcry from the retail sector when it looked like he was going to hit core holiday gifts. By delaying the tariffs on those products until December he quieted the anticipated consumer outcry and hopefully prevented a disastrous holiday season from occurring. Nothing says economic downturn like a weak holiday buying season!"

On the Hill, the president's cohort are of the belief that consumers have money to spend—and are eager to do so.

"Consumers, first of all, they're working; the employment numbers are terrific," Trump's chief economic advisor Larry Kudlow, said on Fox News Sunday. "Second of all, they're working at much higher wages. Third of all, they're spending. And fourth of all, interestingly, they are even saving while they're spending. That's about as good as it gets."

Kudlow also insists the U.S. isn't headed into a recession, though he took a similar position in 2007, just before the Great Recession hit.

Economic predictions aside, retail is still facing the very real fact that the holiday season is fast approaching—and so are the tariffs that will send those products' prices higher.

"The first batch of products, in this latest wave of tariffs, involve a lot of clothing. Those tariffs go into effect in September. Those products will have higher prices by the holidays. (But how many kids go to bed on Christmas eve dreaming of new socks and underwear?)," Prusa said.

"The second batch of products involved far more electronics. (This is what kids dream of… a new iPhone, a big screen TV, video game consoles, etc.) Given that Trump has sensibly delayed at least some of his tariffs, the big question for the holiday season is how confident is the American consumer?

Continuing, he said, "Trump is now in a corner—a gridlocked Congress, massive and growing budget deficit, and a Fed with little room to cut interest rates."

Source: sourcingjournal.com- Aug 23, 2019

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China Retaliates With Tariffs; Trump's Made-in-USA Demands

The trade war between the U.S. and China escalated Friday with forthcoming retaliatory Chinese tariffs on American imports, and President Trump reacting with a series of tweets that essentially called for products to be "Made in the U.S.A."

Tariffs: China on Friday disclosed retaliatory tariffs on $75 billion worth of U.S. imports, as well as resuming 25 percent duties on American automobiles. The tariffs, ranging between 5 percent to 10 percent, will hit American goods in two waves, Sept. 1 and Dec. 15.

Those key dates coincide with the new 10 percent tariffs Trump has levied on $300 billion in Chinese imports on the list known as Tranche 4. The duties on American cars, and a 5 percent tax on auto parts, are slated to go into effect on Dec. 15.

They had been put on hold in April as the parties tried to negotiate a resolution to their trade dispute.

Trump retaliated in a series of tweets that ordered all U.S. companies with operations in China to look elsewhere for alternative sourcing options. He also tweeted that the alternatives include "bringing your companies HOME and making your products in the USA."

In one of the tweets, Trump also noted that Fentanyl kills 100,000 Americans a year, adding that Chinese President Xi Jinping said the shipments would stop, but hadn't. So Trump also ordered all carriers, "including Fed Ex, Amazon, UPS and the Post Office, to SEARCH FOR & REFUSE all deliveries of Fentanyl from China (or anywhere else!)."

Trump also tweeted: "I will be responding to China's Tariffs this afternoon. This is a GREAT opportunity for the United States."

Just exactly how great the opportunity is is up for debate, even if many agree with Trump's point of contention in the trade dispute that more needs to be done to protect U.S. intellectual property assets.

As for sourcing and the supply chain, many apparel firms and retailers working with factories overseas for private-label goods have been decreasing their production levels with Chinese factories for years.

Some are still at 20 percent, and many are even lower at below 10 percent of total production. For the work that's still being done in Chinese factories, companies might find their options limited in their search for "an alternative to China," as Trump tweeted.

That's because factories elsewhere could be at or near capacity. And companies that find new locations might still need time and money to invest in infrastructure so they can scale up production efficiently.

Next week could see more gamesmanship maneuvers from each side, or at least more tweets from Trump.

The U.S. Economy: The volatility of the U.S. equity markets could continue next week and into September. While chatter about a recession still might be premature, talk of a slowdown to build to a roar if the August report on consumer confidence from The Conference Board shows any pullback on spending. That report comes out on Tuesday.

Earnings: Fashion firms and retailers that have already reported their quarterly earnings results have mostly indicated that they've been able to mitigate some of the expected impact from higher costs due to the forthcoming tariffs.

Some retailers–such as Macy's CEO Jeff Gennette–have said that consumers have refused higher ticket prices stemming from the tariff hike. Five companies–Guess Inc., PVH Corp., Burlington Stores, Lululemon Athletica and Abercrombie & Fitch–get their say next week.

Source: sourcingjournal.com - Aug 23, 2019

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US economists foresee recession in 2020 or 2021: survey

Most economists expect a recession to hit the United States in the next two years, but have pushed back the onset amid Federal Reserve actions, according to a recent survey by the National Association for Business Economists (NABE), which found far fewer experts now think the next recession will start this year compared to a survey in February.

However, the Fed was already sending strong signals that it intended to pull back on the rate increases made in 2018 due to concerns starting to dog the economic outlook, including the trade war with China.

A mere two per cent of the 226 respondents now see a recession this year, compared to 10 per cent in February's survey, NABE said.

Survey respondents indicate the expansion will be extended by the shift in monetary policy, said NABE president Constance Hunter, who is the chief economist at KPMG.

However, the panel is split on whether the downturn will hit in 2020 or 2021, Hunter said in a summary of the survey, which showed 38 per cent expect a contraction of growth next year, while 34 per cent don't see it until the following year.

More economists shifted their recession prediction to 2021, narrowing the gap from the prior report, which had many more expecting the change next year.

The results show 46 per cent expect at least one more rate cut this year from the Fed, while about a third see policy holding where it is now, with 2.25 per cent as the top end of the policy range.

Economists are skeptical about a resolution to Trump's trade wars, although 64 per cent said a ‘superficial agreement is possible’, NABE said.

As Trump continues his vocal campaign criticizing the Fed, the NABE survey found economists are concerned about the impact: 55 per cent said his remarks do not influence Fed decisions but do ‘compromise the public's trust in the central bank’.

And over a quarter of respondents said the criticism will 'cause the Fed to be more dovish than otherwise, thus threatening its independence'.

On fiscal policy, a majority of economists said Trump's tax cuts 'had an overall negative impact on housing activity over the past 18 months', due to changes in deductions allowed for mortgage interest.

Source: fibre2fashion.com - Aug 24, 2019

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Explained: From phone makers to farmers, the toll of Donald Trump's trade wars

The world's two largest economies, China and the United States, on Friday exchanged blows in the latest escalation in their trade war that has roiled supply chains and whipsawed financial markets.

China said it would slap retaliatory tariffs on about $75 billion worth of US goods, while President Donald Trump announced a 5 percentage-point hike in tariffs already in place and others set to take effect next month.

Trump also demanded that US companies take steps to exit China, throwing a new twist into a bitter trade war now in its second year, although Trump cannot legally compel US companies to abandon China immediately.

Beijing's planned tariffs will add as much as 10% on top of existing rates after Trump said he would impose tariffs on another $300 billion worth of Chinese products.

Washington has long pressed Beijing for wide-ranging economic reforms, including better protection for American intellectual property, ending subsidies that favor Chinese state-owned enterprises, and improving access to China's markets for US companies.

The United States has already imposed tariffs on $250 billion of Chinese imports. Trump has said bad trade deals with China and others have cost millions of American jobs.

Below are some of the costs of Trump's push to rewrite the terms of global trade with China and other top trade partners:

GLOBAL ECONOMY

Fitch Ratings has estimated that extending tariffs to cover another $300 billion in Chinese goods would chop 0.4% from world economic output.
Best Of Express

Three weeks on, politics vacuum in Valley, little sympathy on street
Modi, Trump to meet today: Kashmir and trade will be on table
'Specific inputs' on Chidambaram offshore assets, ED will tell SC

The International Monetary Fund said last month that global trade in the first quarter of 2019 was the slowest since 2012, noting big downside risks for world growth if more tariffs are imposed.

Trump has said China pays the tariffs he has imposed on Chinese goods, but tariffs are paid by US-registered firms when the products enter the United States. Importers often pass the cost onto consumers via higher prices

FARMING & ENERGY

American farmers have been among the hardest hit so far. China is the top market for many of their biggest crops and has hit them with retaliatory tariffs, aiming at US farmers because they helped vote Trump into power.

The trade war has hurt sales of many agricultural products, including fruit, meat and grains. Soybeans are the single biggest US agricultural export, most of which went to China before the trade war.

US soybean exports to China were at their lowest level since 2002 in the January-June period, according to US government data. Pork exports are at a nine-year low, and shipments of US sorghum are down 96% from a 2015 peak.

Corn and soybean futures prices tumbled in response to Beijing's announcement. To compensate for lost sales to China, the US government has offered $28 billion in aid to US farmers, of which about $8.6 billion had been doled out as of the end of June.

US crude was also on the list of new Chinese tariffs, causing oil prices to drop on Friday. US crude fell 3.47% to $53.40 per barrel and Brent was last at $58.56, down 2.27%.

TECH

Tech companies were the among the hardest hit on Friday, with tech stocks on the S&P 500 index closing down 3.2% close. The tariff-sensitive Philadelphia chip index slid 4.4%. Shares of chip manufacturer Nvidia Corp lost 5.3% and Apple Inc fell 4.6%.

Tariffs are costing the US tech sector $1.3 billion a month, the Consumer Technology Association said in a statement to the United States trade representative in June. The US plan for more tariffs would raise the retail price of cellphones by an average of $70, laptop computers by $120 and video game consoles by $56, the association has said.

Apple's AirPod, Apple Watch and HomePod, which have helped the company offset waning sales of its bestselling iPhone this year, will face a 15% levy on Sept 1. MacBooks and iPhones will face 15% tariffs on Dec. 15.

The company said in June that the new round of US tariffs would reduce its contributions to the US economy and hurt its global competitiveness.

RETAIL WOES

US retailers say consumers will be hit especially hard by the tariffs due to take effect in two stages, on Sept. 1 and Dec. 15.

The American Apparel & Footwear Association estimates that 77% of US imports of apparel, footwear and home textiles from China – or about $39 billion worth of goods – will be hit when the new 15% tariffs kick in on Sept. 1.

The tariffs already imposed on China are estimated to cost the average American household $600 per year, according to a report by JPMorgan Chase. That will rise to $1,000 if the tariffs on another $300 billion of US imports take place, the bank added.

VEHICLES, EQUIPMENT

Carmakers would be risking significant sales if they abandoned China.

General Motors Co last year sold more than 3.64 million vehicles in China, accounting for more than 43 percent of unit sales globally. Ford Motor Co last year reported revenue in Asia Pacific of $12.4 billion. Ford does not break out China revenue, but the country accounted for the majority of its sales in that region.

Trump's steel and aluminum tariffs have added billions of dollars to the cost of assembling US vehicles, and tariffs on Chinese-made parts have also hiked costs.

Motorcycle manufacturer Harley-Davidson was hit by retaliatory tariffs from the European Union for the metals tariffs. The company calculates spending $100 million on tariff costs in 2019.

Motor home maker Winnebago Industries Inc said it expected at least $10 million in added cost pressures in fiscal 2020 from the latest tariffs and proposed duties.

Equipment manufacturer Deere & Co last week trimmed its full-year earnings forecast for the second time in three months, citing the US-China trade war and bad weather, and said it will cut production at its facilities in Illinois and Iowa in the second half of 2019.

Deere and rival Case New Holland have passed on higher costs from metals tariffs to customers, further lifting farm costs.

OTHER RISING COSTS

Steel and aluminum tariffs were among the first to be levied by the United States in early 2018 and included imports from almost the entire world. The move benefited US steel producers, but not the manufacturers that process the metal.

The tariff burden on US steel and aluminum buyers was almost $5 billion last year, according to the American Action Forum

Source: indianexpress.com- Aug 24, 2019

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Steps suggested to keep Indonesian textile sector healthy

Amid concerns over the Indonesia's textile industry's future because of the ongoing US-China trade war, Indonesian Textile Association (API) chairman Ade Sudrajat recently urged the government to formulate a strategy to overcome the probable negative impact of the trade war on the economy. Ade suggested three steps to ensure that the industry stays healthy.

First, the domestic market should be kept on high alert for potential fallout from the trade war by ensuring that regulations do not hamper or create difficulties for industry stakeholders, he said.

Second, the industry should expand beyond its traditional markets, to areas such as the Middle East, Africa and Latin America, he said.

Third, businesses must use their market access as far as possible in an aggressive manner, an Indonesian newspaper report quoted Ade as saying.

Indonesia's textile exports have increased for three consecutive years, to $13.3 million in 2018 from $12.8 million in 2017 and $12.3 million in 2015. Ade believes this may rise to $15 million this year.

The industry's biggest obstacle is the need to import raw materials and therefore, it is looking into locally-produced rayon fibre, he said.

Asia Pacific Rayon (APR) leads the cellulose fibre industry in Indonesia. The company has its own plantations in the country, which supply the raw material, eliminating the need for imports. The company also has potential to expand its rayon exports to new markets.

With falling prices of Chinese products, the company may face tighter competition. However, Ade said APR could offer semi-finished materials to China.

Source: fibre2fashion.com- Aug 26, 2019

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Vietnam: Garment, textile industry regains attractiveness

Once these projects are put into operations, they will help to partly solve a shortage in garment and textile accessories supply as well as meet rules of new-generation free trade agreements.

Unlike the past when foreign investors in garment and textile sectors came to Vietnam for processing only, now, besides diversifying investment from direct and indirect investment via acquisitions and purchases of shares of domestic enterprises, most projects are focusing on investing in yarn, garment and accessories. Investment projects were spread at several provinces as infrastructure has been getting better and become more convenient with the scale of each project from tens of millions dollars to hundreds of millions dollars.

Recently, Binh Duong Province granted permission for Korean company, Kyung Bang Vietnam, to expand its investment by an additional US$40 million with goal to raise its annual cotton yarn production capacity to 9,000 tons and blended yarn production capacity to 11,000 tons. The project aims to produce woven fabric, knitted fabric and crocheted fabric and complete woven products. With this amount of additional capital, the project of Kyung Bang Vietnam now has total investment of up to more than $219 million.

At the same time, the Taiwanese Far Eastern Group also spent hundreds of millions dollars for the project of fabric and chemical yarn in Bau Bang Industrial Park in Binh Duong Province, and continued to hire more land here to expand investment.

In the north, Singaporean company, Herberton Limited Company, started construction of the Nam Dinh Ramatex Textile and Garment Factory project with total investment of around $80 million. The factory - once becomes operational - has a capacity of 25,000 tons of fabric of various kinds and 15 million clothing items annually and creates jobs for around 3,000 workers.

Although the EU-Vietnam Free Trade Agreement was signed at the end of June this year, the number of investors in garment and textile sector has increased significantly.

'Earlier, foreign investment attraction in garment and textile sector was poor but in the past three years, large enterprises from the US and Europe have flocked to Vietnam. Noticeably, recently a German group invested in a sheep wool yarn spinning plant project in Da lat. Groups from Israel and the US invested in textile in Binh Dinh Province and dyeing in Nam Dinh Province. This shows that there is a wave of foreign direct investment in garment and textile accessories sector,' said Mr. Vu Duc Giang, chairman of the Vietnam Textile and Apparel Association.

Although foreign investment attraction has been happening smoothly, it depends on investment environment and policies to keep foreign investors to stay here for a long time. According to experts, earlier, Vietnam's garment and textile industry developed horizontally, relying on low labor cost. But this is an industry with extremely cutthroat competition on global scale. If an investor invests in Vietnam and faces increasing costs, without stable supply chain, they might move to other countries. Therefore, Vietnam must build a stable and long-lasting supply chain to prevent investors from moving their facilities to other countries. This also helps to bring higher value added to Vietnamese garment and textile products.

At the conference on "Vietnamese garment and textile industry amid challenges and opportunities from European market" held recently, Mr. Giang said that there is an extremely fierce competition in garment and textile industry, relating to product prices.

Vietnam currently ranked third after China and India but it was being closely tailed by some countries. So, if Vietnam does not have a good strategy, it will find it difficult to approach the European market.

In order to take advantage of opportunities created by free trade agreements, the Government should make development strategy for industrial parks so as to make up for a shortage in supply of some garment and textile accessories. Especially, as for new free trade agreements, Vietnamese garment products have to meet rules of origin for fabric.

Sharing the same point of view, Ms. Nguyen Thi Thu Trang, director of WTO Center and Integration, said that if the rules of origin are not ensured, Vietnamese products will not receive preferential import tariffs. In fact, despite much efforts, around 90 percent of materials and accessories for domestic production were imported from countries which are not members of the agreements and are not received accumulated preferential treatment in accordance with the agreements.

High requirements in the rules of origin of new-generation free trade agreements will motivate attraction of foreign and domestic investment in garment and textile accessories sector in Vietnam.

Source: sggpnews.org.vn- Aug 25, 2019

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Bangladesh: FDI in apparel, textile industries

A door to transfer of tech know-how

Bangladesh textile and apparel industries received $408 million in foreign direct investment (FDI) in 2018, down by $13 million from the previous year.

While total FDI in the country saw a 68% rise to $3.61 billion in the same year, the plunge in overseas investment in textile and apparel sector raised question about its reasons and effectiveness. Is there a need for FDI in the sector? If needed, which segment or sub-sector of the industry needs it?

For the last couple of years, FDI in the apparel and textile has been hovering around $400 million.

Do textile and RMG sectors need FDI

When Bangladesh badly needs to produce high -end products and increase production capacity in the apparel industry, FDI in the area can play an important role in technology transfer from the skilled foreign professionals, economists and trade analysts believe.

"In increasing the export earnings and sustaining the current growth of exports, Bangladesh needs to increase production capacity and move for high value goods to get better deals from foreign brands for its apparel items.

To this end, the sector needs a huge amount of capital and skilled workforce where FDI can play an important role," Centre for Policy Dialogue (CPD) research director Khondaker Golam Moazzem has told Dhaka Tribune.

He thinks such FDI should come in backward linkage textile and high-end products of the readymade garment as it will help transfer foreign and latest technologies to embolden local industry.

FDI in these segments can be a boon for Bangladesh economy in moving towards the value added products, the economist adds.

Where FDI is needed

Bangladesh is doing well in basic and medium-end products in RMG, where primary textile is supplying fabrics and yarn. But there is a huge scope of investment in the primary textile, especially in high-end fabric textiles.

“Since there is a gap between demand and supply of raw materials for the apparel, we need foreign investment in the primary textile, which needs huge investment,” Bangladesh Textile Mills Association (BTMA) president Mohammad Ali Kokhon says.

But the FDI will not be attracted unless the government policy becomes favorable and production cost is reduced offering utility services including gas and electricity at affordable prices, Kokhon points out.

According to BTMA, currently primary textile sector can meet around 90% yarn demand for knit RMG and 40% yarn demand for woven RMG.

On the other hand, denim fabrics in the country can meet around 50% demand, where higher-end fabric is mostly dependent on import.

“Usually, apparel makers discourage FDI in basic product manufacturing as we have enough capacity in basic and medium segments,” Mohammad Hatem, former vice president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), says.

But there is a scope of investment in dyeing, chemical, high-end products such as suit, lingerie, outwear jacket and fancy items, Hatem adds.

Can anyone invest in apparel sector?

Under the Bangladesh Export Processing Zones Authority (BEPZA) and Bangladesh Economic Zones Authority (BEZA), 100% FDI is allowed in the textile and apparel sector but it discourages such investment for basic items.

“In EPZs, 100% foreign investment in apparel and textile sector is allowed but we discourage this in the case of regular items as there is no scope of technology transfer and knowledge and experience sharing out of such traditional investment ,” Nazma Binte Alamgir, General Manager of BEPZA, clarifies.

"We encourage oversees investment in high valued items such as jackets, suite, army dress, fashion jackets, outwear and protective jacket," she adds.

Besides, a foreign investor can invest outside EPZs or SEZs and s/he has to take permission from the Bangladesh Investment Development Authority (BIDA) and then become a member of BGMEA or BKMEA for exporting clothing items.

FDI status in the sector

As per Bangladesh Bank (BB) data, last year the FDI in the sector declined by 3.24% to $408 million, from $421.68 million in 2017.

Hong Kong was the largest investor with an investment of $83 million in the country’s textile and garment industry, followed by United Kingdom’s $43 million, China with $40 million, South Korea $35 million, British Virginia Islands $33 million and Bermuda with $31 million, according to FDI data.Why investment is slow

Business people blame the rise in the production cost and cumbersome process of getting factory permission along with scarcity of land.

“In making investment in any country, investors seek security and return of their investment. Since the production cost is higher here due to rise in gas and electricity prices coupled with land scarcity, FDI is low,” says Mohammad Ali Kokhon.

In order to further increase the FDI in the sector, the government has to promote investment opportunities by creating enabling business climate and offering incentive to keep production cost a reasonable level, Khokon states.

However, the business leader hopes the FDI in the sector will rise as the government is providing investment facility in Special Economic Zones.

Trade war opens new horizon

Economists believe that ongoing US-China trade war has opened up new opportunity for Bangladesh as investors are relocating their ventures from China to elsewhere.

"In the face of intensifying trade friction between the US and China, investors are fleeing China. They are investing in many Asian countries," Policy Research Institute (PRI) executive director Ahsan H Mansur says.

"Bangladesh should attract the Chinese investment here," he adds.

He strongly believes Bangladesh has enough opportunity to grab work orders and investment from foreign nations.

Bangladesh has to liberalize its trade and investment policy to incentivize FDI which would ultimately give a boost in investment as well as capacity, he adds.

FDI in Bangladesh textile and wearing industry

Year	FDI in$ mn
2014	378.93
2015	442.92
2016	366.44
2017	421.68
2018	408.00

Source: dhakatribune.com- Aug 25, 2019

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Pakistan: Chinese delegation keen to introduce modern tech in textile industry

Chinese business delegation has offered to introduce modern technology through joint ventures in textile industry of Pakistan.

CEO Yantai Zhonglian Industry Jiang Xuelian discussed the prospects of collaboration with the domestic textile units in a business-to-business meeting held here on Friday.

Executive Committee Members of Pakistan-China Joint Chamber of Commerce & Industry (PCJCCI) Dawood Ahmad, Farooq Ali Khan Sherwani and Secretary General PCJCCI Salahuddin Hanif attended the meeting.

Representatives of various companies of Pakistan's textile industry making woven fabric, knitted fabric and flannel fabric were also prsent.
Jiang said that her company was capable of designing, manufacturing and exporting.

"We want to introduce innovative contemporary technology of Europe to Pakistan," she said.

Dawood Ahmad and Farooq Ali Khan Sherwani said China had been offering an incredible support to Pakistan at all times.

"The constant assistance of China will do wonders for the emerging economic status of Pakistan".

PCJCCI Secretary General Salahudin Hanif said that such meetings will help develop smooth bilateral trade between the two countries.

"These sessions will open new opportunities for Pakistani investors and their Chinese counterparts," he said.

It is notable that PCJCCI has expedited the efforts to hold business-to-business meetings and exhibitions with the aim to provide one-stop shop for all industry products from processing technology to the finished products to develop bilateral relations between Pakistan and China.

Source: brecorder.com - Aug 24, 2019

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Pakistan: Textile industry on the edge

Prime Minister Imran Khan's visit to the White House late last month had been the focal point for all the print, electronic and social media.

However, unlike meetings held in tenures of previous governments, this one was not about financial aid, fighter jets, weapons or any other form of financial assistance, rather it brought good news and provided some relief at a time when economic and political instability inflicted pain on the current Pakistan Tehreek-e-Insaf (PTI) government.

The meeting between the two heads of state at the Oval Office has lauded the world over and in a joint communique, President Donald Trump pointed to the probability of an increase in bilateral trade between the two nations. He expressed interest in Pakistan's products and stressed that bilateral trade could go up by 10 to 20 times.

The news was very positively received by the business community in Pakistan, especially the textile industry. As Pakistan is a major exporter of textile products to the US, an increase in bilateral trade could not only revitalise the shrinking industry but will also play a pivotal role in uplifting the national economy.

Though the expected boost to the industry is well appreciated, at the same time it gives rise to some serious questions. A major question is whether Pakistan's industry is keeping pace with the evolving and changing dynamics of the international textile market, including fashion retailers and end-consumers, in the European Union and especially the US?

Today's leading fashion retailers, conglomerates and brands are aligning themselves with the United Nation's Sustainable Development Goals (SDGs) and as a result, they have pledged to buy those cotton products which are based on 100% sustainable cotton by 2025. In this scenario, where does Pakistan stand?

Sustainable cotton can be defined as a combination of organic cotton, recycled cotton, and better cotton. Organic cotton is cultivated without fertilisers, pesticides and genetically modified organism (GMO) seeds. It is also grown with 90% less water and 60% less energy. Recycled cotton uses 80% less water as compared to the conventional crop with a much smaller environmental footprint and can be successfully blended with other fibers.

Better cotton is an initiative of a non-profit organisation – founded by a consortium of brands like H&M, Ikea, Gap Inc, WWF, etc – which makes sure that cotton production improves living conditions of growers and has a better environmental footprint.

Production shortfall

Pakistan produces 11 million bales of cotton per annum, of which 25% is better cotton. Organic cotton production in the country is zero but now some leading textile mills have started producing recycled cotton. However, for the time being, it is not known how much-recycled cotton is churned out and what is the quality standard.

It is quite clear that in order to bridge the demand-supply gap Pakistan imports sustainable cotton. At present, it annually imports one million bales of sustainable cotton worth approximately $1.72 billion. However, imports are likely to go up substantially.

As the world switches from conventional to sustainable cotton, the demand has surged for the latter. Countries producing sustainable cotton first cater to and safeguard their own interests before offering the commodity to non-sustainable cotton-producing countries.

To add to industry woes, the Economic Coordination Committee (ECC) of the cabinet has imposed 10% duty on cotton import. It seems the government is not aware of the consequences nor does it have any foresight. This will simply increase the cost of textile production as exporters are already struggling to compete in terms of product pricing with countries like Bangladesh.

The industry will also face fierce competition with African countries like Ethiopia and Ghana, which are emerging as major textile exporting nations. The changing market dynamics will hurt the textile industry and cause a decrease in orders from international brands. This can be catastrophic for Pakistan's economy as the textile is the backbone of the country's exports.

What can be done?

Pakistan needs to work on a war footing, according to Imran Asghar of SIA Foundation – an NGO that has modeled organic cotton plantation in Lasbela district of Balochistan and has been able to grow organic cotton in line with international parameters.

Its effort was recognised by the Textile Exchange and was asked to represent Pakistan at a global conference in Milan, Italy in October 2018.

"It takes 3.5 years to grow organic cotton due to the conversion of land from conventional to organic. During this period, the progress on neutralisation of land is monitored by the certifying agency before declaring it fit for organic plantation," said Asghar.

Other than the shortage of sustainable cotton, a major challenge is the lack of projection of Pakistan as a major textile-producing country in the world in the current rapidly changing fashion industry.

All stakeholders within the government and in the private sector are working in silos. It is imperative that they break these silos, get on the same page and portray Pakistan as major compliant cotton and textile producing country.

For instance, the Ministry of National Food Security and Research, Ministry of Science and Technology, Ministry of Environment, trade missions abroad, Trade Development Authority of Pakistan, private sector, All Pakistan Textile Mills Association and Pakistan Readymade Garments Manufacturers and Exporters Association have differing views with no coherent strategy or targeted direction to highlight the potential of Pakistan's textile industry around the world.

To the contrary, the Bangladesh garment manufacturers and exporters association is presenting Bangladesh's textile industry in a very effective manner to the world. They have recently joined the UN climate change adaptation drive, which has painted a very positive image of Bangladesh's apparel manufacturing industry.

There is a dire need to have a comprehensive strategy that addresses concerns of foreign buyers and project Pakistan to the sustainable fashion industry of the world as environmentally responsible among the comity of nations.

If Pakistan needs to save its textile and apparel manufacturing industry, then the government must take the lead and get all the stakeholders on the same page.

Source: tribune.com.pk - Aug 26, 2019

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NATIONAL NEWS

RCEP: India wants auto-trigger mechanism to curb import surges

On-going negotiating round in Jakarta to focus on resolving ISDS, rules of origin

To protect domestic industry against surge in imports once tariffs are brought down under the proposed Regional Comprehensive Economic Partnership (RCEP) pact, India has suggested an auto trigger method that would automatically increase import levies once shipments cross a given threshold limit.

"New Delhi will push for the acceptance of its proposal on auto trigger as a provisional safeguard measure against import surges at the crucial negotiating round of the 16 RCEP countries, that has started in Jakarta," an official familiar with the matter told BusinessLine.

The country's negotiating team will also fight against the proposed inclusion of the controversial investor-state dispute settlement (ISDS) in the pact by members like Japan and Singapore, argue for a strict rules of origin (ROO) clause to stop third country imports, demand better offers in services and try and extend protection to a number of sensitive dairy and farm items and industrial goods, the official added.

Most RCEP members, which includes the 10-country ASEAN, China, Japan, South Korea, India, Australia and New Zealand, are looking at concluding the negotiations for RCEP in November this year.

The on-going negotiating round in Jakarta is important as it would give inputs for the meeting of RCEP Trade Minister in September where the final shape for the ambitious pact is to be given.

"India is doing its bit in convincing members that despite their ambitions to eliminate duties in almost all items being traded within the proposed zone (over 90 per cent of items), the country has to protect the interests of its sensitive sectors as it could affect livelihoods of millions of people in the country. It is not possible for India to match the market access ambitions of many others, including China," the official said.

India's proposal for auto trigger of safeguard duties on imports is one of the ways the country thinks it can accord some protection to its local industry in case there is a flood of imports once duties or eliminated or reduced for RCEP members.

"It takes a long time to impose regular safeguard duties when there is a surge in imports as procedures have to be followed. By the time the duties are in place it can cause a lot of damage in the local market. The auto trigger could provisionally raise duties automatically the moment imports increase beyond a given level," the official explained.

New Delhi also does not want an ISDS mechanism in RCEP as it does not want its domestic laws to be challenged in offshore arbitral tribunals. "As a middle path some countries have proposed that ISDS be put off for a while and implemented some years after the RCEP is implemented. India, however, is opposed to that as well," the official said.

Mega trade deal

» To protect domestic industry, the 'auto trigger' mechanism will ensure that import levies are raised if there is a flood of imports
» India is opposed to the proposed dispute settlement body as it does not want its domestic laws to challenged outside India
» India is pushing for stringent norms for 'Rules of origin' to prevent goods being routed through nations with lower duties

Rules of Origin (ROO) is yet another area where India is fighting members such as China and many ASEAN members who want relaxed rules. India wants stringent rules for ROO as it is apprehensive that in case it gives greater concession to some members in terms of market access in goods, items from other countries such as China could come into India routed through those countries at reduced duties.

"The issues that still remain unresolved are most crucial and the RCEP pact can't be finalised without a resolution of these. India will stay firm on its stand that it will not be hurried into an agreement despite fixed deadlines," the official said.

The RCEP could be the largest free trade zone in the world once signed as member countries account for 25 per cent of global GDP, 30 per cent of global trade, 26 per cent of global foreign direct investment flows and 45 per cent of the total population.

Source: thehindubusinessline.com - Aug 24, 2019

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Over 100 stakeholder consultations on proposed RCEP in last 6 years: Commerce Ministry

The Commerce Ministry, on Saturday, said over 100 stakeholder consultations have been held on the mega free trade agreement RCEP in the last 6 years.

The Regional Comprehensive Economic Partnership (RCEP) is a proposed free trade agreement being negotiated by 16 countries. The members include ten member states of the Association of Southeast Asian Nations (ASEAN) — Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Vietnam — and China, Japan, India, South Korea, Australia and New Zealand.

“More than 100 stakeholders’ consultations have been held by the Department of Commerce and other lead ministries and departments seeking industry inputs for formulating India’s interests, covering a wide spectrum of the economy including agri, chemicals, petrochemicals, pharma, plastics, textiles, metals, auto and machinery,” it said in a statement.

Industry feedback

The Department of Commerce also received industry feedback in the area of rules of origin, Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT), anti-dumping, countervailing duties, safeguards measures and Intellectual Property Rights as well, it said.

Further, several industry consultations were also organised by FICCI, PHD Chamber of Commerce and CII.

Recognising the importance of states, the Commerce Secretary have led delegations to various states and held regular engagements with Chief Secretaries and officials on the various aspects of RCEP to make them aware of the developments.

In the various working groups/sub-working groups, senior representatives of other departments have been leading the negotiations such as Revenue, Central Board for Indirect Taxes and Customs, Economic Affairs, Ministry of Electronics and Information Technology, Financial Services, and Telecommunication.

Prolonged negotiations

RCEP negotiations began in November 2012, in Cambodia. The meetings are held at various levels — Prime Minster of India participates in the RCEP Summits, while Commerce and Industry Minister leads the Indian delegation at the RCEP Ministerial Meetings, it said.

Besides, the Commerce Ministry has entrusted three autonomous think tanks — Indian Council for Research on International Economic Relations (ICRIER), IIM Bangalore and Centre for Regional Trade (CRT), New Delhi — for making independent studies on RCEP with exhaustive consultations with stakeholders across the country.

In 2017, prospective RCEP member states accounted for a population of 3.4 billion with a Gross Domestic Product (at PPP) of USD 49.5 trillion, about 39 per cent of the world's GDP, with the combined GDPs of India and China making up more than half that amount, it added.

"RCEP is the world's largest economic bloc, covering nearly half of the global economy and is estimated that by 2050 the GDP of RCEP member states is likely to amount to nearly USD 250 trillion with the combined GDPs of India and China making up more than 75 per cent of the amount," it said.

Source: thehindubusinessline.com - Aug 24, 2019

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Centre to consider proposal to relax local souring norms for foreign single brand retail

Currently, online sale by a single-brand retail player is allowed only after opening of physical outlet

The Central Government will soon consider a proposal to relax the rules for complying with the mandatory 30 per cent local sourcing norms by foreign single brand retailers, official sources said.

As per the proposal, single-brand retail firms would also be permitted to open online stores before setting up brick-and-mortar shops.

Currently, online sale by a single-brand retail player is allowed only after opening of physical outlet.

Relaxations are expected in a provision where foreign retail traders are presently allowed to adjust procurement of goods from India for their global operations for meeting the mandatory local sourcing requirement.

However, "incremental" sourcing of goods from India is only taken into account presently, and it will be allowed only for five years.

"Amendments and easing are also likely in this provision," the sources said.

The move comes in the backdrop of announcements made by the Government in the Budget.

Finance Minister Nirmala Sitharaman in her Budget speech had said that local sourcing norms will be eased for foreign direct investment (FDI) in single brand retail sector.

In January 2018, the government allowed 100 per cent FDI in the sector, permitting foreign players in single-brand retail trade to set up own shops in India without government approval.

In February 2006, the Government for the first time opened the sector for foreign players by allowing 51 per cent FDI.

In January 2012, the cap was raised to 100 per cent - up to 49 per cent through automatic route and beyond that with the government approval.

During April-September 2018-19, FDI in India declined by 11 per cent to $22.66 billion.

Source: thehindubusinessline.com- Aug 25, 2019

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Solapur to host first ever terry towels expo

The textile town of Solapur will host one of the world's biggest exclusive expos for terry towels next month to woo international buyers who will be able directly source from local manufacturers. This will be the first ever expo of its kind, according to the organisers.

The local units supplying to the domestic and exports markets are collectively generating a sales revenue of ₹1,200 crore and the objective is to grow this revenue multifold by directly dealing with international buyers.

Organised by the Textile Development Foundation of Solapur in association with Global Network (International Trade Advisory) and supported by Ministry of Co-operative, Marketing and Textile, Maharashtra, the expo will showcase a variety of towels along with unique jacquard woven terry towels and bath linen products.

Three-day summit

"Global buyers will meet shortlisted suppliers who have their own manufacturing units and will negotiate their forthcoming procurement deals and private labels," said Rajesh Goski, CEO, Vibrant Terry Towel Global Expo and Summit 2019. The summit will be held in Solapur from September 25 to 27. Over 200 international buyers from 20 countries are expected to attend it.

These include department stores, wholesalers and retailers, corporate buyers, purchasing agents, merchants and exporters. Buyers will be arriving from countries such as the U.S., U.K., UAE, Canada, Poland, Germany, Australia, France, New Zealand, South Africa, Uganda, Kenya, Qatar and

Saudi Arabia said Govind Zanwar, vice-president, Vibrant Terry Towel Global Expo.

U.S. is the biggest market for terry towels and imports, worth ₹22,500 crore a year. Of that, India accounts for ₹5,200 crore. Now the manufacturers from Solapur are eyeing to increase this pie and have an assured market to further increase capacity.

India is the third largest market in Asia-Pacific home textiles market, which was estimated at $3.7 billion in India 2014. It is expected to grow at CAGR of 7.2% to reach $5.6 billion by 2020, the organisers said.

Bath/toilet linen is projected to register a CAGR of 6.9% to reach $ 0.9 billion by 2020 said Siddheshwar Gaddam, chairman, Textile Development Foundation.

This expo will showcase large varieties of high quality towels designed through deployment of latest technologies, he said. Solapur is known for manufacturing terry towels and chaddar and these products are registered under intellectual property rights.

The textile industry in Solapur, represented by 800 manufacturers, is expected to receive a boost following this expo, organisers said.

Source: thehindu.com- Aug 23, 2019

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Textiles minister Smriti Irani launches sustainable fashion project

Union Minister for Textiles Smriti Zubin Irani has launched a project which aims to move towards sustainable fashion that contributes to a clean environment.

Project SU.RE (sustainable resolution), which involves 16 leading retail fashion brands, reflects the thought of Mahatma Gandhi and is a step towards responsible and smart business, she said here on Thursday night.

"Never before have 16 of the biggest brands of India come together to save the earth. The combined industry value of the the 16 signatories to the resolution is around Rs 30,000 crore.

"Everything we consume, we have to consume responsibly. The step taken today makes for not only responsible business but also smart business, Irani said at the Lakme Fashion Winter/Festive 2019 after launching SU.RE.

The SU.RE project by Indias apparel industry aims for a sustainable pathway for the fashion industry.

The project was launched by the minister along with the Clothing Manufacturers Association of India (CMAI), United Nations in India and IMG Reliance, the organisers of Lakme Fashion Week.

"As a proud Indian, I stand here today to witness history. I would like to tell the United Nations that this has become possible due to the initiative of the industry, IMG Reliance and Lakme Fashion Week," the minister said.

Source: economictimes.com- Aug 23, 2019

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Unlocking India's cotton potential needs more focus on seeds, production

In stark contrast to being crowned as the largest cotton producer in the world in the crop year (CY) 2015-16, India's cotton production fared poorly in CY 2018-19 due to a 20 per cent rainfall deficit. The country's production declined last year too by around 11 per cent over decadal average cotton production of 352 lakh bales.

Increasing awareness about quality alongwith a widespread use of hybrid seeds, led to the growth of Indian cotton exports until CY 2017-18. However, lower crop estimates pushed Indian cotton millers to import raw materials in 2018-19, which were recorded to be highest in the last decade. Even stocks hit a new low at 13 lakh bales, which was a third of the decadal closing stock of 38 lakh bales.

Quality seeds, better agronomic practices to push yield

Cotton productivity in India has peaked and pulling the country out of this slump requires long-term efforts. For Unlocking Indias cotton potential needs more focus on seeds this, cotton cultivators need to first procure good quality cotton seeds with features like drought tolerance, pest resistance, etc.

Secondly, they should adopt better agronomic practices such as high-quality planting of short duration varieties. This will increase their yields to about 29 per cent via lower exposure to pest attack, efficient use of water and other inputs while also suppressing weeds. They should also adopt sound management practices such as in-situ soil and water conservation with bunds, integrated pest management, soil fertility testing and management, drip irrigation, etc.

Focus on high staple length cotton

To augment cotton production and provide cotton fiber of desire length, farmers need to grow cotton varieties of high staple length. They should also adopt better harvesting and post-harvest management practices which will eliminate contamination, ensuring production and recovery of good quality of cotton that meets the requirements of domestic consumption as well as exports. Their use of commodity derivatives platforms either directly or through aggregators will help these farmers lock in their prices and create quality awareness.

Private and public sector agencies can also aid farmers by making available their desire quality of seeds at subsidised rates. As farmers get ready to sow their new crop in the next few years, they need to adopt several remedial measures to reclaim India's position as the top cotton producer in the world.

Source: economictimes.com- Aug 23, 2019

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Pending GST refunds for MSMEs within 30 days: Indian FM

All pending goods and services tax (GST) refunds that are due to micro, small and medium enterprises (MSMEs) till now will be executed within 30 days, Indian finance minister Nirmala Sitharaman announced yesterday. The announcement came during a press conference in New Delhi on measures being taken by the government to boost the economy amid concerns of a slowdown.

"In the future, all GST refunds shall be paid back to the industry within 60 days from the date of application," Sitharaman said.

Other reform measures include better credit flow to MSMEs and online tracking of loan applications to help improve the turnaround time for customers. The MSME Act has also been amended to ensure a single definition for MSMEs, she said.

Banks will issue improved one-time settlement (OTS) policy to help MSMEs and retail borrowers settle overdues. This will help raise transparency, reduce harassment and assist in improving the turnaround time for customers, Sitharaman said.

The enhanced surcharge levied on foreign portfolio investors (FPIs) was removed, restoring it to the pre-budget position. Violations related to corporate social responsibility will be not be treated as criminal offence.

All old tax notices will be decided by October 1 or will be uploaded again through the centralised system. The government will infuse upfront ₹70,000 crore into public sector banks to enable release of ₹5 lakh crore liquidity in the market.

The 'angel tax' provision will be withdrawn for start-ups and their investors. Section 56 2(b) of the Income Tax Act will not be applicable to start-ups registered under the Department for Promotion of Industry and Internal Trade (DPIIT).

Source: fibre2fashion.com- Aug 24, 2019

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‘Thinning’ textile scares Punjab cotton growers

The declaration by the Northern India Textiles Mills Association (NITMA) on Tuesday that the industry saw one third decline in exports in the first quarter of the current fiscal has come to haunt the cotton growers of the region. According to NITMA, the higher minimum support price (MSP) for cotton in India was making their produce internationally uncompetitive.

It is said cotton from US was cheap than India and China, which was a big market for the Indian yarn, was favouring Pakistan for cotton imports.

Farmers are worried that these trends will affect the market prices of cotton, the harvest for which will begin in the first week of September. Cotton has been sow over nearly 16 lakh hectares in three North Indian states of Punjab, Haryana and Rajasthan, with an estimated production of over 60 lakh bales (1 bale=170kg).

The Union government had raised the MSP for cotton by Rs 100 per quintal for 2019-20. One NITMA official said last year the MSP was enhanced by 27%, which the textile industry felt made the export of their produce costly.

NITMA had put an advertisement on Tuesday stating that the Indian spinning industry was facing its biggest crisis resulting in huge job losses, one third of spinning capacity was closed in the country, mills were currently incurring huge losses and upcoming cotton crop of four crore bales valued at Rs 80,000 crore would not find buyers in India and abroad.

According to industry estimates, over 6 crore persons are involved in the textile sector, which has witnessed big job cuts — over 25 lakh jobs — in the last one decade.

Even the cotton ginning industry (supplier to the textile mills) is in doldrums in Punjab. Punjab Cotton Factories and Ginners Association president Bhagwan Bansal said there were 422 ginning mills in Punjab in 2007 and the number had drastically come down to 60. “Nearly 40,000 workers were employed by the ginning factories. In the last 12 years, 34,000 jobs were lost.

Future of textile industry and, ultimately, cotton growers is bleak. The government must do something to arrest the trend. We have sought time from Union finance minister Nirmala Sitharaman to raise the issue,” he said. According to trade body, Indian Cotton Association Limited, president Mahesh Sharda, the steep increase of 27% in cotton MSP in 2018-19 proved very dear to the industry.

“Now cotton in the international market is cheaper than India, which is making our textiles industry uncompetitive. The government needs to look into it and provide some sops to the lift the morale of the industry,” he added.

“If the industry is in doldrums it will surely reach the farmers. The government must step in before it is too late and the worst happens,” peasant organisation BKU (Ekta Ugrahan) activist and farmer Shingara Singh Mann said.

“We are concerned over the fate of cotton farmers, as they had to face lots of losses in the past due to pest attack and distress sale. We are not in position to face more such losses.”

Source: timesofindia.com- Aug 26, 2019

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Rajasthan govt. assures help to crisis-ridden textile industry

CM Ashok Gehlot terms measures announced by Centre 'face-saving exercise'

Amid reports of slump and huge job losses in the textile industry, the Congress government in Rajasthan has reached out to the owners of textile mills and the associations of the textile sector with the promise to take steps for resolving their issues.

Textile units operating in several parts of the State are facing financial crisis and slowdown.

At a 'direct dialogue' with the textile industry's representatives organised here over the weekend, senior government officers, including Chief Secretary D.B. Gupta, dwelt at length on the crisis forcing the textile units to cut down their production and assured them of steps to promote the sector.

Mr. Gupta said the State's textile sector provided direct and indirect employment to lakhs of people and had gained world-wide recognition because of its high-quality products. "The State government has accorded the highest priority to resolve the textile sector's grievances and support it during the crisis," he said.

Meanwhile, Chief Minister Ashok Gehlot on Saturday termed the measures announced by Finance Minister Nirmala Sitharaman a "face-saving exercise".

Sector-specific steps

"These steps are inadequate to bring the economy back on track. There is a need to look into problems faced by different sectors and announce measures separately to bring them out of recession, slow growth and low sales," Mr. Gehlot said.

At the 'direct dialogue', representatives of textile unit associations from Pali, Balotra, Jodhpur, Bhiwadi, Bhilwara, Kishangarh and Jaipur highlighted the difficulties being faced by the mills. They demanded rationalising of power tariff, abolition of electricity duty on captive power plants and reduction in the wheeling charges on power purchased from open access.

The textile mill owners sought the State government's help in ensuring compliance with the National Green Tribunal's orders as well as pollution control. The industry representatives also requested for permission to utilise full electricity produced by solar power plants.

Mr. Gupta said a draft scheme for upgradation of the existing common effluent treatment plants and establishment of new CETPs for wastewater management had been formulated and would shortly be given final shape.

Rajasthan Pollution Control Board chairperson Sudarshan Sethi, Additional Chief Secretary (Industries) Subodh Agarwal, State Industries Commissioner K.K. Pathak and Principal Secretary, Environment & Forest, Shreya Guha were also present at the dialogue.

Source: thehindu.com- Aug 25, 2019

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Cotton prices to dip further

With the ongoing trade war between China and the US still continuing, cotton prices have taken a hit of more than 32 per cent in the international market over the last one year. And the crash in prices in the global market has reflected in the domestic market, with the Indian futures market recording a 16 per cent fall in cotton prices.

The US is the world's biggest cotton exporter and China, its bigger consumer. The ongoing trade tussle has hit hard the cotton market across the world, including India, which is the world's largest cotton grower.

Sector analysts are apprehensive that cotton prices in the Indian market may crash further and chances of recovery are low.

This has to be seen in light of India's output and consumption figures. Going by the Cotton Association of India (CAI) statistics, domestic cotton production during the 2018-19 (October-September) season is 312 lakh bales, while the consumption is expected to be 315 lakh bales.

There's 33 lakh tonne of leftover stock, while 14.5 lakh bales have been imported.

CAI suggested that the total cotton supply in the country during the season ending September 30 may remain 376 lakh bales, which would include 33 lakh bales of remaining stock, 312 lakh bales produced and 31 lakh bales imported. However there are strong possibilities that imports would actually drop.

Now put these figures side by side with cotton sowing area. As per the Union Agriculture Ministry, the cotton sowing area has increased by 5.35 hectare in this season against last year. Some 115.15 hectare has been sown so far versus 109.79 hectare by this time last year.

"Cotton sowing across the country has reached 121.6 lakh hectare as on August 16, which is up by 6.5 per cent from last year. If we believe the impact of recent pest attack on Maharashtra cotton crop to be nominal, we are likely to have a good increase in cotton output this season.

In addition, limited demand from overseas market, surplus production last year and trade spat between US-China will keep cotton prices in domestic market under pressure in coming weeks.

Hence, considering new crop supply pressure, weak cues in global market and higher imports will keep cotton prices under pressure for the near future.

New crop of cotton is likely to make a grand entrance in physical market in next one or two weeks," said Kotak Securities' Commodity Research Insight report .

It added, "As China seems committed to avoid agriculture imports from the US, net export sales from the US have again nose-dived by three-folds during the second week of August... We expect cotton to trade range-bound with negative bias for near future."

Meanwhile, cotton sector is quite bullish on the exports front. Overall cotton exports will easily cross the CAI's estimate of 46 lakh bales. The sector is seeing renewed buying interest from countries such as Iran, Vietnam and Bangladesh, though quantities are small.

Source: asianage.com- Aug 26, 2019

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The economic slowdown is structural

Is the economic slowdown a structural one or a cyclical one? This question has come up repeatedly, and there are not many who would like to believe that this slowdown is structural. In order to understand India's recent slowdown, let us start with global growth trends pre- and post-global economic crisis (GEC). Following a decade of high growth before GEC and a swift rebound after it, many EMEs are seeing stubbornly slower growth since 2011.

India is no exception, despite favorable terms of trade as oil prices fell. On the domestic front, the withdrawal of the fiscal stimulus put in place right after the Lehman collapse is relevant. But the problems since the stimulus withdrawal have demonstrated structural problems that need elaboration.

The real drivers of GDP are private consumption, private investment, exports, and government expenditure. Let us start with private consumption—most in the news recently. The surest indicator that this crisis is mainly structural is that real wages, both rural and urban, have been flat between 2012 and 2018 (the exact opposite of what was happening between FY05 andFY12)—primarily because non-agricultural job growth has been very low, compared to the earlier period (when 7.5 mn new non-agri jobs were being created annually and open unemployment was 2.2%).

Non-agri job growth since 2012 has been 2.9 mn pa, and open unemployment rose to an unprecedented 6.1%, with youth rates double or triple that. Consequently, real wages for regular urban workers that had risen from `183 per day in FY05 to `226 in FY12 (a 24% increase), have actually fallen to `205 (or a 8.9% decline) between 2012 and 2018. Rural regular wages, which had risen by 13%, fell slightly. Urban casual wages in real terms had risen by 31% earlier, rose only 7.1% between 2012 and 2018. Rural casual wages had risen 44.5% before 2012 but barely rose 6% over 2012-18.

The current crisis is one of incomes, driven by poor non-agri jobs growth. While manufacturing jobs rose by 11% between FY05 and FY12, they fell by 5.7% between 2012 and 2018. Construction jobs that account for most of the jobs that rural migrants take up rose by 96.5% compared to 8% recently; services 18.6% vs 13.4%.

With wages and incomes down, people can maintain consumption only by cutting savings. So household savings fell from 23.6% (FY12) to 17% of GDP (2011-12 series), i.e. to levels prevailing in the early 1990s. Of this, financial savings as a share of GDP are 7.2%, or at levels prevailing between 1990-1997. Naturally, a second driver of GDP growth, gross fixed capital formation is down to levels before FY05, when the dream run began; at 28%, they are nearly 6 percentage below that in FY12. As income growth is lower, consumption is compressed or only maintained at the expense of savings. Despite private corporate savings having risen from 9.5% in FY12 to 11.6% of GDP, there is no “animal spirit” for investment growing faster.

Merchandise exports were lower over FY18 than in FY14 in $ terms; as a share of GDP they fell from 17.2% in FY14 to 11.6% in FY18. Can the fourth driver of aggregate demand, government expenditure, be expanded? There is a “silent fiscal crisis”, and the non-discretionary revenue expenditure and off-budget expenditures leave little elbow room for capital expenditure, certainly by the Centre (budgeted FY20 capital expenditure to GDP is 1.3 as against 1.4% in FY19). The fiscal consolidation path cannot be abandoned; as it is, the public sector’s draft on financial savings is nearly crowding out private investment (if there was appetite for it, to start with).

India’s fiscal stance in the run upto GEC was pro-cyclical, with large increases in appropriate compensatory (e.g. MGNREGA, MSP) and also infrastructure expenditure, but tragically also one-off very large farmer loan waiver in 2008 (announced before the GEC broke). But growth pre-GEC had been robust, that fiscal space still existed to pump-prime the economy from late-2008 onwards. India’s fiscal stimulus was large, its quality poor as it focused on revenue expenditure (the exact opposite of China); in 2013-14, the gross fiscal deficit was still 4.5% of GDP. In 2014, the government went into fiscal consolidation overdrive to bring the deficit down to 3.4% in FY19. Hence, there is still no fiscal space to use public investment to stimulate the economy now. This is one element in the current cyclical downturn.

The second cyclical element is the outcome of monetary policy. In the aftermath of the GEC, a former RBI Deputy Governor has argued rightly that “Indian monetary policy could have tilted unduly towards the “easy” side and could have prolonged the expansionary monetary policy cycle for a longer period than what would have warranted”. Together with the fiscal stimulus, it brought inflation in its wake, and RBI’s inflation-targeting stance.

However, since the November 2014 “taper tantrum”, the real repo rate rose to 4% from negative territory, and has remained at 2-3% in real terms since. This is an important reason why inflation targeting is recognised to have had a negative impact on growth rates. However, over-borrowing when the real interest was in negative territory post-2008 underlies the NPA-crisis. NPA-overhang is the foundational reason for low borrowing continuing; the NBFC crisis exacerbated it, especially for MSMEs.

Some short run actions are necessary, but will be palliative. On monetary policy, action is needed to reduce the repo rate. A real rate of borrowing of 2.5% cannot be conducive to borrowing when animal spirits are weak, and capacity utilisation running at 70-75% depending upon industry. There is some recent increase in credit offtake, and hence sharp rate reductions are necessary. Second, banks will have to transmit rate reductions, requiring an institutional mechanism (as the RBI Governor has indicated). Third, the rupee has to be allowed to depreciate slowly, since the rising real effective exchange rate has hurt exports.

Railways hold 10 mn hectares surplus that can be either sold or leased out, generating revenues over a long time. Second, the goal of divesting government equity in public enterprises and in PSBs will also generate resources for increasing public infrastructure investment—which should crowd in private investment. It could be partly used to recapitalise PSBs.

But monetary and fiscal policy measures alone cannot do the trick. A sustained growth path requires such measures fall within a medium term strategy, including an industrial policy and other structural reforms, especially financial sector reform. The strategy would not succeed unless agricultural growth is 4% plus pa. That requires a tilt away from the price- and subsidy-based current regime to a strategy-based one on public investment in agriculture.

India is nowhere close to a middle-income trap, that some economists have argued it is in. We have the potential to grow at 7-8% pa in real terms, and thus potentially become a $5 trn economy in five years.

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