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INFORMATION BUREAU TEXPROCIL

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USD 70.01| EUR 79.84 | GBP 88.90 | JPY 0.63

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20574	43000	**78.38**

Domestic Futures Price (Ex. Gin), January

Rs./Bale	Rs./Candy	USD Cent/lb
21060	44015	**80.23**

International Futures Price

NY ICE USD Cents/lb (March 2019)	72.55
ZCE Cotton: Yuan/MT (May 2019)	14,840
ZCE Cotton: USD Cents/lb	**97.84**
Cotlook A Index – Physical	**81.65**

Cotton Guide: March ICE plummeted to a low of 72.40 (lowest since Nov 2017) with a high of 74 cents/lb therefore settling at 72.55 cents/lb i.e a negative change of (-63). May 2019 contract also settled at 73.80 with a negative figure of (-82) basis points. July 2019 contract was down by (-92) at 75.04 cents/lb.

At MCX – January contract was down by (-110) settling at 21,060 Rs/Bale displaying a volume figures of 5008 lots and an open interest of 6506 lots. The February contract was also down by (-160) settling at 21,300 Rs/Bale. March contract saw a settling figure of 21,650 Rs/Bale down by (-140). Daily Seed cotton arrivals are estimated to be 170,000 Lint equivalent bales (source cotlook). Shankar 6 has been spiraling downwards and is available at 42,800 Rs/Candy (average price). Punjab

J-34 was able to exchange hands at a price of Rs 4,350 per maund. Cotlook Index A was readjusted to 81.65 which is a (-1.75) decline.

Today ICE is scheduled to resume late at 6:30 pm IST for an abbreviated session. The day before Christmas - Monday followed the same course as it did last week i.e. the bears being victorious with a continuous winning streak. The trading bracket from 17th December 2018 to 24th December 2018 has been from a high of 79.80 to a low of 72.40 cents/lb. That amounts to a massive loss of 7.4 cents/lb. From here it does not seem difficult for cotton prices to break the current support levels and accumulate at 70 cents/lb. All eyes are now on WTI/ crude prices which is hovering around 42 $/barrel, the USD Index which is at 96 and the US equity indices which are almost down by 2 percent. On the geopolitical front - Concrete News of Easing trade tensions between Washington and Beijing is still awaited which in turn serves as a bearish indicator for cotton.

On the Technical front, ICE March futures continued its downside on Monday after breaching strong support at 74 level. As shown in the charts , the next support levels exists at 71.90 zone (76.4% Fibonacci level), only decline below could bring further selling towards 70 followed by 69 levels. However RSI in the daily charts is in the oversold zone, but still there is no confirmation of reversal in trend by the indicator. From the above it is expected that price could trade in the range of 74 to 71.90 with bearish bias. On the higher side above 74.00, 75.50 is the crucial resistance zone followed by 76.20. So in the near term price is expected to trade in the range of 74.00-71.90 with sideways to downside bias. In the domestic markets trading range for Jan future will be 20450-21100.

Currency Guide

Indian rupee has opened higher by 0.4% to trade near 69.86 levels against the US dollar. Rupee has benefitted from weakness in crude oil price and general weaker outlook for US dollar. Brent crude has slipped below $50 per barrel amid persisting oversupply and demand uncertainty. Concerns about US economy are high amid ongoing partial government shutdown, US President's criticism of Fed Chairman, mixed economic data and sell-off in US equity market. US President Donald Trump expressed confidence in the Treasury secretary, Federal Reserve and US economy on Tuesday to calm financial markets. Rupee has also benefitted from reports that RBI is to purchase six government securities under open market operations for an aggregate amount of 150 billion rupees on Dec. 27. However, weighing on rupee and other emerging market currencies is weaker risk sentiment. Also reports noted that India is considering measures to support farmers including doubling collateral-free loans. This will add to worries about fiscal deficit. Rupee may trade with a firm bias unless we see recovery in crude price. USDINR may trade in a range of 69.6-70.1 and bias may be on the downside.

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

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INTERNATIONAL NEWS

IHS Markit predicts slowdown in global economy in 2019

Global economic growth will fall to 3 per cent in 2019, from 3.2 per cent in 2018, says the annual Top 10 Economic Predictions by IHS Markit. While global growth will continue to decelerate, the economy will also become increasingly vulnerable to shocks. The probability of a single policy event seriously hurting global growth in 2019 is still relatively low.

“Policy mistakes remain the biggest threats to global growth in 2019 and beyond,” said IHS Markit chief economist Nariman Behravesh.

The US economy is expected to grow at a rate of at 2.6 per cent in 2019, less than the 2.9 per cent growth seen in 2018, but still indicative of solid economic fundamentals, according to a press release by business information provider IHS Markit.

The new year will see countervailing pressures on US growth: on the downside, the rising dollar, tightening credit conditions and higher tariffs could still hurt growth; on the upside, low interest rates, fiscal stimulus and constrained oil prices bode well for the US economy.

IHS Markit predicts Europe’s economic expansion will slow even further, declining to 1.5 per cent in 2019. Several adverse economic and political factors are behind the continued deceleration, including less accommodative credit conditions, the negative impact of trade tensions on the manufacturing sector and exports and the appreciation of the euro against most currencies except the US dollar.

Political risks have also increased significantly, contributing to the four year low in business sentiment and the continuing turmoil around Brexit will hurt UK growth, which will fall from 1.3 per cent in 2018 to 1.1 per cent in 2019.

Japan’s recovery will remain weak, expanding at a rate of 0.9 per cent in 2019 after growing 0.8 per cent in 2018, as the slowdown in China’s economy and the fallout from US-China trade war impact growth. The expected rise in construction spending ahead of the 2020 Olympics will sustain growth in 2019, but the boost will fade by the end of the year. China’s economy will keep decelerating, slowing to 6.3 per cent growth in 2019.

Growth in emerging markets has plateaued and will retreat in 2019 to 4.6 per cent, feeling the effects of slower growth in advanced economies and world trade, tightening global financial conditions, the strong US dollar and rising political uncertainty in countries like Brazil and Mexico, according to the prediction.

The U.S. dollar will maintain its strength against most currencies, with IHS Markit expecting the greenback to hold at the current elevated levels for much of 2019.

Source: fibre2fashion.com- Dec 25, 2018

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The Imports Outlook: Look for More Diversity From China Fallout

To avoid the Trump trap and associated risks, apparel importers are set to continue their sourcing diversification strategy in the year ahead.

This generally means less China production and more from a variety of supplier nations.

The trade war

Driving the plan is the conflict and turmoil that marked 2018 for apparel importers, with a trade war erupting between the U.S. and China over what President Trump saw as unfair trading practices by Beijing. Trump turned to tariffs as retribution and China retaliated with tariffs of its own.

For the most part, with the exception of leather goods, apparel was left out of it. But then Trump threatened a 25 percent tariff that would include apparel and was set to got into effect in January. That has since been postponed for 90 days, but the impact has set in and sourcing executives have made the move to diversify away from China, the top U.S. supplier, to limit risks and exposure of their supply chains.

“March 1 is going to come quickly,” said Nate Herman, senior vice president of supply chain at the American Apparel & Footwear Association (AAFA).

The modus operandi for companies is even if the tariffs are not in place, this is a wake-up call and that they we really have to diversify."

For the year-to-date through October, U.S. apparel imports from China rose a slight 1.61 percent to $32.53 billion. With several months of negative growth followed by gains in September and October during a "safe period" between tariff windows, China's market share of U.S. apparel imports inched up 1.34 percent to 33.06 percent for the 12 months through October.

Cutting up the pie

Picking up much of the falloff from China were other major Asian countries, although a more diverse and global apparel sourcing strategy is clearly emerging. Number two supplier Vietnam's shipments rose 7.35 percent for the year so far to $10.65 billion and the country's market share gained 7.48 percent to garner a 14.82 percent share for the year ended Oct. 31.

Bangladesh, the third largest supplier to the U.S. in this category, saw its shipments rise 6.7 percent in the period to $4.65 billion, with market share increasing 5.54 percent to 6.47 percent. Imports from India increased 4.11 percent in the 10 months to $3.22 billion, as its market share gained 2.98 percent to 4.6 percent. Cambodia's shipments stepped up 13.49 percent to $2.07 billion, as its market share rose 13.62 percent to 2.89 percent.

The new guard

"Bangladesh has definitely embellished itself as a supplier, despite everything that goes on there," Herman said. "Unless things really go south in Bangladesh, I expect those numbers to continue. Besides Vietnam, it makes the most sense if you're trying to get out of China because it has the most vertical industry. They can do knits, they have yarn and the fabrics, not just cut and sew. Cambodia has been a big surprise. There has been a lot of concern about Cambodia with human and labor rights abuses, but Cambodia is a place companies know."

Ebru Ozaydin, director of sales and marketing at Karachi-based Artistic Milliners, said, "Pakistan has benefitted as a supplier to denim because of the U.S. trade war with China. But companies for a long time have been shifting their denim sourcing out of China and into countries like Pakistan, Bangladesh, Vietnam and Cambodia."

Many denim companies are "creating an exit plant to limit their exposure in China because of the trade wars and China's commitment to supply its own domestic market," Ozaydin said.

There were some swings among Western Hemisphere countries importers often choose for their proximity and free-trade status. Mexico, which was embroiled in contentious renegotiations for the North American Free Trade Agreement (NAFTA) that caused unease that it would lose its duty-free standing, saw its apparel imports to the U.S. drop 3.69 percent to $2.89 billion in the period, and its market share decline 2.95 percent to 4.19 percent. The three North American countries did renegotiate NAFTA and some feel if the new U.S.-Mexico-Canada Agreement is ratified, Mexico could get a lift as uncertainty is removed.

"There's definitely a shift in sourcing, with companies looking outside of China to places like Bangladesh, Vietnam and Mexico for denim," said Tricia Carey, director of global business development for denim at fiber maker Lenzing. "There are also more companies adapting strategies that use Mexico for quick response and make regular goods out of China."

Central American Free Trade Agreement (CAFTA) nations saw some heightened interest, too. Imports from Nicaragua rose 8.36 percent year-to-date to $1.36 billion, while shipments from Honduras were up 2.9 percent to $2.23 billion and imports from El Salvador rose 1.82 percent to $1.61 billion. Overall, CAFTA imports were up 4.51 percent to $7 billion in the period, with a 2.84 percent market share gain to 9.96 percent.

Imports from Sub-Sahara Africa countries that are part of the Africa Growth & Opportunity Act trade preference program fared well this year, too. Shipments from the region rose 16.88 percent to $1.02 billion, as market share gained 15.5 percent to 1.44 percent. Ethiopia is a rising star here, with a 112.69 percent jump in imports to $90.51 million, while Kenya, Lesotho, Madagascar and Ghana also made their mark.

Jordan and Egypt, and along with Myanmar, according to Herman, are "putting up impressive numbers."

Imports from Jordan, which also has a free-trade pact with the U.S., increased 10.43 percent for the 10 months to $1.29 billion, while the country's market share grew 10.27 percent to 1.79 percent.

Egypt's shipments in the period were up 13.49 percent to $694.8 billion, as its market share rose 12.76 percent.

Myanmar, which only recently was allowed to ship goods to the U.S. after years of being on the banned list during a time it was run by a military dictatorship, has started attracting interest is basic apparel production, although Herman said he didn't know of any AAFA members importing from the country. Imports from Myanmar increased 27.27 percent in the period to $141.22 million.

Source: sourcingjournal.com- Dec 25, 2018

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China Cuts Tariffs on More Than 700 Goods Amid Open-Trade Drive

China announced another round of tariff cuts, lowering import taxes on more than 700 goods from Jan. 1 as part of its efforts to open up the economy and lower costs for domestic consumers.

There will also be cuts to some export tariffs, and temporary import tariff rates will be as low as zero for some goods, the Ministry of Finance said in a statement on Monday. The 'temporary' rates can be changed ad hoc and can be lower than the current Most-Favored Nations standard though they are also available to all World Trade Organization members.

Key insights

This is the third round of tariff cuts announced this year, as China looks to cut costs for consumers and implement President Xi Jinping's promises to open up further. U.S. exports will get the benefit of the reductions as well, although most products will still be subject to the retaliatory tariffs until there is a breakthrough in the ongoing talks.

Get more

Table with the details of the tariffs With tariffs on U.S. soybeans stopping a key source of edible meal (often used for animal feed), China will implement zero tariffs on imports of a variety of meals including sunflower and canola.

Some materials for pharmaceutical manufacturing will also be subject to zero tariffs, and taxes on high-tech imports will be set "relatively low," including at 1 percent for a type of generator for aircraft, and 5 percent for a type of welding robots used in car assembly lines.

The ministry said MFN tariffs will be further cut for a wide-range of information technology imports starting from July 1, 2019, including for medical diagnosis machines, speakers and printers, according to a separate table on its website.

The nation will also scrap export tariffs on 94 items of products starting from the new year, including fertilizers, iron ore, coal tar, and wood pulp.

Export tariffs on these goods are as high as 40 percent currently. Imports from nations that have reached a trade pact with China will be levied at the rates agreed by both sides.

China's bilateral deals with New Zealand, Peru, Costa Rica, Switzerland, Iceland, South Korea, Australia, Georgia already included promises to further lower tariffs in 2019, as does the Asia-Pacific Trade Agreement. Imports from Hong Kong, Macau will also enjoy lower taxes.

Source: sourcingjournal.com- Dec 25, 2018

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USA: The Farm to Closet Movement: Connecting Cotton Sourcing to Consumer Storytelling

It's no secret that fashion has piggybacked on the storytelling strategy started by the farm-to-table movement.

Consumers have moved beyond asking what's in their food and now want to understand what's in their closet.

Motivated by a need to get to the source of who we are, and where our products come from, humanity's internal awakening parallels the industry's need for transparency. Unsatisfied by surface interaction, people want more meaning in every aspect of their lives.

This thirst for transparency has evolved the way we think about our products and their lifecycles. Through the lens of design, we can connect people to the story of our products in a manner that brings everyone closer together—not just physically, but spiritually and emotionally, too.

Our designs are an extension of ourselves. When we maintain a holistic view of the economic, environmental and social aspects of business, our products have a more profound purpose. Embedding that story into product design adds both value and values, validates transparency and empowers consumers to vote with their dollars.

The facts

The current state of making textiles is both challenging and disconcerting. Most brands and companies do not own their supply chains, so what happens in the farming and milling of their product is conveniently out of their jurisdiction. Unfortunately, this is often where some of the worst human rights offenses take place. Then there are issues like subcontracting, where a supplier cannot meet the demands of its overseas client, so it farms out some of the work to local factories that may not have the same code of ethics.

Undocumented overtime, worker abuse, and fire and safety code non-compliance are just a few more of the issues plaguing fashion's supply chains, exacerbated by time and money constraints. Fashion's supply chains are much more complicated and spread out than the food industry, which is perhaps why transparency is more difficult. But our clothes tell a deeper story, one of dedication, science, craftsmanship and culture.

When it comes to fiber, mainstream consumers often view conventional cotton as "natural," not realizing its agricultural and social impacts. The dark side to conventional cotton involves excessive water use, GMO and chemical dependence, pollution, and heartbreaking stories of farmer suicide.

Because many farmers rely on bank loans against their land to afford expensive genetically modified seed and pesticides, the pressure to keep up with rising costs can feel like running on a treadmill that keeps getting faster and faster. Organic cotton, on the other hand, is not only better for soil and human health, and less dependent on water due to greater resilience and a productive relationship with rainwater, but it is also truly better for farmer livelihoods.

Symbiotic solutions

After being asked repeatedly by brands and designers how I have managed to achieve visibility throughout supply chains, I decided to share the love and make sustainability "easy" by creating MetaWear in 2013. MetaWear is a turnkey, vertical solution provider, connecting the dots between farmer, mill, dyehouse, manufacturer and distributor. My long history of building organic cotton supply chains from the ground up drives both authenticity and transparency—from farm to finished fashion, while creating win-win-win opportunities to lift vulnerable smallholder farming communities in India.

MetaWear recently launched a new project called RESET (Regenerate Environment, Society, Economy thru Textiles). RESET aims to educate and empower cotton famers in India's tribal cotton belt to convert to regenerative farming practices. This type of low-cost, low risk farming can sequester atmospheric carbon (a key solution to climate change mitigation), while restoring soil health and ecosystems.

RESET can save conventional cotton farmers from perpetuating damaging and unsustainable conditions, by showing them that there is a viable alternative—demonstrating the potential for true industry transformation. But that's not all: this initiative is also an example of a powerful story, that once translated to the shelf, can empower consumers to take action, with little to no added effort. As they have done in driving the success of companies like Tom's shoes and FEED bags.

Positive storytelling

It's not fair to bombard people with doom and gloom if we can't arm them with the tools to affect positive change, by sharing the narratives of those doing well by doing good. The more we communicate our journey to the source of our supply chains, especially stories of the long-term benefits of innovation and redesign, the more customers will expect being a part of solutions—even demanding that their products have a meaningful purpose

Just like knowing that the origin of our food can literally make it taste better, bringing the stories to the forefront of fashion makes our style feel better—touching us on levels beyond the surface. The farm to closet movement is defined by this shift, as fashion is no longer one-dimensional. Sustainable style makes us look good, feel good and do good as global citizens.

We are entering a new era of fashion—from source to story, where we can wear the change we wish to see in the world.

Source: sourcingjournal.com- Dec 24, 2018

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Egypt to raise RMG exports by 10 per cent

Egypt aims at increasing readymade garment exports by 10 per cent. Other goals are to increase the number of small and medium class exporters, to participate in specialised expos and promotional missions and increase the number of the sector's workers from about one million to two million.

Egypt's location qualifies it to be a logistical hub for the textile industries and products, imported from Africa, along with the free trading agreement that Egypt signed, linking it with a number of countries.

But challenges abound. Payment of export subsidies is erratic and irregular. There has been a dramatic increase in production costs, including transport costs and energy costs, since the floatation of the Egyptian pound in November 2016.

A huge proportion of raw materials has to be imported.

Some of these are being worked on. Economic reforms are being undertaken. Exporters are being offered financing and training facilities in order to double Egyptian garment exports.

Exporters' base is being expanded by attracting small and medium companies.

This has already succeeded in attracting about 25 new factories to the sector. About 85 per cent of Egypt's readymade garment exports are to the US and European countries like Spain, Germany, France and Turkey.

Source: fashionatingworld.com- Dec 24, 2018

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EU-Japan trade pact on track to enter into force in Feb

The European Parliament recently approved the European Union (EU)-Japan Economic Partnership Agreement and the EU-Japan Strategic Partnership Agreement. The former, negotiated by the European Commission, is the first ever to include an explicit reference to the Paris climate agreement and the latter, the first ever bilateral framework pact between both sides.

The trade agreement will create an open trading zone covering 635 million people and almost one third of the world's total gross domestic product and remove tariffs on industrial products in sectors where the EU is very competitive, such as cosmetics, chemicals, textiles and clothing, according to an EU press release.

The trade agreement will deliver significant and tangible benefits for companies and citizens in Europe and Japan, said European Commission president Jean-Claude Juncker.

Today's vote follows a similar decision taken by Japan's National Diet, thus concluding the parliamentary ratification of the agreement by both partners. It paves the way for the agreement to enter into force on 1 February 2019.

The trade agreement will remove the vast majority of the €1 billion of duties paid annually by EU companies exporting to Japan, as well as a number of long-standing regulatory barriers, for example on car exports.

It will also open up the Japanese market of 127 million consumers to key EU agricultural products and increase EU export opportunities in many other sectors.

The Strategic Partnership Agreement will lead to further deepening of EU-Japan relations, strengthened foreign and security policy dialogue, and engagement across a wide range of global, regional and bilateral thematic issues.

It will boost dialogue and cooperation between the European Union and Japan on topics of mutual interest such as foreign and security policy, connectivity, climate change, environment, energy, cyber issues, employment and social affairs, as well as people-to-people exchanges.

Source: fibre2fashion.com- Dec 25, 2018

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North Korea's textile exports ban to have ripple effect across the world

The UN has banned North Korea from exporting its textiles. The ban is expected to disrupt a business largely based in China and pose compliance headaches for clothing retailers around the world. More significantly it will hurt North Koreans, create difficulties for ordinary workers and their ability to make a livelihood.

Textiles are North Korea's biggest exports after coal and other minerals. Nearly 80 per cent of these textile exports go to China. A lot of North Korean textile trade to Europe and other places goes via China.

Despite tightening sanctions, trade in non-banned goods including food and other daily necessities continues between China and North Korea carried by hundreds of trucks crossing back and forth every day.

But enforcing the textile ban along North Korea's long border with China can be difficult. Goods are smuggled across, often on boats at night. Another challenge is that clothes can be partly made in China and partly in North Korea with a Made in China label attached to the finished product.

Even if a label says Made in China, the buttons may come from Italy, the cotton may come from Australia or India, the labor may come from North Korea or China, the accessories may come from Bangladesh.

Source: fashionatingworld.com- Dec 24, 2018

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Indonesia expects five per cent export growth in textiles sector in 2019

Indonesia's exports of textiles are projected to grow five to six per cent next year. The country is aggressively signing trade agreements such as the European Free Trade Association, India, Australia, Algeria, and Morocco.

The aim is to increase exports to Australia, the EU, Chile, Mozambique, Tunisia, Morocco, and the Regional Comprehensive Economic Partnership. In the meantime efforts will be made to harmonize tariffs from upstream to downstream and have competitive energy prices.

Heavy import duties on purified therephtalic acid, which is a raw material for polyester and plastic, as well as on polyester mean that Indonesia's products are less price competitive than other countries' products. The country's main destinations for its textile exports are Europe, the United States and Japan.

In the textile sector too there are investments, especially in the intermediate or midstream sectors. Currently, some Chinese investors are interested in investing in the country and building production facilities.

The third largest textile company in China is currently finalizing plans to invest in the fabric and dyeing sector in Indonesia, which is weak and needs heavy investment.

The company is a producer of high quality fabrics, especially for premium brand shirts, such as Hugo Boss.

Source: fashionatingworld.com- Dec 24, 2018

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Protests hit Bangladesh's clothing manufacturers as election nears

Bangladesh's clothing manufacturers, which dominate the southern Asian nation's economy, are worried sporadic violence that has affected some factories ahead of Sunday's election will spread.

Workers have been demanding higher minimum pay than proposed in September by the government of Prime Minister Sheikh Hasina, who is seeking her third straight term in power. She has the support of many textile factory owners, and that can also make them a target for those opposed to the government.

Around the last election in 2014, which the main opposition party boycotted, months of violence hit operations at many factories, leading to millions of dollars in lost sales. Many foreign buyers curbed orders at the time.

In recent days, workers have gone on strike and taken to the streets in places including Mymensingh, about three hours north of Dhaka, and towns around the capital where textile factories are concentrated, three garment exporters told Reuters.

The garments industry generates around US$30 billion of exports a year, about 80 percent of Bangladesh's merchandise export earnings, making it the second largest in the world behind China.

The government said in September the minimum wage for garments workers would rise by up to 51 percent from December, payable in January, to 8,000 taka (US$95.60) a month, the first increase since late 2013.

Workers, though, say that's not enough.

"We want at least 12,000," Meem, who goes by just one name, said outside the Dhaka factory where she works, as co-workers gathered around her by the dozens. "There's ever increasing work pressure on us but our wages do not rise as fast."

Police say they are ready for trouble.

"We have a definite intelligence report that a section of people want to create unrest in the sector, but that won't be possible as we are alert," police spokesman Mohammad Sohel Rana said, without elaborating.

The Bangladesh Garment Manufacturers and Exporters Association has asked workers to remain calm and promised to make representations about wages to the government after the election, instead of each company negotiating with employees.

Its president, Siddiqur Rahman, said he backed Hasina's Awami League.

"I am really worried because everything was OK until recently but due to political reasons they are doing this," Shahidul Haque Mukul, another Awami League supporter, whose factory was vandalised on Monday morning, told Reuters by phone.

BUSY TIME

December is typically the garment industry's busiest time.

"I have buyers from countries like Japan, France and Portugal. They are placing smaller orders than normal for this time of year," Mukul said, blaming opposition groups for the trouble.

Mahmud Hasan Khan, a textile factory owner and a leader of the opposition Bangladesh Nationalist Party (BNP), declined to comment on the protests or violence.

The BNP's leader and former Prime Minister, Khaleda Zia, is in jail on what the party calls trumped-up corruption charges.

Several workers outside the six-storey building of Mukul's Adams Apparel in Dhaka told Reuters they would continue to press for higher wages but were not involved in stone pelting that smashed windows on Monday.

They said the protests had so far been spontaneous, though there was a risk of people taking advantage of them.

"There was a fear that something like this would happen around the election," said Mohammed Murad, a machine operator at Adams Apparel. "Hopefully things would be under control."

Mohammad Mujibul Haque, the junior minister for labour and employment, said there was no reason for unrest after the wage hike announcement.

"There's some incitement from a quarter to destabilise the environment ahead of the election," he said, without elaborating.

Source: channelnewsasia.com- Dec 25, 2018

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Bangladesh government has to prioritize denim sector and provide all-out support to the entrepreneurs

There is no such unified, safe and secure denim sector in the world other than Bangladesh.

Denim fabrics and its diversified products have become the leading products for the homegrown exporter of Bangladesh. The country has turned into a hot spot for denim products in global markets.

Bangladesh, the second largest producer of denim products after China, is exporting denim products approximately 250 million pieces every year all over the world mostly in the EU and US market. To produce denim products the monthly demand for denim fabric is about 80 million yards and the sector is able to meet about 50 to 60% locally. Rest of the fabrics are imported from different countries.

According to the Bangladesh Textile Mill Association (BTMA), Bangladesh currently has 31 denim fabric manufacturing factories, which produce over 400.40 million meters of fabrics every year.

In addition, there are around 400 denim product manufacturers in the country. According to people involved in the denim sector, Bangladesh has already made an investment of Tk15,000 crore in denim fabrics manufacturing.

The major global retailers in the world to which Bangladesh supplies denim products are H&M, Uniqlo, Tesco, Walmart, Levi's, Diesel, Wrangler, G-Star, s.Oliver, Hugo Boss, and Gap.

Denim export scenario

Bangladesh's denim manufacturers have seen a strong upsurge in the export of denim products in the markets of the US and European Union (EU) beating its biggest competitor, China. Exported denim products include Blue Denim Trousers WG, Blue Denim Trousers MB, Blue Denim Skirts, Blue Denim Jackets, Blue Denim Suit Type Coats MB, Playsuits and Sun suits etc.

With a 14.20% market share, Bangladesh now is also the third largest exporter of denim products in the US after Mexico and China. From January-September period of 2018, the country saw a 14.20% rise in export earning i.e. $419.21 million, which was $367.10 million during the same period of 2017. US Office of Textiles and Apparel (OTEXA) released the data recently.

On the other hand, China earned 1.3% more than 2017 summing up a $683 million export earnings, while Mexico has seen a 1.08% increase in export from 2017 to $595.40 million. Vietnam, a close competitor of Bangladesh in the US market earned 41.95% more i.e. $205.43 million which was $144.72 million during 2017. While Cambodia saw a 30.85% rise in export to $88.34 million.

According to statistics from the Directorate-General of the European Commission, Eurostat, Bangladesh has earned €917.14 million from exporting denim products to EU countries during January-August period of 2018, which is 4.23% higher from exports earned in the corresponding period of last year.

The ability to supply denim fabrics at a competitive price has helped the country to gain great global market access. The growth of denim in terms of production, export, and investment marked a 30-35% rise in the local market over the last three years as almost all major textile producers have been producing denim especially since 2005 after the withdrawal of the quota system.

Denim is a fabric made of cotton twill that is 100% cotton and very comfortable. This fabric is used all over the world to make jeans, jackets, shirts, purses, bags, and many other accessories for men and women of all ages.

Reasons behind the growth

Improved technology in fabrics manufacturing, improvement of safety standards in the apparel sector and the trade war between China and the US are the main reasons for Bangladesh's steady growth in exports earnings.

In the EU and USA markets, Bangladeshi denim products are doing much better for its quality and competitive price rates. In recent time, production cost in China and other countries have gone up due to a wage hike. As a result, EU and USA buyers are moving to Bangladesh for sourcing denim products.

After the announcement of Trans-Pacific Partnership (TPP), US retailers wanted to go to different manufacturers for sourcing apparel goods, rather than Bangladesh. However, they changed their decision after US president Donald Trump dismissed the idea of joining the TPP.

On the other hand, Bangladesh has increased its production capacity in both denim fabrics manufacturing and other denim products. The Bangladeshi manufacturers have also moved to introduce latest technologies for improved quality of products. In recent times, Bangladesh has seen the establishment of state of the art denim fabrics manufacturing plants, which has increased production capacity. This has helped to attract more work orders from the US and EU buyers.

There is no such unified, safe and secure sector in the world other than Bangladesh. That is why, Alliance for Bangladesh Workers, a platform of American buyers has certified Bangladesh as a safe place, which also boosted buyers' confidence for sourcing products from here.

The US is the single largest importer of clothing products and China is the largest exporters of apparel goods in the world. The trade war between these two giants has brought a number of orders for Bangladeshi denim manufacturers.

Experts said that Chinese products are becoming costlier due to the rise in workers' wage. As the trade war between China and the US is a threat for the US importers over duty imposition. Bangladesh is benefitting the most from this trade conflict. At the same time, while China is shutting down factories due to a rise in pollution so, ultimately these work orders will go to Bangladesh, Vietnam or Cambodia.

Conclusion

Bangladesh government is setting up the 'Sheikh Hasina Specialized Jute Textile Mill' in 34 acres of land at Kamariya Char in Madarganj. The factory will be able to export 4,32,000 dozens of denim pants every year. Besides, 2,13,40,00 gauze of denim and other fabrics can be produced, which can be supplied to the garment factory of the country at a reasonable price.

However, it has more demand of denim products and fabrics but we are supplying less right now. For the scarcity of own raw materials, technological inefficiency, efficient port services, and skilled manpower the sector is facing several challenges. To overcome the remaining challenges local millers are trying hard. However, at the same time, the Bangladesh government has to prioritize the denim sector and provide maximum support to the entrepreneurs.

Source: textiletoday.com.bd- Dec 24, 2018

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Nigeria loses out on $72.6bn cotton export market as growers seek investment in research

Cotton growers in Nigeria are losing out on the rising demand for the commodity in the global market as lack of high quality seeds, access to extension services and low prices of the produce have been noted as the major setback over these years.

The market for cotton processing is estimated at USD 59.7 billion in 2018 and is projected to grow from 2018 to 2023, to reach $72.6 billion by 2023, according to the new market research report “Cotton Processing Market by Product and Region – Global Forecast to 2023”, published by

Markets and Markets.

The increase in demand in the textile industry, adoption of cottonseed meal as feed for ruminants, and the rising number of surgeries and operations have been propelling the consumption of cotton, leading to the rising demand for cotton processing globally.

Considering the arable fertile land Nigeria possesses, with the important use of cotton across the country and the world, coupled with states like Kaduna, Kastina, Zamfara, Sokoto, Ondo, Ogun, Oyo, Osun and others where cotton grows, farmers say Nigeria can achieve 60 to 70 per cent of what America is getting today if government at various levels could provide improved seeds, fertilizer, modern equipment like tractors for clearing of land and give right supports.

Data from the National Bureau of Statistics (NBS) indicates that Nigeria N114.7 billion importing textiles and textile materials in the first nine months of 2018, compared to N3.0 billion earned from export in the same period.
This huge import revenue could have gone into the pocket of Nigerian farmers if the industry is revived.

Already, Nigeria is missing out among the selected 15 African countries on the share of cotton in product exports by the World Cotton Market on cottonguide.org, where Burkina Faso ranked number one along with Benin with exports of 71.5 per cent and 63.2 per cent while Mali, Zimbabwe and Togo possessed exports of 35.6 per cent, 12.4 per cent and 11.7 per cent respectively.

However, United Republic of Tanzania and Uganda recorded exports of 6.4 per cent and 5.7 per cent respectively while Cameroon and Zambia also accounted for exports of 5.6 per cent and 5.4 per cent respectively.

Meanwhile, Malawi, Sudan and Cote d'lvoire have exports of 3.8 per cent, 2.5 per cent and 2.2 per cent while Burundi, Ghana and Central African Republic possessed exports of 1.8 per cent, 0.8 per cent and 0.7 per cent respectively.

Speaking on this, Anibe Achimugu, president of National Cotton Association of Nigeria (NACOTAN) appealed to the Nigerian government to fund the Institute of Agricultural Research to ensure quality seeds for cotton production and textile industries.

Achimugu explained that that there was no way textile industries could be successfully revived without quality cotton production or quality seeds; hence the need to adequately fund the research institute.

He said that farmers in Nigeria were ready but needed to plant good seeds that would enhance cotton production for textile industries.

"During the recent retreat organised by the Ministry of Industry, Trade and Investment, we have been able to tell the government that we need funding. "We also need structural funding but most importantly we need good policy to back it up. "For instance, planting seeds; if we don't have good seeds, the sector is dead on arrival.

"The government must make sure the institute of agricultural research, the only institute mandated to work on cotton in Nigeria is well funded to function well to produce good quality seeds for farmers," Achimugu said. The president said that in spite that some efforts in the past to revive the industry, did not yield desired results did not mean we should give up.

Achimugu commended the present administration for its commitment in ensuring that textile industries were revived to function again. He said that the commitment of the two ministers in the Ministry of Industry, Trade and Investment to achieve desired result was unprecedented.

"We hope that this personal commitment by the ministers will materialise and turn into the sector's benefit.

“We are aware that the Central Bank of Nigeria has also come up with certain intervention known as textile intervention fund to boost the sector,” Achimugu said.

Recall that the Ministry of Industry, Trade and Investment, recently organised a high-level stakeholders’ retreat on Cotton, Textiles and Garments (CTG)’s policy in Abuja for all the players to suggest the way forward.

Source: businessamlive.com- Dec 24, 2018

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Pakistan remained a net loser in FTAs with Indonesia, China, Malaysia and Turkey: Dawood

Advisor to Prime Minister on Commerce, Textile, Industry & Production and Investment Abdul Razak Dawood on Monday said Pakistan had remained a net loser in the FTAs with Indonesia, Malaysia, Turkey and even China.

Addressing the Faisalabad Cham--ber of Commerce and Industry, he lamented that during the last decade, many industrial units had been closed down due to which Pakistan’s export dwindled from $25-20 billion.

Moreover, he also acknowledged that signing Free Trade Agree-ments (FTAs) with multiple countries has proved counterproductive for Pakistan’s industrial sector and the government is currently renegotiating China-Pakistan agreement.

Mr Dawood said that Indonesia currently provides duty-free access to 20 items including denim and urged exporters to take advantage of this opportunity.

Regarding the FTA with Malaysia, he said that Federal Secretary Commerce Younus Dagha would visit Kuala Lumpur to renegotiate the agreement. Malaysia exports $1bn worth of goods to the country, whereas Pakistan only exports $150 million

He said industrialization through import substitution coupled with export growth through diversification was imperative to put the country on road to progress and prosperity.

Addressing the Faisalabad Cham--ber of Commerce and Industry, he lamented that during the last decade, many industrial units had been closed down due to which Pakistan's export dwindled from $25-20 billion.

He said, "Our exports remained restricted to textile, however, we are planning to give a comprehensive industrialisation policy, wherein, the focus will be on engineering, chemical, IT and agriculture sectors instead of the textile sector alone." He said that Pakistan had developed a culture to import everything irrespective of its manufacturing within the country.

"We must shun this trend and encourage 'Made in Pakistan' to give a supporting hand to the industrial sector," he said.

The government is working to fine tune this policy in the light of proposals and recommendations made by the private sector, he said asking the business community to submit their recommendations so that government could take appropriate measures to promote ease of doing business and cut down the cost of doing business.

"We will give a framework for the industrial policy to ascertain strategically important industries so that the government can support them," he remarked adding that some experts approached him that the development of industrial -sector should be left on market dynamics without government interference.

"However, I think, it is not the right time as we have to boost our industry which is passing through tough internal competition and squeezing the market," he added.

Suggesting measures to rationalise the tariff structure, he said that contrary to its purpose of discouraging imports, the structure is being manipulated to encourage imports. He informed that the government is currently revisiting the entire tariff structure which would be included in the supplementary budget to be announced next year.

Pakistan's industrial sector is crippled due to poor utility deliverance on part of the government. Mr Dawood said that the gas problem affecting the sector has been resolved whereas the notification for the provision of electricity at 7.5 cents per unit to the zero-rated export sectors was still awaited.

He added that in the next meeting of cabinet's energy committee, he would present the recommendations of the private sector to the members as it would help bring down the cost of doing business in the country.

"We have to get International Monetary Fund facility due to our weak economic conditions but we hope the rapid industrialisation within the next one to two years will stabilise national economy," he explained. He cited the example of Japan, Korea, Malaysia, Vietnam and Cambodia and said that they had supported their industrial sector to achieve self-sufficiency.

Source: profit.pakistantoday.com.pk - Dec 25, 2018

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Pakistan: Growers demand early disposal of cotton bales

Pakistan mainly depends upon the cotton crop but the growers have complained about lack of disposal of Phuthi as the ginners have refused lifting the cotton bales.

Cotton ginners said the government had allowed the textile millers to import duty-free lint from India and Uzbekistan, and the millers refused giving the outstanding payments.

The textile millers are not ready to lift the unsold stocks of lint available with them while the ginners have no money to pay to the growers and procure Phuthi from them.

Prof Riaz Khudai, a cotton grower in Lodhran district, complained that the growers are facing a critical crisis of disposing of their crop as they cannot hold the crop for a long time. "No buyer is ready to procure their crop and the situation has put them into critical financial crisis.

Source: thenews.com.pk - Dec 25, 2018

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NATIONAL NEWS

India to hold bilateral meetings with some RCEP members

Next round of talks in Feb

Indian officials will hold bilateral meetings with a few countries, including China and some ASEAN members, in the coming days to iron out issues hindering negotiations of RCEP mega trade deal, an official said.

The Regional Comprehensive Economic Partnership (RCEP) is a mega free trade agreement, which aims to cover goods, services, investments, economic and technical cooperation, competition and intellectual property rights.

After the bilateral meetings, the RCEP members will meet for the 25th round of negotiations in mid-February in Indonesia, the official added.

RCEP bloc comprises 10 ASEAN members (Brunei, Cambodia, Indonesia, Malaysia, Myanmar, Singapore, Thailand, the Philippines, Laos and Vietnam) and their six FTA partners - India, China, Japan, South Korea, Australia and New Zealand.

The main issues that needs resolution include number of goods on which import duties should be completely eliminated and norms to relax services trade.

RCEP members want India to eliminate or significantly reduce customs duties on maximum number of goods it traded globally. India's huge domestic market provides immense opportunity of exports for the member countries.

However, lower level of ambitions in services and investments, a key area of interest for India, does not augur well for the agreement that seeks to be comprehensive in nature.

Under services, India wants greater market access for its professionals in the proposed agreement.

Trade experts have warned that India should negotiate the agreement carefully, as it has trade deficit with as many as 10 RCEP members, including China, South Korea and Australia, among others.

"India should not try to negotiate trade offs between goods and services as it may prove counter-productive in the long run. Trade off should be negotiated either between goods or between services," an expert, who did not wish to be named, said.

India wants to have a balanced RECP trade agreement as it would cover 40 per cent of the global GDP and over 42 per cent of the world's population.

India already has a free trade pact with Association of South East Asian Nations (ASEAN), Japan and South Korea.

It is also negotiating a similar agreement with Australia and New Zealand but has no such plans for China.

Source: thehindubusinessline.com- Dec 25, 2018

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Governing council for MSME exports

The MSME Ministry has proposed to establish a governing council to ensure efficient delivery of all export-related interventions as part of its action plan to boost shipments from micro, small and medium enterprises.

The Ministry has recommended a detailed analysis of various trade agreements, including FTAs and bilateral and multilateral trade agreements, to identify areas of concern for MSMEs in the strategic action plan titled 'Unlocking the Potential of MSME Exports'.

Source: thehindubusinessline.com- Dec 25, 2018

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Despite global trade war, India managed to grow its exports in 2018

The year started with monthly trade deficit soaring to a 56-month high

Despite a global trade war, India managed to grow its exports in 2018 but high crude prices and rising domestic demand continued to inflate the trade deficit at a faster rate.

The year started with monthly trade deficit soaring to a 56-month high. By October, it had risen to more than $153 billion.

Despite reports of crippling capital inadequacy in the wake of the new Goods and Services Tax regime, double-digit export growth continued for half of the year.

On the other hand, imports also shot up as volatile crude prices made a comeback to haunt policymakers after a year of relative ease. India's current account deficit (CAD) is expected to triple to $19-21 billion in Q2 of FY19, or about 3 per cent of the GDP, from the modest $7 billion in Q2 last fiscal year, economists predict.

As a result, the government placed import restrictions and raised inbound duties on six separate occasions for hundreds of products including textile inputs, steel, mobile phones and solar panels, among others. The move was strongly criticised for raising protectionist barriers at a time when economic growth was tepid.

But India managed to navigate through a field of tariff landmines as a trade war between the United States and China heated up throughout the year. New Delhi countered threats by the Donald Trump administration to cut market access for Indian goods by entering protracted negotiations with the US, that continue at the time of writing.

Source: business-standard.com- Dec 26, 2018

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Maharashtra co-operative spinning mills to get power subsidy of Rs 3 per unit

Officials from the textile department said that co-operative spinning mills are expected to set up solar power plants in their premises in three years.

In an attempt to give the textile industry a boost, the state government has decided to give a power subsidy of Rs 3 per unit to co-operative spinning mills for three years.

Officials from the textile department said that co-operative spinning mills are expected to set up solar power plants in their premises in three years. The concessions in power tariffs are not applicable for residential users, said an official, adding that the subsidy will be reviewed every year to reduce the overall financial burden.

Sources in the textile industry said that 90 co-operative spinning mills in the state are likely to benefit. "A committee has been set up under the chairmanship of the textile director. It is in the process of formulating the criteria to decide the eligibility," said an official, adding that the textile director would carry out random inspections to check whether the power is being used for the same purpose.

Apart from co-operative spinning mills, a power subsidy of Rs 2 per unit will be given to powerloom units and other textile processing units.

"The information about the power consumption and productions of the spinning mills and other textile units will be collected through global positioning system," the official said. In February, the state government approved a new textile policy for 2018-2023. A government resolution on giving the power subsidy was issued on Friday.

Welcoming the decision, Ashok Swami, president of the Maharashtra State Textile Mahasangh, said: "It will give a much-needed push to the industry. One of the major reasons for spinning mills to incur losses is the higher power tariffs in the state compared to the state."

Source: indianexpress.com- Dec 26, 2018

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Why MSMEs need much more than finance

The recent spat between the government and RBI on relaxing stressed assets classification rules to support MSMEs with more liquidity is understandable. India has 6.339 crore MSMEs (6.3 crore micro, 3.3 lakh small, 5,000 medium units).

They contribute 32% of total value-added and employ 11.1 crore workers, and have a major role to play for 'Make in India' to succeed as one-third of them are engaged in manufacturing activities and contribute about half the manufacturing output.

MSMEs are labour-intensive and have a huge potential to generate jobs. The government is keen to ensure better credit flow to MSMEs, but needs to do far more than partially improving access to finance.

Lack of transparency, small-ticket projects, inability for collateral requirement, etc, are the reasons for below-potential credit delivery to MSMEs, and most face poor access to finance within a system dominated by banks.

Bank credit to MSMEs as a percentage of GDP is around 6%—less than one-sixth of the levels seen in South Korea and China, and one-fourth in Thailand and Malaysia. As per the International Finance Corporation, the total financing demand of Indian MSME sector is Rs 32.5 lakh crore, but availability of funds, both internal and formal finance, is Rs 14.6 lakh crore. So, MSMEs are grappling with a formal credit gap of Rs 17.9 lakh crore, i.e. 56% of total demand.

Banks hesitate to grant loans due to lack of transparency, lack of financial discipline, high administrative costs of small-scale lending, high-risk perception, and lack of collateral. Another reason is high mortality rates of MSMEs—financial institutions are doubtful about their survival and growth and, therefore, under-financing happens.

According to the Federation of Indian Export Organisations, MSME units, particularly in labour-intensive sectors such as gems & jewellery, leather & leather products, RMG of all textiles, jute manufacturing including floor covering, carpets, handicrafts, agri-products and other sectors of exports, are either showing modest growth or are into negative territory. These sectors face liquidity crunch as banks and lending agencies have been tightening lending norms. MSMEs also face difficulties in raising funds from non-bank finance instruments, especially from the capital market.

They play a critical role in helping low-skill workers transition out of traditional sectors into more productive ones, facilitating integration with global value chains (GVCs) and significantly contributing to output. Evidence from OECD and from China and Thailand shows that MSMEs are prime drivers for participation in GVCs.

For example, 95% of enterprises in the OECD area are MSMEs, and in China, the Philippines, Thailand and Vietnam MSMEs are important drivers for their integration with GVCs. Over 80% of world trade takes place through GVCs, but Indian economy is least integrated with GVCs. Also, the growth MSMEs is essential to create decent jobs; estimates from NSS 2011-12 show that daily wage rates are much higher in enterprises with more than 20 employees.

Many schemes have been introduced to address these challenges, but problems have happened at implementation level—low procurement by PSUs as compared to target level, poor monitoring of financial accounts, delayed payments, absence of hand-holding, etc. Also, India has brought MSME schemes under DBT for reforming government delivery system.

As on December 31, 2017, it was seen that much of the benefits of schemes and total expenses are skewed towards a few, such as Prime Minister’s Employment Generation Programme, Credit Linked Capital Subsidy Scheme, and Performance & Credit Rating Scheme.

Also, the total expenses for schemes related to marketing assistance, IPR building awareness, etc, are marginally low in the current Budget allocation. This means that MSMEs are either reluctant to take benefits through DBT as they have to become part of the formal economy, or are ill-informed about the schemes.

Most schemes have emphasised on providing a package of required ingredients for MSME such as meeting credit requirements, facilitating technological upgrade, etc. In addition, the schemes do not emphasise on hand-holding at every step, which is a key factor for success.

MSMEs require a holistic support, starting from access to raw material, production processes, product design and development, access to markets, etc. However, most schemes have addressed these issues partly and require a serious re-look by the government and organisations supporting MSMEs.

Source: financialexpress.com- Dec 25, 2018

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GST relief for MSMEs: State finance ministers may recommend raising of threshold to Rs 75 lakh

A group of state finance ministers might recommend raising the turnover threshold for the goods and services tax (GST) from the current Rs 20 lakh to Rs 75 lakh, in a move that would give lakhs of micro and small enterprises the option to be outside the ambit of GST. Sushil Kumar Modi, deputy chief minister of Bihar, who is a member of the group, told FE that a proposal to raise the exemption threshold was found to be more practical than tax refunds in providing relief to MSMEs.

Modi, who holds the finance portfolio in the state and has been a key member of many GST-related panels over the last two-three years, also said a composition scheme similar to existing ones for traders and manufacturers could be made available for small services providers. The annual revenue limit for the scheme could be between Rs 50 lakh and Rs 1 crore.

However, the higher overall GST threshold might not dramatically reduce the number of GST registrants, 1.2 crore at last count. Nor would it impact the government's revenue in any significant manner. While a quarter of the firms registered with the GST Network (GSTN) have turnover between Rs 20 lakh and Rs 1 crore, their share in the government's GST revenue mop-up is just 5%.

Even as the mandatory lower limit for a firm to register for GST is Rs 20 lakh, more than half of the firms registered are those with turnover below that level. Though these sub-Rs 10 lakh firms contribute just 1.5% of the GST revenue, they prefer to be in the tax chain for the benefit of input tax credit and to keep large businesses (which are in the GST chain) as their buyers.

The panel headed by minister of state for finance Shiv Pratap Shukla was formed in August to suggest ways to make GST less burdensome for small firms. Although some states had proposed that MSMEs be refunded a portion of taxes paid by them, the group, Modi said, found the approach impractical.

A better solution was to restore exemptions enjoyed by some of these companies in the pre-GST regime. GoM for raising GST threshold to Rs 75 lakh The excise duty threshold was Rs 1.5 crore turnover, while units with annual turnover of up to Rs 10 lakh were in the service tax net. As for the state VAT, the entry threshold varied among states in the Rs 5 lakh-20 lakh range.

According to Modi, the composition scheme for small services providers could have revenue threshold between Rs 50 lakh and Rs 1 crore. The scheme, which provides for nominal tax rate without input tax credit is currently operational for traders and manufacturers with annual turnover of below Rs 1.5 crore.

The GST Council had previously disagreed on bringing the scheme for the services sector because the value addition in the industry could be large in some cases compared with manufacturing or trading. Taxing the services providers at nominal rate, it was feared, would result in foregoing significant amount of revenue.

“We need a better system for, say, a beauty parlour operator who runs a small business but finds 18% GST and related compliance cost prohibitive,” Modi said. Union finance minister Arun Jaitley last week had said the reluctance of small services providers in joining GST was one of the reasons for lower-than-expected growth in GST collections.

Modi, who heads the group of ministers that examined the option of raising revenue for flood relief in Kerala via a cess, said the group reached a consensus that the affected state should be allowed to levy a higher SGST to generate the extra revenue for relief and reconstruction.

However, a pan-India cess might not be favoured by the group as it could face dissent from some states, he said. The larger issue of generating funds under National Disaster Relief Fund, after the National Calamity Contingent Duty (NCCD) was subsumed under GST, would be left for the 15th Finance

Commission which would submit its report late next year, Modi said. He added that the Finance Commission, rather than the GST Council, would be best placed to decide if the compensation for states for GST revenue shortfall could be extended by three years to 2025.

"I personally believe that shortfall currently experienced by states would disappear in 3-4 years as was the case when states introduced VAT. However, to assuage states' fears, it could be best left to the Finance Commission to make that recommendation (on extending the compensation period)," Modi said. On the remarkable decline in Bihar's GST deficit, which came down to 20% in April-November period compared to 38% in August 2017-March 18 period, Modi said that earlier the GSTN software system was not able to allocate the deserved IGST portion to the state due to some glitch.

Source: financialexpress.com- Dec 26, 2018

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Tamil Nadu tops textile exports followed by Gujarat

Tamil Nadu tops in overall textile exports from India. Second is Gujarat, which has prominent textile hubs like Surat, Ahmedabad and Vapi, and third is Maharashtra with hubs like Mumbai, Ichalkaranji, Solapur and Bhiwandi.

However all 29 states and seven union territories are known for their own strength and specialization in textile and clothing. Among the 1,399 operational textile mills, 752 were in Tamil Nadu, followed by Maharashtra (135) and Andhra Pradesh (112).

Under the Amended Technology Upgradation Fund Scheme (ATUFS), launched last year, there are benefits in terms of a one time capital subsidy of 15 per cent for the garmenting and technical textiles segments with a cap of Rs 30 crores.

Besides, there is a 10 per cent capital subsidy for segments like weaving, processing, jute, silk and handlooms with a subsidy cap of Rs 20 crores for setting up new textile units or for expansion of existing units with benchmarked technology.

Production of Tamil Nadu textile manufacturers is expected to reach Rs 75,000 crores by 2020. Right now it's Rs 50,000 crores.

Currently India is looking to add around 3 to 3.5 million spindles a year against an average number of 2.5 million spindles over the past five years. The southern region is expected to contribute to about one million and more spindles every year.

Source: fashionatingworld.com- Dec 25, 2018

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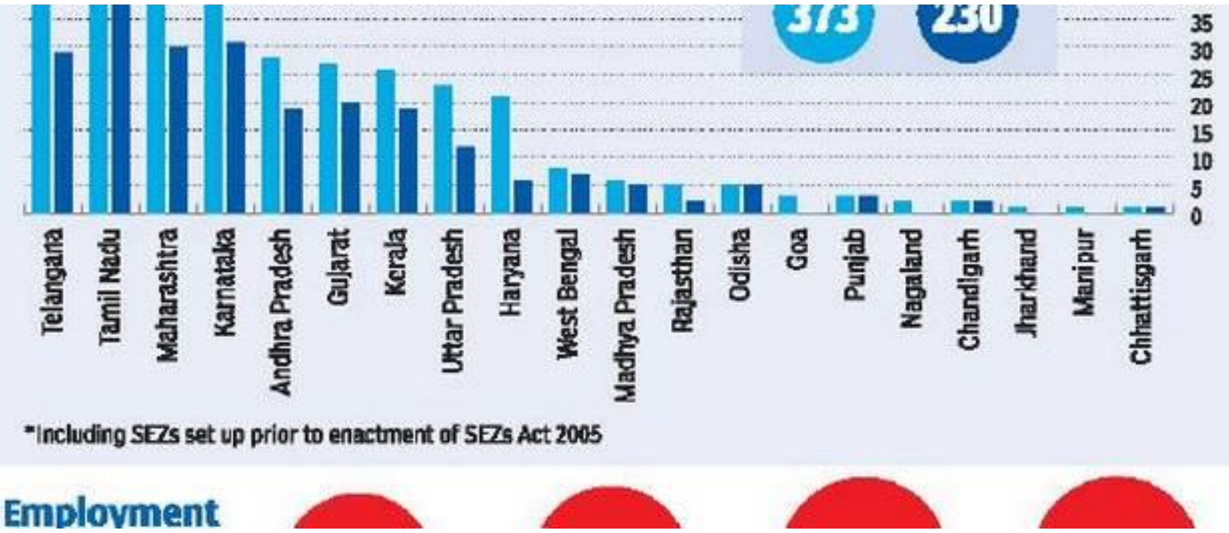
62% of SEZs are operational and have created 20 lakh jobs

TN, Kerala, M.P. ranked on top, according to data

The Ministry of Commerce and Industry data show that 230 out of the 373 Special Economic Zones (SEZs) in India are operational and have provided employment to as many as 20 lakh people.



In Chhattisgarh, Odisha, Punjab and Chandigarh all approved SEZs are operational while among four States which have more than 50 approved SEZs, Tamil Nadu tops the chart of operational SEZs with 75 per cent of its SEZs functioning without any hitch.

Tamil Nadu has 52 SEZs of which 39 are operational.

In Telangana, which has 57 — the highest number of notified SEZs — only 29 are operational. Karnataka and Maharashtra have 51 SEZs each of which 31 and 30 respectively are operational.

Kerala, West Bengal, Gujarat and Madhya Pradesh are the States where more than 70 per cent SEZs are functioning. Not a single SEZ is operational in the four States of Goa, Nagaland, Jharkhand and Manipur while 71 per cent SEZs in Haryana and 60 per cent in Rajasthan are defunct.

As many as 239 (64 per cent) SEZs are located in five States including Telangana, Tamil Nadu, Maharashtra, Karnataka and Andhra Pradesh.

Employment generation through all SEZs across India was 15,91,381 in 2015 -16. Calculated on a cumulative basis, employment through SEZs is 19,96,610 in 2018-2019. Exports in the manufacturing sector from SEZs during the last four years is over ₹8 lakh crore, the Ministry of Commerce and Industry told the Lok Sabha.

In addition to 7 Central Government SEZs and 11 State/Private Sector SEZs set-up prior to the enactment of the SEZs Act, 2005, approvals have been accorded to 420 proposals for setting up of SEZs, of which 355 have been notified.

SEZs being set up under the SEZs Act, 2005 and SEZs Rules, 2006 are primarily private investment driven. No funds are sanctioned by the Central Government for setting up of SEZ. However, the fiscal concessions and duty benefits have been allowed to developers/units as per the SEZs Act, 2005 and Rules thereunder.

The government had constituted a Group under the Chairmanship of Baba Kalyani, Chairman, Bharat Forge, to study the Special Economic Zone (SEZ) Policy of India. The Group, which submitted its report in November recommended a framework shift from export growth to broad-based Employment and Economic Growth (Employment and Economic Enclaves-3Es) and formulation of separate rules and procedures for manufacturing and service SEZs.

Source: thehindubusinessline.com- Dec 25, 2018

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Govt must water down Angel Tax provision for start-ups: Experts

The Centre would do well to water down the 'Angel Tax' provision, and that too retrospectively,

in the upcoming Budget (Vote on Account) to alleviate the misery of thousands of start-ups that have come under the scrutiny of the taxman, say experts and economy watchers.

As an alternative, the Department of Industrial Policy and Promotion (DIPP) must tweak its criteria for recognising start-ups so that more number of them stand a chance for Angel Tax exemption, they said.

Although there are several reasons why fewer start-ups are getting the exemption from 'Angel Tax', tax experts feel that only the Revenue Department is now best suited to remedy the situation for start-ups on a permanent basis.

The main pain point for many start-ups is not that they are not getting recognised as 'start-ups' under DIPP norms, but the fact that their capital is getting treated as 'income' and brought under the tax net, a tax expert said.

Taxing new investments coming into a start-up by treating capital as income will kill entrepreneurship, the expert added.

Moreover, the DIPP's norms stipulating that start-ups would be eligible to claim exemption from 'Angel Tax' only for proposed issue of shares is a big pain point. Start-ups are ineligible to claim Angel Tax exemptions for shares issued in the past (prior to April 11, 2018), according to DIPP.

Post the DIPP's April 11 notification, only start-ups recognised by DIPP with a valid certificate of recognition will qualify to be examined (by the Income Tax Department) for Angel Tax exemption under the income tax law. Between April and now, only two start-ups have made the cut in obtaining such exemption.

"The angel tax provision (Section 56 of the income tax law) should get watered down in the upcoming Budget," Anish Thacker, Tax Partner, EY, told BusinessLine. This is even as the provision was introduced as an anti-money laundering provision.

Aseem Chawla, Managing Partner, ASC Legal, said the instructions of CBDT to its field officers do suggest that the provisions of the Income Tax Act were being applied in a fairly mechanical manner without considering the actual ground realities with such start-ups.

“It is well known that the exemption from Angel Tax levy was given to those start-ups which were recognised by DIPP. It is well known that DIPP criteria has been such that only a handful of start-ups have been able to make it,” Chawla said.

Innovation factor

Another critical aspect for fulfilling the DIPP’s criteria is the “innovation” point that start-ups aspiring for an IMB recognition must establish.

Many start-ups are getting rejected on the “innovation” factor and inability to convince the board that the business is scalable in terms of employment generation or wealth creation. Some experts, however, contend that “innovation” is a subjective aspect.

Nakul Saxena, Director Public Policy at the Indian Software Products Industry Round Table (ISPIRT), a think tank that works with companies and government, said: “It is not possible for a third party, who does not have a stake and who does not know about the industry very well to decide if this is innovative enough and if this will survive or not.”

According to Saxena, “When it comes to start-ups, an investor puts in money because he or she sees some value in the start-up where others might not. It could be because he or she has a background that helps in better understanding of the sector.”

Source thehindubusinessline.com- Dec 25, 2018

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Maharashtra lures textile units facing in problems from Karnataka, TN

State seeks make Solapur a major textile hub, is holding three-day fair in Bengaluru to rope in investors, offers cheaper power to units set up on its territory

The government of Maharashtra is seeking investment in the textiles sector from Tamil Nadu and Karnataka where integrated textile chains are grappling with several problems, including power cuts and enquiry from the pollution control board.

Textiles minister of Maharashtra Subhash Deskmukh has urged investors to inject funds into Maharashtra to enable the state government make Solapur a uniform and textiles hub.

To intensify the appeal, the government of Maharashtra is organising a three-day Uniform, Garment and Fabric Manufacturers Fair in Bengaluru between January 8 and January 10. Since its launch nearly three years ago, nearly 400 textiles units have been set up in the Solapur textiles hub, which the government of Maharashtra plans to raise to 2,000 by 2022.

"Our move is to give an equal opportunity to all stakeholders from the textiles industry to become a part of it.

All types of uniforms – be it school, industrial, hospital, work wear or hotel staff wear – will be available under one roof at the venue.

The fair will see brands, retailers, dealers, manufacturers, wholesalers, retail chains, semi-wholesalers, traders, distributors, e-commerce agents and retail chains participate in the fair in large numbers.

Solapur has the unique distinction of being the country's centre known for high quality uniforms and garments," said Deshmukh.

In the new textiles policy, the government of Maharashtra announced Rs 3 per unit of power tariff for co-operative cotton mills and Rs 2 per unit for power looms, cloth processing garment and hosiery units.

The state had set aside Rs 1.5 billion for the purpose.

The state government announced that in an effort to promote the processing of cotton, silk and other raw materials used for traditional and man-made purposes, the government intended to invest as much as Rs 46.49 billion in various schemes to be implemented under the 'Fibre to Fasion' mission from 2018-23. The state aims to generate one million jobs by 2023.

SPINNING A DREAM

- Textiles minister of Maharashtra Subhash Deskmukh has urged investors to inject funds into the state
- Proposes lower electricity tariff and other benefits
- State government aims to make Solapur a textiles hub
- Organises a three-day textiles fair in Bengaluru between January 8 and 10

Source: business-standard.com- Dec 25, 2018

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