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# IBTEX No. 42 of 2020 February 27, 2020

US 71.64| EUR 78.16 | GBP 92.62| JPY 0.65

| Cotton Market (Feb 13, 2020) | | |
|---|---|---|
| **Spot Price - Shankar 6 ( Ex. Gin), 28.50-29 mm** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 18900 | 39500 | **70.40** |
| **Domestic Futures Price (Ex. Warehouse Rajkot), February** | | |
| **Rs./Bale** | **Rs./Candy** | **USD Cent/lb** |
| 19520 | 40797 | **72.71** |
| **International Futures Price** | | |
| NY ICE USD Cents/lb (March 2020) | 69.24 | |
| ZCE Cotton: Yuan/MT ( May 2020) | 13,025 | |
| ZCE Cotton: USD Cents/lb | 84.74 | |
| **Cotlook A Index – Physical** | **77.20** | |

**Cotton Guide**- The Financial and the Commodity markets are slightly positive. The reason attributed to this is positive news coming in from China that the number of newly infected Coronavirus victims has declined during the last 3 days. The Dow Jones Industrial Average is High, WTI Crude Oil Prices have moved north by around 1.5 $ per Barrel and Cotton consequently followed the positive news thus registering positive gains.

The market seems to follow the current short term happenings. However, we continue to remain biased towards the bearish to sideways trend. The reason why we give a consolidated stance is –there is news that the vaccination will take almost a year to be developed with proper scientific research. Currently the Corona virus which is now named

COVID-19 is being contained by various measures and not eradicated. This implies that a threat of it becoming a pandemic still looms at large.

While speaking about the ICE futures contracts, we need to make an important note that the volumes and open interest have now shifted from the ICE March contract to the ICE May contract. ICE March contract grabbed 24,948 contracts as volumes and 48,453 contracts as Open Interest whereas the ICE May contract grabbed 27,784 contracts as volumes and 94,817 contracts as Open Interest. The ICE March contract settled at 68.58 cents per pound with a change of +35 points whereas the ICE May contract settled at 69.24 cents per pound with a change of +50 points.

The MCX contracts on the other hand remained consolidated yesterday; we expect the same trend to continue. The MCX February contract settled at 19,170 Rs per Bale with a change of +10 Rs. The MCX March contract settled at 19,430 Rs per Bale with a change of -10 Rs. The volumes were double as compared to the previous figure; they were registered at 1413 lots.

The Cotlook Index A has been kept unchanged at 77.20 cents per pound. While speaking about the average prices of Shankar 6, it is available to exchange hands at 39,500 Rs per Candy. Punjab J-34 is quoted at 4,040 per maund. Arrivals of Cotton in India is still above the 2 lakh Bales mark.

On the fundamental front we expect prices to remain consolidated for both ICE and MCX. On the technical front, in daily chart, ICE Cotton May is moving towards the higher band of the downward sloping channel, which coincides with the lower bound of the rising channel near 69.90. Cotton m ay future has crucial resistance near 70(38.2% Fibonacci retracement level), where price would look to complete a pullback before it resumes it bearish bias. Meanwhile price is moving around the 5 & 9 day EMA at 68.93, 68.92, along with RSI at 48 suggesting for the sideways bias in the market. However, the next support for the price would be 68.01 recent low & 66.82 (76.4% Fibonacci retracement level) & the immediate resistance is around 69.90, which is 38.2% Fibonacci retracement level. Thus for the day we expect price to hold the range of 68.00-69.90 with a sideways bias. In MCX Feb Cotton, we expect the price to trade within the range of 18900-19350 with a sideways bias.

**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

## 60% of US Manufacturers Feeling Outbreak's Effects, NCTO Says Textile Sector 'Ready' to Help

The U.S. textile industry has been aiding efforts to provide supplies and equipment to China and other areas affected by the coronavirus, and it's also poised to step up and provide production to companies that might find their supply chains disrupted by the deadly epidemic.

"The coronavirus has impacted Asian textile and apparel manufacturing productivity and output, and our concerns lie with the affected companies and workers during this terrible crisis," Kim Glas, president and CEO of the National Council of Textile Organizations (NCTO), said Tuesday. "The U.S. textile industry continues to be ready, able and willing to help in any way possible."

Glas said the industry has been in touch with U.S. government officials to help identify key textile suppliers to provide surgical masks and other items to help contain the spread of the coronavirus, which has sparked more than 80,000 confirmed cases globally and killed more than 2,700. In addition, several companies have donated much-needed medical textile supplies and other sanitary items to help mitigate the outbreak.

"Given the uncertainty in the market as a result of the coronavirus, many textile and apparel sourcing executives are seeking alternatives outside of Asia," Glas said. "We stand ready to assist brands and retailers looking to shift sourcing during this uncertain time.

"The Western Hemisphere production platform established under our free trade agreements and trade preference programs provides a sound alternative as companies look to diversify their sourcing," she added. "The region has immediate capacity to meet worldwide demands with duty-free access through well-established supply chains."

Quantum Materials, a manufacturer of custom, advanced textiles based in Greensboro, N.C., said it is accelerating investments in new manufacturing equipment to meet increased demand for domestic production capabilities.

The company will spend $3.5 million to further diversify its business with customized state-of-the-art manufacturing equipment to support research, development and manufacturing for non-traditional and high-performance woven textile solutions.

While the company had budgeted for capital investments in the second half of 2020, global supply chain disruptions and market voids have generated a surge of interest in specialized domestic production capabilities.

Many companies diversified their sourcing to avoid a reliance on China during the U.S.-China trade war, and with factories now forced to close beyond the normal period of Lunar New Year, those decisions might be paying dividends.

Quantum noted it has a vertically integrated structure to manufacture a wide range of high-performance yarns and fabrics.

"Over the last 18 months, our R&D team has been working on proprietary, custom equipment designed to give us the flexibility to work in any textile-related industry needing specialized yarns and/or fabrics," Jeff Bruner, Quantum founder and vice chairman, said. "We made the decision to fast track this project so that we can be a domestic resource due to many of the current global dynamics affecting our industry."

NCTO didn't have information on whether the COVID-19 outbreak has impacted any imports of inputs needed for U.S. apparel and textile manufacturing. But a new survey from Thomas, a specialist in product sourcing, supplier selection and marketing solutions, said 60 percent of North American manufacturing companies are already feeling the disruptions caused by the coronavirus crisis.

"Ultimately, the coronavirus outbreak will cause a slowdown, especially for the automotive and tech sectors," Tony Uphoff, president and CEO at Thomas, said.

"As the challenges in China continue, businesses may need to diversify their supply chains to be able to meet surging demands. It is clear from many of our survey respondents that the longer this drags on, the more the North American manufacturing sector and economy will feel its effects."

According to the survey, 45 percent of suppliers report disruption to their shipping and logistics, 35 percent report incidents of offshore factory suspension and/or production restrictions and 8 percent report that the coronavirus outbreak has sparked a surge in cost of goods.

Source: sourcingjournal.com- Feb 26, 2020

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## Coronavirus Spread to Japan, South Korea Raises Risks to US Supply Chains

The coronavirus outbreak presents a growing risk to American supply chains as it spreads beyond its epicenter in China to countries like Japan and South Korea where confirmed cases are piling up.

While apparel isn't immediately impacted by the virus' appearance in these Asian nations, a shortage of parts for industrial components such as machinery could affect firms that produce apparel in the U.S.

"Although China claims the top spot as the most important country for American imports [with more than $450 billion in 2019], the United States imported more than $140 billion worth of goods from Japan last year and nearly $80 billion from Korea. Together, these three countries accounted for more than 25 percent of total American imports last year," Jay H. Bryson, Wells Fargo's acting chief economist, said.

Bryson's team believes the U.S. has a sufficient stock of supply inputs on hand to cushion against delays connected to factory production of China-made components over the near-term. But with the spread of the health crisis to China's Asian neighbors, the Wells Fargo economics team took a closer look at U.S. imports from all three Asian nations.

Apparel and leather top the list with nearly 40 percent originating from China, with just a fraction from Japan in the 1 percent range. Textile products also saw China leading the imports list to the U.S., at just over 45 percent, while Japan's share is about 2 percent and South Korea in the 3 percent or 4 percent range.

Of the three countries, nearly 60 percent of furniture imports originate from China, but those are finished goods. In contrast, the U.S. imports more than 50 percent of computer and electronic products, some of which use intermediate inputs from China, Japan and Korea. The three countries also are important suppliers of electrical equipment, plastics, fabricated metal products and machinery, among other categories.

"As producers inevitably drawdown inventories, however, they will become more at risk to supply chain bottlenecks as a result of the virus," Bryson said.

As the second wave of coronavirus outbreaks infect other countries, including Iran and parts of Northern Italy, concerns mount that the health crisis could mushroom into a global pandemic.

While the World Health Organization has stopped short of describing the current outbreak as a pandemic, it has cautioned that the window of opportunity to contain the virus is narrowing with each passing day. And as the infections crop up in other countries, health professionals are concerned about the lack of any conclusive evidence on how the coronavirus, officially known as COVID-19, is transmitted.

Those concerns are also causing stock-market jitters as investors fear a prolonged global slowdown. On Monday, the Dow Jones Industrial Average ended the day's trading session down 1,031.61 points, or 3.6 percent, to close at 27,960.80.

That decline, the worst in two years, essentially erased the gains made so far in 2020. The last big drop was on Feb. 5, 2018, when the Dow plummeted 1,175 points. The VIX, or CBOE Volatility Index that is considered the go-to measure for fear on Wall Street, spiked up nearly 8 points, or 46.6 percent, to 25.03.

Source: sourcingjournal.com- Feb 26, 2020

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## Global denim jeans grows four per cent

The denim jeans market worldwide is growing by 4.3 per cent. Within Europe, Germany will add to the region's size and clout in the next five or six years. In Japan, denim jeans have a significant market size.

As the world's second largest economy, and the new game changer in global markets, China exhibits the potential to grow at 6.8 per cent over the next couple of years.

The US market is growing 3.4 per cent. Denim brands in the US are figuring out how to appeal to Gen Z. These are consumers born since 1996. They account for 40 per cent of all US consumers.

Shapeless T-shirts, sweatshirts, dresses and other low-key staples like denim appeal to Gen Z because they're effortless and without pretense, which is exactly what they aspire to be.

Most of consumers prefer their denim jeans be made of 100 per cent cotton or cotton blends. Vintage vibes delivered in lighter weights is just what the younger set prefers.

Even though these young consumers spend the least on their denim, Gen Z shoppers say price isn't the most important factor when they buy new jeans. Rather, they put a higher value on fit, comfort and quality.

Source: fashionatingworld.com- Feb 26, 2020

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# Non-tariff measures may act to obstruct trade between EU and UK

Non-tariff measures (NTMs) could cause major fractures in post-exit trade relations between the United Kingdom (UK) and the European Union (EU), knocking up to US$32 billion, or 14 per cent, off of UK exports to the EU, according to a new UNCTAD study.

The study quantitatively explores the post-Brexit role of NTMs and the consequences for developing countries by simulating possible impacts using a panel data gravity model, said the report released on Tuesday.

Under a tariffs-only scenario, exports of developing countries to the UK would increase 1.3% to 1.5% while a tariffs-and-NTMs scenario would see them rise 3.5% to 4%, according to the study.

The positive impact would be strongest in agriculture, food and beverages, wood and paper sectors and weakest in electrical and machinery, metal products, chemicals, and textiles and apparel industries.

NTMs are policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices, or both.

They are the key factors mediating market access in the world economy. Potential losses under a "no-deal" Brexit from tariffs that may be imposed by the respective parties are estimated at between $11.4 billion and $16 billion or 5-7% of current exports.

The new study "Brexit beyond tariffs: The role of non-tariff measures and the impact on developing countries" says NTMs would double those losses.

The study also projects that even if a "standard" free trade agreement were to be signed by the parties, the UK's exports could still drop by 9%.

The losses would deal a major blow to the UK's economy, as the EU market accounts for 46% of the UK's exports. Mounting trade costs due to non-tariff measures and potentially rising tariffs would more than double the adverse economic effects of Brexit for the UK, the EU and developing countries, the study notes.

"EU membership has its advantages to deal with non-tariff measures that even the most comprehensive agreement cannot replicate. This offers important lessons to other regions trying to deal more effectively with such non-tariff measures," said UNCTAD's director of international trade, Pamela Coke-Hamilton, while presenting the study's findings.

**Potential boon for developing countries**

On the flipside, exports from developing countries into the UK, and to a smaller extent into the EU, could increase if the former doesn't increase tariffs for third countries.

A no-deal Brexit could offer some opportunities for developing countries as trade barriers between the UK and the EU would benefit suppliers from third countries.

By contrast, a deal between them would preclude the incentive to turn to third countries, the study finds.

However, the positive third-country effect could be diminished by increasing regulatory divergence.

If the UK's regulations divert over time from the EU's, trade costs would rise for third countries due to production process adjustment costs and potential duplication of proofs of compliance.

This would disproportionately affect smaller and poorer countries as well as small and medium-sized enterprises.

**'Hard' and 'soft' exit scenarios**

The UK left the EU in January. The two parties aim to determine their future trade relations during a transition period that lasts until the end of this year. While a "hard" exit scenario would result in the study's projections, the economic effects of a "soft" exit in which the status quo is largely maintained pending negotiation of a future trade relationship would depend on the details of that relationship.

Based on the study's results, that relationship should deal with NTMs in a more comprehensive way than typical free trade agreements (FTAs) and customs unions observed in other parts of the world to minimize potential negative effects.

Around one-third of the EU's total trade promoting effect among members is accounted for by the way in which it deals with NTMs.

Standard FTAs and customs unions have their trade-promoting effects primarily through tariff reductions.

While tariffs are important in the EU context as well, there is nonetheless substantial evidence of an EU effect on trade that is above and beyond the effect of zero tariffs, primarily due to the effectiveness of its approach to dealing with NTMs.

## Examples of non-tariff measures

NTMs include regulatory measures protecting health safety and the environment as well as traditional trade policy measures such as quotas and non-automatic licensing.

Regulations affect most of the products we use in our daily lives: packaging requirements and limits on the use of pesticides ensure food safety; restrictions on toxins in toys protect our children; mandatory voltage standards for household plugs enable regional mobility; and emission standards for cars limit climate change.

Source: unb.com.bd- Feb 26, 2020

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# Bangladesh: Economy feels the heat of coronavirus

The domestic economy has started to feel the heat of coronavirus owing to disrupted supply from China.

Industries across China have halted operations due to the deadly virus outbreak, affecting supply of raw materials to producers around the world, including Bangladesh.

The situation in China has also led the bilateral trade between Dhaka and Beijing to near standstill, insiders said.

Local manufacturers and industries such as garments, steel, cement, plastic, electronics, food, medicine, cosmetics and chemicals import raw materials and intermediate goods, from China and supplies to these sectors have already been disrupted.

Industry representatives have expressed concerns to this end urging the government to chalk out steps to deal with the situation.

"Several key sectors in Bangladesh economy depend heavily on imports from China, where production has come to a near-halt due to the supply disruption," former President of the Federation of Bangladesh Chambers of Commerce and Industry ( FBCCI) M Shafiul Islam (Mohiuddin) told The New Nation.

He said even shipments from Bangladesh to China have also been halted due to the coronavirus outbreak causing losses to exporters.

"The disruption in supply of raw materials makes things worse for domestic clothing industry in conjunction with falling garments exports," Vice-President of Bangladesh Garment Manufacturers and Exporters Association (BGMEA). M.A. Rahim (Firoz) told The New Nation.

Bangladesh imported textiles and other raw materials from China worth $5.02 billion during fiscal year 2018-19, according to BGMEA.

Besides, about 40 per cent of the capital machinery and spare parts for the textile and garment industry comes from China.

"Local apparel industry meets almost half its raw materials requirement from China. If supply chains remain disrupted throughout March, many garment factories will be closed," warned Firoz calling for immediate government measures to save the country's largest export sector.

Garment export contributed 84.21 per cent to Bangladesh's total exports income of $40.53 billion in the last fiscal.

Total garment exports amounted to $34.13 billion posting an 11.49 per cent growth during the period, according to the Export Promotion Bureau (EPB). "The deadly virus has brought a large part of the world's second-largest economy, China, to a standstill and its impact has been felt across global economy. Being an integral part of global economy, Bangladesh has also started to feel the heat of it," economist Dr Zahid Hussain told The New Nation.

Referring to a Tariff Commission report, he said, the Commission has already assessed Tk 6,000 crore possible losses in key five domestic economic sectors. "It is also working to assess possible losses in 10 other sectors amid mounting concern over the virus fallout by the industry bodies." The Commission has already submitted its interim report to the Commerce Ministry.

"Right now China is the largest trade and investment partner of Bangladesh. The country is also implementing several mega projects, including Padma Bridge, here involving many Chinese nationals. So, the impact on the Bangladesh economy could become severe in case of a lingering coronavirus crisis in China," noted Dr Zahid.

When asked, he said the country garment sector is the most vulnerable to the coronavirus impact when China is the main raw material supplier. But several other industrial sectors like leather, jute, garment accessories and packaging may also bear the brunt due to the supply disruptions.

To offset China effect, Dr Zahid suggested the local manufacturers to look for alternative raw materials suppliers.

Bangladesh's total raw materials and other imports from China reached $13.65 billion last fiscal.

"The virus outbreak has already affected the Sino-Bangla bilateral trade. Besides, a knock-on effect of the trade disruption is expected to have an adverse impact on our outbound shipments," said economist Dr AB Mirza Azizul Islam.

"Local manufactures are passing their days in deep fear due to uncertainness on the Chinese supply. The opening of letters of credit (L/Cs) for importing industrial raw materials has already been affected. If the coronavirus epidemic lingers on in China, it will cause a further delay in supply and will certainly affect production of local industries," FBCCI Vice-President M Siddiqur Rahman told The New Nation.

He cited, "Bangladesh's apparel production will hit the most and the national economy will ultimately bear the brunt of it."

Besides, prices of a number of commodities and consumer goods imported from China have already spiked in the domestic market in conjunction with the supply disruption.

In this situation, economists have urged the government to explore alternatives to overcome the situation.
"For Bangladesh, China is an important trading partner and policymakers should be more 'watchful' of the developments that are taking place," said Dr Zahid.

Source: thedailynewnation.com - Feb 27, 2020

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## Pakistan: Raw material shortage hits textile industry

Wax rolls producers in the city alleged that they were not getting raw material from the state-run oil companies despite paying 100 per cent advance payment. Now, they were forced to procure it from overseas.

These wax rolls are used on spinning and winding machines for waxing yarn threads. Wax rolls are made using paraffin and waxes obtained from crude oil.

The manufacturers alleged that the situation was created after the oil companies nominated and authorised an agent to sell the raw material. Pankaj Mehra, an industrialist, said, earlier local units had been using fully refined paraffin wax from Indian Oil Corporation, Numaligarh Refinery Ltd, Chemact Petrochemicals, China, Nippon Seiro, Japan, and also from Egypt. Now, they have been procuring the wax from Numaligarh Refinery.

In a letter to the Prime Minister's Office he alleged that distributors' cartel was denying them regular supply of the wax roll, hampering their business. He alleged distributors were now asking for premium. So, they do not have any alternative but to import the raw material.

Source: tribuneindia.com- Feb 26, 2020

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## 'Coronavirus likely to have an adverse impact on Pakistan's economy'

Coronavirus (COVID-19) is likely to have an adverse impact on Pakistan's economy like the way the epidemic has taken its toll on the global markets and the economy.

The virus, since its outbreak in mid-December 2019, has caused turmoil in the world's second-largest economy, China, with a trickle-down effect on nearly all big economies including those of the European Union, United States, Japan and South Korea.

Until now, the virus has reached 29 countries, affecting their economies, supply chains, production lines and equity markets.

Pakistani markets and imports are also starting to feel the impact of the outbreak despite the fact that not a single case of the disease has been reported in the country. However, the virus is spreading fast in neighbouring Iran.

Many economists and stakeholders are reluctant to anticipate the impact of the virus on Pakistan's economy. However, a few of them are sceptical while some others are optimistic about converting the threat into an opportunity.

"I think we should not anticipate the impact of the virus on Pakistan at this point in time because quantification is difficult," remarked former finance minister Dr Hafeez Pasha. "Look at the global economies, stock markets have collapsed and oil prices are tumbling. Apart from gold, everything is disturbed due to the fast growing infections, one can have an idea of the negative impact on Pakistan's economy," Pasha added.

Lahore and Islamabad stock exchanges' former chief executive officer Aftab Ahmad said policymakers and data analysts in Pakistan were underestimating the possible impact of COVID-19 on the economy. He was of the view that it could lead to a negative growth in Pakistan. "In China, the virus is likely to cause a 25% drop in GDP in the first quarter of 2020, to 4.5% from 6%," Ahmad told The Express Tribune. "Globally, the epidemic is likely to result in a revenue loss of $1.5 trillion in the whole year."

He pointed out that the plunge of over 1,100 points in the KSE-100 index on Monday following a slump in global stock markets was a clear indication that market participants were bracing for a much harder landing for Pakistan.

"It may deal a blow to our already stressed economy," he emphasised. "In the longer run, Pakistan may have to allocate massive additional resources to tackle the challenge and improve its healthcare facilities." However, the federal and provincial governments are making extensive efforts to prevent the virus from entering the country.

The brighter side for the economy is the mounting orders for textile products being received by Pakistani businessmen. Global textile producers anticipate a disruption to the supply chains since China accounts for a big part of the global textile production.

According to Dun & Bradstreet, a US-based commercial data, analytics and business insight provider, five million companies are expected to be affected globally by the virus. Some analysts believe that following the outbreak of the virus, many companies would rethink their sourcing strategies.

"There is no doubt that Pakistan is receiving massive textile orders from Europe and USA, mainly for denim and home textile, and at present, buyers are offering higher prices," said Pakistan Readymade Garments Manufacturers and Exporters Association Patron-in-Chief Ijaz Khokhar while talking to The Express Tribune. “However, buyers demand assurances of timely and quick delivery.”

The official termed it a golden opportunity for Pakistani companies to grab a considerable share in the global market. However, he lamented that the sector was already combating scores of challenges like higher energy tariffs and the lack of supply chain. Khokhar stressed that Pakistan would have to establish a proper supply chain without which it could not enhance exports and take advantage of the current opportunity.

“Buyers of textiles keep at least three sources of supply for their products,” he pointed out. “We currently are dependent on China for all technical and functional fabrics, dyestuff, accessories including sewing thread and even packaging.” He urged the government to prepare a contingency plan for establishing a proper supply chain besides addressing domestic issues or else Pakistan’s competitors would benefit from the crisis.

Source: tribune.com.pk- Feb 26, 2020

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## Vietnam: Textile producers face closure as coronavirus cripples imports

Textile firms across Vietnam are facing the possibility of closure as the coronavirus outbreak hampers material imports from China.

Truong Van Cam, deputy chairman of Vietnam Textile and Apparel Association (VITAS), told a recent forum many small and medium textile producers would run out of feedstock by the end of this month and may have to close down next month.

These companies, which account for around 90 percent of the industry, have reduced working hours, with supply orders remaining unfulfilled due to the coronavirus, he explained.

Limited cross-border trade with China, where 60 percent of textile materials are sourced, have seen producers struggle to supply buyers in Thailand, Indonesia, South Korea and Japan, it was added.

In Binh Xuyen District of northern Vinh Phuc Province, where a lock down order serves to contain the spread of the virus, many garment factories are running at minimum capacity as staff are quarantined.

Exports to China are also struggling. Vietnam Cotton and Spinning Association (VCOSA) stated most producers had reported plummeting cotton orders from the country, and are concerned about this year's profits.

Vietnam's textile exports in January fell 23.5 percent year-on-year, while imports fell 28.5 percent. "The industry has never seen such a steep drop," said Cam, blaming the seven-day Lunar New Year holiday (January 23-29) and coronavirus outbreak.

Fitch Solutions, a unit of credit rating firm Fitch Group, said small and medium textile producers would struggle to tap an alternative source of input, with unemployment and closures expected.

Tran Thanh Hai, deputy head of the Trade Department, said even after the epidemic is contained the industry would still struggle due to its reliance on Chinese imports. Some companies have been looking for alternative markets as Chinese businesses won't resume full operation until mid-March, with Indonesia, India, Bangladesh and Brazil potential sources.

Insiders have proposed lower road and port tariffs to support textile companies amid the outbreak. Textiles were among the largest export categories in Vietnam last year with a value of $32.8 billion, up 7.8 percent from 2018.

The U.S. was the largest export market, followed by the E.U. and Japan.

Source: e.vnexpress.net- Feb 26, 2020

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## Bangla Tariff Commission fears grave impact on China trade

The impact of the coronavirus outbreak on Bangladesh-China trade is already visible and may seriously affect it in the long run, according to the Bangladesh Trade and Tariff Commission, which recently forwarded a preliminary report on the epidemic to the commerce ministry. Bangladesh's major export sectors have already been affected, its report said.

The commission said nearly 60 per cent fabrics of the wovens sub-sector are being imported from China and the negative impact of the epidemic on this sector is already apparent.

It said some 15 to 20 per cent raw materials and 80 to 85 per cent dyeing chemicals and accessories of knitwear sector comes from China. The supply chain of these items is already facing disruption.

The commission said some 60 to 65 per cent of country's total finished leather and leather goods is being exported to China and this sector may incur a loss worth Tk 30 billion due to the coronavirus outbreak.

Around 40 per cent of raw material of garment accessories and packaging manufacturing industry worth $1.6 billion is being imported from China every year. Due to supply chain disruptions, players in this sector fear a loss worth Tk 15 billion, the commission said in its report.

The commission is now calculating the possible loss from the shipment suspension due to the coronavirus epidemic, according to a Bangladesh newspaper. Bangladeshi jute spinners export goods worth $5.32 billion annually to China that now remain suspended, the commission said.

The annual import of raw materials for the printing industry from China stands at $1.8 billion. The sector’s loss may reach up to $3.6 billion. China is a top sourcing partner for Bangladesh with annual import of $13.85 billion while export to the country is around $831 million.

Source: fibre2fashion.com- Feb 26, 2020

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# NATIONAL NEWS

## CCEA approves National Mission for Technical Textiles with allocation of ₹1,480 crore

The Cabinet Committee on Economic Affairs has approved the launch of the National Mission for Technical Textiles with a total allocation of ₹1,480 crore for a four-year period in line with the announcement made in Budget 2020-21 earlier this month.

"The idea behind the National Mission for Technical Textiles is to integrate technology and manufacturing," Textiles Minister Smriti Irani said at a press meet following the CCEA meeting on Wednesday.

She added that the goal was to be self-dependent in technical textiles and to nullify the trade deficit in the area which was already declining.

Technical textiles have various applications ranging from agriculture, roads, railway tracks, sportswear, health on one end to bullet proof jacket, fire proof jackets, high altitude combat gear and space applications on the other end of the spectrum.

### Focus on research and innovation

The first component of the mission will focus on research, innovation and development and have an outlay of ₹1,000 crore. The focus will be on carbon fibre, aramid fibre, nylon fibre, and composites, according to an official release.

Application-based research will be conducted in CSIR, IIT, Research Design & Standards Organisation of Indian Railways, Indian Council of Agricultural Research, Defence Research & Development Organisation, National Aeronautical Laboratory, Indian Road Research Institute and other such reputed laboratories, Irani said.

Indian technical textiles segment is estimated at $16 billion that is approximately 6 per cent of the $250-billion global technical textiles market.

The penetration level of technical textiles is low in India varying between 5 per cent and 10 per cent against the level of 30-70 per cent in developed countries. “The Mission will aim at increasing the size of the domestic market to $40 billion which would require an average growth of at least 10 per cent per annum,” the Minister said.

The Mission will also promote technical education at higher engineering and technology levels related to technical textiles and its application areas covering engineering, medical, agriculture, aquaculture and dairy segments.

Skill development will be promoted and adequate pool of highly skilled manpower resources will be created for meeting the need of relatively sophisticated technical textiles manufacturing units, Irani said.

Source: thehindubusinessline.com- Feb 26, 2020

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## States will be ranked basis their efforts to promote MSMEs

The government is working to rank States on the basis of their efforts to promote micro, small and medium enterprises (MSMEs), a senior official said. “We are making a state ranking system where we will rank States, we are in talks with Niti Aayog for this,” MSME Secretary AK Panda said at the National MSME Awards ceremony here on Wednesday.

“We will rank states on the basis of 4 E's. Employment generation, for enterprise creation, third, exports, and fourth for ease of doing business,” Panda said. “Ultimately, the action is taking place in states,” he said. Panda added that MSMEs are increasingly registering themselves on the Goods and Services Tax network (GSTN), which is bringing them into the formal sector.

“MSMEs account for the maximum number of registered entities on GSTN. There is a silent, but massive formalisation of our economy which is happening because of GST,” Panda said. Panda said that while MSMEs contribute around 45% to the country’s exports, there are only 33,000 registered MSME exporters, and that many such enterprises route their products through larger export houses.

The ministry is developing a platform for providing a consolidated database of export-related information for MSMEs. “We are also developing a global market intelligence system. All export related info will be put in one place, in very simple, intelligible language,” Panda said. The information will be available in 22 languages, he said.

Panda added that growth of MSMEs is crucial to the $5 trillion-economy goal of the Indian government. The ministry has also set itself a target of increasing MSMEs’ contribution to the country’s GDP to 50%, from 29% at present.

Source: economictimes.indiatimes.com- Feb 26, 2020

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## Slowdown has bottomed out; economy must be opened up for growth: Panagariya

India's slowdown has bottomed out and now its economy needs to be opened up if the country wants to realise the ambition of a 10 per cent growth rate, former NITI Aayog Vice Chairman Arvind Panagariya has said.

In his keynote address at a discussion on India's Union Budget 2020, he said in the next fiscal year, India's GDP growth is expected to be 6 per cent and then it will get back to 7-8 per cent which has been the case in the last 15-16 year period.

"On the slowdown, my own assessment is that we have bottomed out," Panagariya, a Professor of Economics at the Columbia University, said at the discussion organised by India's Consulate General here in partnership with the US-India Strategic Partnership Forum (USISPF) on Tuesday.

"In the second half of the current fiscal year, which would be ending on March 31, we should see some bit of recovery, not a big one but certainly the second half (of the fiscal year) should look better than the first half," he said.

Panagariya noted that since about 2003, India has been growing at an average rate of about 7 per cent and the first five years of the Modi government was characterised by 7.5 per cent growth on an average.

Emphasising that the Indian economy "can do a lot better no doubt", he said that in his assessment, the main factor which led to the slowdown has to do with the financial markets and that translated into weakening of the balance sheets of both the banks as well as the corporates.

"I think you could criticise the government here for being a little slow in beginning the process of cleaning up of the bank Non-Performing Assets (NPAs). The problem was known actually by 2013" but this particular problem of NPAs never gets solved very quickly," he said.

Sounding an optimistic note, he said as the clean up happens, "we should see the growth returning".

On the Budget, Panagariya welcomed positive steps taken by the government including on fiscal consolidation, fiscal deficit, corporate tax reduction, initiation of simplification for the personal income taxation as well as privatisation.

Pointing to a "negative" in the Budget, Panagariya said that one of the things that has been going on for the last 2-3 years is that India is turning more and more towards import substitution.

"Trade economists use a more aggressive term - protectionism. And I've been saying that this is something that should not only be stopped but has to be reversed.

"Unfortunately, this budget goes very far in the direction of raising duties and particularly disconcerting is the fact that a lot of the items on which the duties have been raised and that too quite a bit are all labour intensive products," he said.

These are the products in which India ought to be exporting and "we should not be afraid of foreign competition. We should take on the foreign competition head on in the global markets. If we are not doing that, something is very wrong," he said.

Panagariya said that if a country with a 500 million-people strong labour force cannot compete in the labour intensive products, it points to the fact that something is fundamentally wrong with the way some of the degradation in the system is.

"So one has to go to the root cause what is causing it and remove those obstacles, hurdles and not try to give them some advantage by putting in tariffs. That only is encouraging inefficiency and small plants," he said.

He also pointed out that one of India's big problems is that there is too much pre-occupation with small and micro and small enterprises.

"What India lacks big time, especially in these labour intensive sectors, are medium and large firms. But when you start raising these protections, you are only encouraging micro and small, you are not encouraging medium and large firms which ultimately are the most efficient firms, compete in the global marketplace and define the ecosystem in the domestic market.

"And this is where I unhappily come to the conclusion that unless we reverse that, the ambition of 10 per cent growth or double digit growth which is very much realisable for India, I think will not get realised," he said.

Panagariya said that India can still achieve the 8 per cent or so growth rate because of the other measures and reforms that are being undertaken.

"So we will get to 8 per cent but I think if we want to get to that extra 2 per cent to 10 per cent, then we need an economy which is open, competes in the global marketplace," he said.

Panagariya noted that he does not agree with the "noise" and "common perception" that the second term of the Modi government is ignoring the economy and is only focusing on social issues such as the abrogation of Article 370 and the Citizenship Amendment Act.

"This is not true," he said, adding that reforms have continued.

He highlighted the "major reforms" undertaken by the Modi government including the Insolvency and Bankruptcy Code, the Goods and Service Tax, Direct Benefit Transfer and the corporate profit tax.

Source: business-standard.com- Feb 26, 2020

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# Soon, goods can be moved between India and Russia via Iran: Concor

Container Corp inks pact with RZD Logistics for single-invoice cargo transport

The show of affection between India and the US during President Donald Trump's visit has not deterred India from taking a step forward in using transport infrastructure to connect with Russia much faster through Iran, a country in spotlight for facing the US sanctions.

Within three months, traders from India and Russia can move goods between the two countries through Iran, said Container Corporation of India (Concor) CMD V Kalyana Rama on Tuesday evening.

This follows a service agreement between Concor and RZD Logistics JSC (subsidiary of Russian Railways) on Tuesday to transport cargo between India and Russia using a single invoice.

The two entities had signed an MoU last year to this effect.

## Cutting down on time

The move will benefit exporters and importers between India and Russia by lowering transit time and cost of transportation compared to existing transportation via Suez Canal. The new route will cut time of moving goods sharply (to 25-28 days from about 40 days) as it will avoid the present circuitous sea route through the Suez Canal, and also result in significant cost savings. India's exporters will soon be informed regarding the exact cost of transportation, said Kalyana Rama.

After the agreement, exporters from India can book their goods through a single invoice issued by Concor and exporters from Russia can book their goods using RZD Logistics, said G Ravi Kumar, Executive Director, Concor.

Also, Concor hopes to get favourable terms of operations from Iran's Chahbahar Port, a port which is managed by Indian management, and is out of the US' sanction list, Kumar said.

RZD Logistics said that the Indian company (Concor) intends to provide its container fleet and equipment for organising and developing transportation on the North-South international transport corridor, as per the agreement signed by Dmitry Murev, CEO, RZD Logistics, and Sanjay Swarup, Director (International Marketing and Operations), Concor.

"...We have reached an agreement with the Indian side on a number of issues, including the use of Concorequipment, which will undoubtedly accelerate our joint work on organising container transportation at the North-South international transport corridor," noted Murev of RZD Logistics JSC.

The containers will move between the two countries using the International North South Transport Corridor (INSTC) through Iran and Azerbaijan.

The INSTC project will link India with Russia and East European countries. RZD Logistics JSC is the the largest multimodal logistics operator in the CIS and Baltic countries, and Concor is the largest container train operator in India.

Source: thehindubusinessline.com- Feb 26, 2020

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## Goods procured from SEZs by single-brand retailers to qualify for meeting local sourcing norms

Goods procured from units in special economic zones (SEZs) by single-brand retailers, owned by foreign companies, would qualify for meeting the mandatory 30 per cent local sourcing conditions, according to a government clarification.

According to the current foreign direct investment (FDI) policy on single-brand retail trading, 100 per cent overseas investments are allowed in the sector. But sourcing of 30 per cent of the value of goods procured is mandatory from India for such companies having FDI beyond 51 per cent.

The government has received representations from various business entities seeking clarification whether sourcing of goods from units located in SEZs would qualify as sourcing from India, as per FDI policy.

“As regards, sourcing of goods from units located in SEZs in India, it may be clarified that sourcing of goods from such units would qualify as sourcing from India for the purpose of 30 per cent mandatory sourcing from India for proposals involving FDI beyond 51 per cent, subject to SEZ Act, 2005,” according to the clarification.

However, it said that goods which are proposed to be sourced by a single brand retailer from SEZ units would have to be manufactured in India.

It added that compliance with all the conditions enumerated in the FDI policy and as notified under FEMA (Foreign Exchange Management Act) would continue to be the responsibility of manufacturing entity.

SEZs, developed as export hubs, are treated as a foreign territory in terms of customs laws. Procurement of goods and services from units in these zones are treated as imports.

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.

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

FDI into India grew by 15 per cent to USD 26 billion (about Rs 1,85,000 crore) during April-September 2019-20.

Source: thehindubusinessline.com-Feb 26, 2020

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# No US trade deal till swadeshi blinkers on

The optics of US President Donald Trump's visit and the signal it sent of strong Indo-US ties notwithstanding, it has to be disappointing that even a 'limited' trade deal—to use the term put out by the Indian side in the run-up to the visit—wasn't signed. President Trump saying he was saving the big trade deal for later, though, saved India—and him—the blushes.

There are, it goes without saying, legitimate Indian concerns, such as on freeing up agriculture, given the huge subsidies the US gives, even if they are fashioned in such a way as to be WTO-compliant. Similarly, loosening IPR norms, as the Americans want, can't be in India's interests since a lot more drugs will then get patent protection even if they represent no major innovation.

But, surely, the Indian position on putting price controls on high-end medical stents was quite uncalled for? It is possible the high-end medical stents are overpriced, and that they don't deliver anywhere near the value the manufacturers claim, but does that really matter since it is the only the well-heeled who are buying them and, in any case, there are several non-US stents available in the market? And, given how the US president was going on about the large import duties that Harley Davidson had to pay, would it really have hurt the Indian side to address this?

In any case, had India managed to put together a package of incentives to help Apple move more of its assembly operations to India, surely this would have facilitated a deal? President Trump is too much of a realist not to recognise a good deal when he sees one, and facilitating US industry to expand operations in India is part of the good deal.

Indeed, the worry for a country that never tires of talking of how India and the US are natural allies is that the Indian side doesn't seem to understand that many of the issues that are upsetting the Americans are also those that hurt India. Going after Monsanto and its GM seeds (bit.ly/2TfHdSZ) has certainly hit Indo-US relations, but more than that, it has hit Indian cotton farmers who, thanks to Monsanto, became among the world's largest suppliers of cotton.

There is, then, the issue of FCI's procurement of rice and wheat at the MSP, and since the stock it buys cannot all be disposed of via ration shops, FCI sells it off at a discount to traders. The discount, of course, is relative to what it cost FCI and not with respect to the market price since FCI's operational costs are very high. Yet, the fact that the grain is being sold at a discount is enough to get the US and WTO to argue that this is trade-distorting since some part of this grain is then exported.

And yet, as this newspaper has pointed out often enough, disbanding the FCI-cum-ration-shop-system and replacing it with direct cash transfers to the 75% of citizens covered by the National Food Security Act would still save Rs 50,000 crore every year; getting rid of FCI's excess mountain of stocks could fetch over `1 lakh crore as well. In this case, too, there is a substantial overlap in Indian and US interests, and it is difficult to argue that progress here wouldn't help soften the US trade position.

How soon even a limited trade deal with the US will take is not clear, though commerce minister Piyush Goyal has said a first draft could be ready quite soon. It does seem, though, that little progress can be expected till India jettisons its swadeshi ideology. No one can possibly argue against self-sufficiency, but India's real challenge right now is not unbridled imports but unacceptably poor export competitiveness. In the six years since prime minister Narendra Modi came to power, India's exports have grown by just 0.5% per annum.

According to the latest Economic Survey, India's exports-to-GDP ratio fell from 16.8% in FY12 to just 11.3% in the first half of FY20 while imports of non-oil and non-gold fell from 15.2% of GDP to 10.3% in the same period. When you add gold and oil, however, imports were a higher 26.8% of GDP in FY12, and 17.6% in the first half of FY20. In other words, even if India is to hike tariffs on items like crude oil or gold—and increasingly electronics—the imports will still take place. So, the real solution lies in boosting export competitiveness, and not import tariffs, which, as President Trump made clear, he had a big problem with.

A related issue that anyone who has studied macroeconomics at even the graduate level will understand is that if a country tries to stimulate investment without enough local savings—as India is doing—there is no option but to raise the current account deficit.

The other problem with hiking import duties in the manner that India has been doing is that it needs to be time-bound. If, for instance, India hikes the import duty on plastic toys by three times, as it did in the last budget, it has to have a plan to raise the competitiveness of Indian toy manufacturers over a fixed time period. If not, the duty just ensures that Indian manufacturers get more uncompetitive globally.

Similarly, the hiking of import duties on Indian steel over the last few years may have protected local steel producers, but since this makes anything produced out of local steel uncompetitive, it is bad in the long run. In other words, India's import-substitution policy may work for a while, but more often than not, high duties result in higher levels of smuggling. At the end of the day, import-substitution policies and export-promotion ones simply don't go together.

Source: financialexpress.com-Feb 26, 2020

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## GDP growth in Q3 likely to stay flat at 4.5 per cent: Economists


India's economy is likely to have grown at the same pace as in the third quarter at 4.5%, most independent economists said, though others expect growth to be a tad faster, based on a slight pickup in agriculture and government spending.

"Our composite leading indicator (index of 33 major leading indicators) suggests that gross domestic product growth to remain flat at 4.5% as in Q3 of FY20," said Soumya Kanti Ghosh, group chief economic adviser, State Bank of IndiaNSE -1.17 %.

India's economic growth slipped to a 26-quarter low of 4.5% in July-September from 5% in the first quarter.

The statistics office lowered the FY19 GDP growth rate to 6.1% from the provisional estimate of 6.8% and has forecast 5% growth in FY20, its slowest pace in 11 years. The Economic Survey 2020 sees a recovery to 6-6.5% in FY21. “We were earlier anticipating a downward revision in FY20 growth rate from 5% to 4.6%,” Ghosh said.

This downward revision, as per Ghosh, will have statistical benefits as it could push up FY20 GDP to 4.7%. “There is not much improvement. We have retained our full year GDP target at 4.7%,” said Upasna Bhardwaj, economist at Kotak Mahindra BankNSE 0.30 %.

Manufacturing activity is likely to remain pressured and unlikely to better the 6.4% growth in the corresponding period the year ago. Falling growth seen in sales of commercial vehicles, railway freight traffic and cargo handled by civil aviation has also contributed to the projection being significantly lower.

“There is no joy in the GDP story. Consumption could be slightly better because of PM-KISAN but there is no systematic improvement anywhere,” said IDFC First Bank chief economist Indranil Pan.

The Reserve Bank of India has cut policy rates by 135 bps since February, 2019, and the government reduced corporate rate tax to 22% in order to attract investment and boost growth.

Despite these steps, indicators available till the quarter ended December, 2019, are not particularly robust, said Madan Sabnavis, chief economist at CARE Ratings.

“The sharp decline in October and November seems to have been reversed in December,” said Devendra Kumar Pant, chief economist at India Ratings.

Source: economictimes.com-Feb 26, 2020

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# GSTN launches new toll-free number for helpdesk

The Goods and Services Tax Network (GSTN) on Wednesday said it has launched a new toll-free number for GST helpdesk, which will be operational 365 days for answering queries related to the indirect tax.

In a statement, the GSTN said it has revamped GST helpdesk by introducing new features to improve taxpayers' experience by making the system more robust and transparent.

The GSTN has come up with a new GST help desk toll-free calling number '1800 103 4786'. The caller may call on this number on 365 days in a year from 9 am to 9 pm.

With the introduction of the toll-free number, the existing contact number for the GST helpdesk (0120-24888999) has been discontinued, the GSTN added.

Further, 10 new languages were introduced on helpdesk. Till now, taxpayers had a facility to interact with the GST helpdesk agents in Hindi and English.

Now they can interact in 10 other Indian languages -- Bengali, Marathi, Telugu, Tamil, Gujarati, Kannada, Odia, Malayalam, Punjabi and Assamese.

Further, an improved version of Grievance Redressal Portal too has been launched.

The GST helpdesk receives average 8,000 to 10,000 calls every day.

Source: economictimes.com-Feb 26, 2020

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## CCI launches Indian cotton brand Hira

The Cotton Corporation of India (CCI) launched Indian cotton brand Hira in Mumbai today. CCI chairman Ali Rani said she has worked hard to change Indian quality parameters under CCI procurement and currently it is the best quality at par with global standards. The Southern India Mills' Association (SIMA) hailed the launch of the cotton brand.

CCI, established in 1974, started its MSP operation in 1985 and is helping cotton farmers and the cotton textile industry. The industry has been pleading the ministry of textiles to standardise and brand Indian cotton, SIMA said in a press release. Cotton Association of India president Atul Ganatra said government agencies like CCI and the Maharashtra Federation are likely to procure more than 100 lakh bales under minimum support price (MSP) operations this season, according to a report in a top business daily.

SIMA chairman Ashwin Chandran said CCI started enforcing the fair average quality norms from cotton season 2018-19 and was successful in its venture. Chandran has also appealed to Prime Minister Narendra Modi to launch the Technology Mission on Cotton in a revised format to increase productivity, which is only around 460 to 500 kgs per hectare now as against 1,500 to 2,200 kgs per hectare in over 20 countries.

Source: fibre2fashion.com-Feb 26, 2020

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## Ludhiana traders expect good business from Kashmir Valley

The trade with Jammu and Kashmir (J&K), which was badly hit following the abrogation of Section 370 from the state, is slowly coming back on track. Manufacturers and wholesale dealers in the garment industry here are expecting good business now as buyers from the Valley have started coming to Ludhiana to place orders.

Talking to The Tribune, Chairman of the Akalgarh Market Association Arvinder Singh said: "Buyers have started coming in good numbers as situation is getting back to normal in Jammu and Kashmir."

"When we ask buyers from the Valley if everything is normal there now, they say slowly things are coming back on track. Ludhiana has a good market of buyers in Jammu and Kashmir as traders from the Valley used to place big orders both in summers and winters.

Though exact figure cannot be ascertained, but garments worth several crores are taken by Jammu and Kashmir buyers from Ludhiana markets — Akalgarh Market, Chaura Bazar, Manna Singh Nagar Market, Gandhi Market etc. We are expecting good business as we are now getting orders again," said the chairman.

President of the Manna Singh Nagar Market Gurinder Singh Jolly said: "In winters, traders from Jammu and Kashmir buy sweaters, jackets, woolen garments, shawls etc, from Ludhiana, while in summers, they buy textile garments, shirts, trousers, etc.

We are getting phone calls for orders. Traders from Jammu and Kashmir are also visiting Ludhiana to place their orders. But, the last few months had been tough as the manufacturers and traders here were badly hit. There was hardly any order for the hosiery items from the Valley following tension there."

Wishing not to be quoted, another shopkeeper at the Akalgarh Market said on an average, a shopkeeper could easily make Rs 10 lakh from Jammu and Kashmir buyers. "They are the biggest buyers of our products," added the shopkeeper.

It may be mentioned here that on August 5, 2019, the Central Government revoked the special status granted under Article 370 of the Indian Constitution to Jammu and Kashmir.

Source: tribuneindia.com- Feb 25, 2020

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