Cotton Market

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

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tbody>
<tr>
<td>19194</td>
<td>40150</td>
<td>78.95</td>
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Domestic Futures Price (Ex. Gin), March

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tbody>
<tr>
<td>20100</td>
<td>42044</td>
<td>82.67</td>
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International Futures Price

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<tr>
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<th>USD Cent/lb</th>
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<tbody>
<tr>
<td>NY ICE USD Cents/lb ( May 2018)</td>
<td>81.78</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT ( Jan 2018)</td>
<td>14,930</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>91.76</td>
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Cotlook A Index – Physical

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<tbody>
<tr>
<td>Cotlook A Index – Physical</td>
<td>91.55</td>
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Cotton guide: The start of the week Cotton traded mostly steady. The May future ended at 81.78 cents per pound down by 5 points from previous close. The other month’s contracts also traded in the similar fashion. The trading volumes were also no major change stood around 28K contracts. A variety of spring and Easter holidays this week may have reduced market interest.

The traditional beginning of the long only speculative funds moving positions forward starts Wednesday. The Jim Rogers’ funds will buy July/sell May for 3 consecutive sessions. Other funds may join in or have already started.

On the technical front, over the last 4 weeks May has traded in a 593 point range, from 8067 to 8660; midpoint 8363. Last week’s low was 8095.
Moving average support has been showing some cracks. May has settled under the 20-day for the last 4 sessions; and the direction of the 20-day turned down today. The direction of the 50-day turned down today as well, though May settled above it. Continue to watch the 8100 area for support. Breaking 8100 could take the nearby down to the 7650 area. Resistance is 8300 and 8400. The daily momentum remained neutral.

This morning ICE cotton for May delivery is seen trading at 82.14 cents up by 0.44% from previous close. Market is taking support near 81 cents as indicated above. Also rise in US equity overnight and Asian markets trading positive this morning may have supported cotton price to trade onto positive tone. The trading range for the day would be 81.50 to 83 cents per pound for May contract at ICE.

On the domestic front, the spot price continued to trade steady near Rs. 40500 per candy ex-gin which translates to 79.60 cents per pound on parity. From the supply front, the arrivals have declined considerably to 128,000 lint equivalent bales that include 40,000 registered in Maharashtra, 38,000 in Gujarat, and 20,000 in Andhra Pradesh/Telangana. The figure is lower than the daily estimated total over recent weeks in part because of falling supplies at this stage of the season, but also because of the tight financial position for many operators at the end of the fiscal year.

On the futures front the March future ended at Rs. 20100 up by Rs. 100 from previous close. For the day the trading range would be Rs. 19900 to Rs. 20250 per bale.

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

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INTERNATIONAL NEWS

Here’s a Breakdown of What’s Actually Going on in the US Textile Industry

Things are tense in the global marketplace right now, but the good news for an apparel and textile sector facing potential blow back from the tariffs flying back and forth between the U.S. and China is that the sector will be going into any battle strong.

In its 2018 State of the U.S. Textile Industry overview, the National Council of Textile Organizations (NCTO) said it’s been an “amazing” year for the U.S. textile industry.

“The numbers show the fundamentals for the U.S. textile industry are sound. This is true even though some markets for U.S. textiles and apparel were soft last year,” said NCTO chairman William V. McCrary Jr. “For the most part, any sluggishness was due to factors beyond control, such as disruption in the retail sector caused by the shifting of sales from brick and mortar outlets to the internet.

With that said, the U.S. textile industry’s commitment to capital re-investment and a continued emphasis on quality and innovation make it well-positioned to adapt to market changes and take advantage of opportunities as 2018 moves along.”

Looking at the numbers, NCTO said the value of shipments for man-made fibers, yarns, fabric, apparel and sewn products was $77.9 billion last year. The sector accounted for 550,500 U.S. jobs, with the majority of workers based on Georgia, followed by North and South Carolina, California and Tennessee.

The U.S. exported $28.6 billion worth of apparel and textiles last year, up from $20.1 billion in 2009. Breaking that down further, fabrics made up the largest portion of those exports at 31 percent. Cotton, wool and fine animal hair followed, accounting for 21 percent, while apparel made up 20 percent of the U.S. exports.

Man-made fibers were 15 percent of those exports, and home furnishings and non-apparel sewn products accounted for 13 percent.
“The United States is especially well-positioned globally in fiber, yarn, fabric and non-apparel sewn products markets; it was the world’s 4th largest individual country exporter of those products in 2016,” McCrary said.

Among the top three export markets for U.S. apparel and textile goods, were Mexico, Canada and China—three countries the U.S. has been stoking tensions with over trade deals and targeted tariffs. Exports to the NAFTA countries in 2017, accounted for $11.8 billion, or 41 percent.

The next largest share went to Asia, with $8.7 billion worth of textile and apparel exports bound for the region, 30 percent of the total. That means 71 percent of U.S. fiber, yarns, fabrics and apparel are headed to countries where trade relations are presently being upended.

NCTO, however, believes Trump’s trade policies will help reposition the U.S. as the leader it needs to be. Particularly with regard to NAFTA.

“America’s most important trading relationship is NAFTA, a pillar upon which the U.S.-Western Hemisphere textile supply chain is built,” McCrary said. “Let me be clear.

NCTO strongly supports NAFTA. That said, NCTO agrees with President Trump that NAFTA can and must be improved. NAFTA’s yarn-forward rule of origin contains loopholes that benefit third-party countries, such as China. Closing them would boost U.S. and NAFTA partner textile and apparel production and jobs.”

As its report came hours ahead of Trump’s announcement Thursday that he would levy $60 billion worth of tariffs against China, McCrary’s NCTO statements did not take a position on the tariffs and what they might mean for textiles. However, its outlook for the sector appears to be a positive—though cautious—one.

Source: sourcingjournalonline.com- Mar 26, 2018
Global Economy Seen Rising but Protectionism Could Curtail It, Reports Say

The global economy is going strong and the general outlook is bright, but global risks like protectionist measures are also on the rise and threaten to curb momentum, according to two new economic reports.

The March “World Forecast Flash” from Global Insight by IHS Markit, written by chief economist Nariman Behravesh and executive director for global economics Sara Johnson, noted that, “A year ago, IHS Markit said the outlook was brighter and the risks higher than in early 2016. Today, the outlook is brighter still than in early 2017, but the risks are also higher.”

After a 3.2% expansion in 2017, the report said global real gross domestic product (GDP) is forecast to rise 3.4% in 2018 and 2019, followed by 3.2% growth in 2020. From 2017 to 2020, the world economy is expected to see the strongest back-to-back growth rates since the mid-2000s, it noted.

“Yet, risks to the expansion have risen in recent months,” the economists wrote in their report released Wednesday. “The biggest concern is that the imposition of steel and aluminum tariffs by the United States could be the opening salvo of a more extended trade war, which could derail the global recovery. If additional U.S. tariffs and any retaliation are limited (the most likely scenario), then the impact on global growth will be small.”

The metal tariff imposition happened on Thursday, when President Trump said the U.S. will impose tariffs on at least $60 billion in Chinese goods imports to retaliate against the alleged theft of American intellectual property. And since then, China has responded with $3 billion worth of tariffs of its own.

Expressing a similar concern for impending threats to the global economy, the “Interim Economic Outlook” from the Organization for Economic Cooperation & Development (OECD) said, “The global economic expansion is strengthening, as robust investment growth, an associated rebound in trade and higher employment drive an increasingly broad-based recovery. The pace of expansion over the 2018-19 period is expected to be faster than in 2017, but tensions are appearing that could threaten strong and sustainable medium-term growth.”
The OECD outlook cites a boost to short-term growth expected from new tax reductions and projected spending increases in the U.S., plus an expected fiscal stimulus in Germany, but it also points out “a number of financial sector risks and vulnerabilities, as well as those posed by a rise in protectionism.”

“In this environment, an escalation of trade tensions would be damaging for growth and jobs,” OECD acting chief economist Alvaro Pereira said. “Countries should rely on collective solutions like the Global Forum on Steel Excess Capacity to address specific issues. Safeguarding the rules-based international trading system is key.”

The Outlook underlines a range of policies that would help to sustain growth. It urges countries to “add dynamism to structural reform efforts, particularly in the areas of taxation and skills, to boost employment and inclusive growth over the long term.”

According to the Global Insight by IHS Markit forecast, U.S. real GDP increased at a 2.5% annual rate in the fourth quarter of 2017.

“We forecast a temporary slowdown to 1.8% growth in the first quarter, mainly due to sluggish consumer spending,” the IHS Markit economists said. “Beyond the first quarter, the outlook is bright, thanks to additional federal spending legislated in the Bipartisan Budget Act of 2018. This more than offsets weaker initial conditions, raising our GDP growth forecast, especially in 2019. We now look for real GDP growth of 2.7% this year, 3.0% in 2019, and 2.2% in 2020.”

In Europe, growth is beginning to peak, as political risks increase, they said. The latest data indicates that Eurozone growth will remain solid in the first half of 2018, but leading indicators have declined off long-term highs.

“Nevertheless, low inflation, solid employment gains and ultra-loose monetary policy will sustain growth through this year and into next,” according to the report. “Results of Italy’s March 4 election suggest political gridlock, with none of the main parties or coalitions able to secure a parliamentary majority. The resulting political uncertainty threatens to unwind the recent improvement in consumer and business confidence, limiting Italy’s real GDP growth to 1.3% in 2018.”
In China, the moderate slowing trend is likely to continue this year, IHS Markit said, projecting growth rates of 6.7% this year, 6.4% in 2019 and 6.1% in 2020.

“Further long-term slowing in China’s economy is a function of a rapidly aging population—not compensated for by a commensurate improvement in productivity growth,” the forecast noted. “In the near-to-medium term, the challenges are also daunting. Chief among them are environmental degradation, massive amounts of leverage, and a large overhang of excess industrial capacity.”

The OECD projects that the global economy will grow 3.9% in both 2018 and 2019, with private investment and trade picking up on the back of strong business and household confidence, while inflation is set to rise slowly.

Source: sourcingjournalonline.com- Mar 26, 2018

Here’s Where Ethiopia Has Reached in Building up its Apparel Supply Chain

Ethiopia knows its current potential for apparel sourcing, and it’s working to build up the more robust supply chain necessary to reach that potential.

Benefitting greatly from the attention major companies like PVH and H&M have brought to the country in their moves to establish supply chains there, Ethiopia has been top of mind when it comes to talk of sourcing in Africa.

But, as some have noted, the country is not quite yet ready to accommodate the demands of the modern-day apparel supply chain, where speed is vital and verticality is necessary to deliver it.

“Right now, we more or less have every supplier in the supply chain, but not with the quality level we need, particularly on the accessories,” said Abebe Abebayehu, deputy commissioner for the Ethiopian Investment Commission, during an interview at Sourcing at MAGIC.
As such, the Ethiopian government has placed an emphasis on bringing in more fabric manufacturers, more that make interlinings and more suppliers for things like zippers and labels to complete the sourcing ecosystem.

“I think within 12 months or so we should have a fully integrated supply chain,” Abebayehu said. “We are very proactive in our approach.”

Ethiopia’s ascent as an apparel making nation has been a quick one, fueled in large part by major companies’ commitments to developing manufacturing capabilities there.

For Roy Ashurst, international consultant for textiles and apparel, who led PVH’s mission to establish sourcing in Ethiopia, the country showed potential when he first visited in 2012—thanks to its low-cost labor, some of the cheapest renewable energy in the world and a government on board with expanding on Ethiopia’s manufacturing potential—but there was little there at the time.

“Before I got there, H&M was there, and after six years they were only working with one factory because they couldn’t find the factories that could meet their standards,” Ashurst said.
So PVH, in its desire to reduce dependency on Bangladesh for manufacturing, set out to build a supply chain in Ethiopia.

“We didn’t just want to build factories. What we wanted was to build a sustainable, compliant supply chain,” Ashurst said.

PVH focused on working with three of its supplier mills that were interested in doing something in Ethiopia, and in partnership with the government and other donor groups, broke ground on the Hawassa Industrial Park in 2015, finishing it in 2016. And things have been fruitful since then.

“We’ve taken Ethiopia from less than $100 million in 2016 to potentially $1 billion in 2018, and the objective now is $30 billion by 2025,” Ashurst said.

China, long considered the world’s manufacturer, has been part of fueling that growth, as major manufacturers from the country have been keen to establish operations in Ethiopia. Jiangsu Sunshine Group, one among them, is investing upward of $945 million to set up a wool factory in Ethiopia.
China’s Kingdom, one of the world’s largest linen suppliers, has also made its way to Ethiopia. For cotton textiles, China’s Wixu Jinmao is there too.

Why the extra interest from China?

According to Ashurst, “Local demand in China means they don’t have capacity to export anymore. They are not closing down their businesses in China, they are using their mills in China to produce for the local market and they are building new mills to support their exports.”

Wuxi Jinmao is the investing Chinese parent for JP Textiles, a mill that became operational in the Hawassa industrial park last July and became fully operational in January. The facility can now produce 900,000 yards of yarn dye fabric each month. And that number is expected to increase substantially once the company completes phase two of its development in about a year’s time.

“It’s all geared to support the wide range of fabric demand of manufacturers who are in the industrial park as well as in other AGOA countries,” William Narva, director of strategic planning and business development for Wuxi, said.

“We could reproduce the same ranges in Ethiopia that we produce currently in China. This does not replace our China production, this complements it.”

For JP Textiles, the biggest opportunity in Ethiopia has been the duty free trade status it enjoys with the U.S. under the African Growth and Opportunity Act (AGOA) and with the European Union as part of its Everything But Arms trade privilege program.

What’s more, Narva said, “By investing in fabric production to complement the garment production, it largely offsets concerns that any customer might have about longer lead times in terms of fabric transit from other countries to Ethiopia.”

Beyond being able to improve lead times, there was a lot that made Ethiopia a draw for China’s Sunshine Group.
“Ethiopia now has a rich labor source and they are duty free to developed countries—to the U.S., EU, Japan—and these are our main markets, so I think this is also the big advantage for Ethiopia,” said Sunshine’s Henry Jiang, who works in the company’s foreign trade department.

“Made in China now is not cheap anymore, the cost in China has become higher and higher, so I think this is the main reason we want to invest in Ethiopia to be more competitive.”

Sunshine’s Ethiopia setup is still under construction and expected to be complete by the end of this year. Once fully operational, the facility will be able to produce 10 million meters of worsted wool fabrics and 1.5 million sets of suits.

“That will mean almost every major fabric manufacturer will have a fabric mill in Ethiopia,” Abebayehu said. “We have almost everything that Bangladesh has plus a stable government.”

Now, for Ethiopia, it’s just about filling in the blanks in its supply chain.

“We’re trying to get all the support in place,” Ashurst said. “I don’t want to have my fabric come from 50 meters away and then have to import labels from China.”

If the country’s growth in manufacturing thus far is any indication of where it’s headed, it may not be long before Ethiopia has everything the industry needs.

“From 2014 to where we are in 2018 in terms of building an industry is no time at all,” Ashurst said. “We turned sourcing on its head. It’s a brand-drive initiative partnering with the government and that’s really what’s made the difference. That’s why Ethiopia will overtake every other country in terms of exports.”

Source: sourcingjournalonline.com - Mar 26, 2018

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Research shows Egyptian Cotton is most recognised cotton in USA

Egyptian Cotton is the most recognised cotton brand in the USA, according to new consumer research commissioned by the Cotton Egypt Association (CEA), a non-profit association established in 2005 with support from Egypt’s Ministry of Industry and Foreign Trade.

According to the research, which was released last week, Egyptian Cotton was also the name most people associated with quality and were prepared to pay a premium for, ahead of Pima cotton, Turkish cotton and Supima.

According to the CEA, the research was carried out by an independent US-based marketing agency, PBM, on a sample of 522 American consumers, all of whom had recently purchased cotton goods.

While a huge 86% of those questioned couldn’t name an actual brand, of those who could name one type of cotton, 95% cited Egyptian Cotton, with the remaining 5% naming Pima.

When asked to rate the importance of listed qualities, 52% of consumers said texture was the most important consideration when buying a cotton product. Only 2% considered products being manufactured in the USA as an important factor.

When consumers were asked to arrange a list of cotton brands in order of perceived quality, 89% placed Egyptian Cotton as one of their top two choices. Pima made top two in 45% of selections, followed by Turkish Cotton (35%), Supima (19%) and Sea Island Cotton (12%).

When asked which brand they would pay a premium for, 61% said Egyptian Cotton, which was also the consumers’ preferred option for towels and bedding. “This survey underlines the strength of the Egyptian Cotton brand in the mind of the consumer,” said Wael Olama, chairman of the Cotton Egypt Association (CEA).

The Cotton Egypt Association recently unveiled a new brand identity and digital platform to re-enforce Egyptian Cotton as the finest cotton in the world. Khaled Schuman, Executive Director of the Cotton Egypt Association, said:
“We are extremely proud of the thorough accreditation programme we have created in association with Bureau Veritas. The success of this is mirrored in the increase in retailer confidence we have experienced in the UK.”

John Lewis Category Technical Manager, Home, Tracy Saunders, said: “We support the measures being taken by the CEA to root out dishonest manufacturers and counterfeit goods from the supply chain and have welcomed the opportunity to work in collaboration with the CEA in setting out requirements to assure the provenance of Egyptian Cotton products.”

The Cotton Egypt Association’s mission, working closely with local and international companies involved in the Egyptian Cotton supply chain, is to protect Egyptian Cotton’s legacy of luxury and help promote all Egyptian Cotton licensees and their products.

Source: innovationintextiles.com - Mar 26, 2018

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Other Emerging Nations in Asia Could Win in a U.S.-China Trade War

Economists like to say that no one wins in a trade war. We may soon find out if they're right. Only hours after U.S. President Donald Trump said he would slap tariffs on a range of Chinese products, China imposed punitive duties on some imports from the U.S. in retaliation for previously announced U.S. tariffs on steel and aluminum. And here we go, down the rabbit hole.

Companies, workers and consumers from both countries are almost certain to get hurt in a tit-for-tat conflict. On the other hand, the carnage could produce big winners elsewhere in the developing world.

On the surface, a disruption of trade might seem a disaster for other countries in Asia. A blow to Chinese exports could ripple through the supply chains that stretch across the region, robbing other economies of growth opportunities and jobs.
At the same time, a U.S.-China trade war will spill over into another ongoing economic battle -- the one between China and its low-wage competitors in global export markets. For many emerging economies, the long-term benefits might well outweigh the short-term damage.

China, the world's largest exporter, has long been the destination of choice for U.S. and European companies looking to outsource and offshore manufacturing, especially of labor-intensive consumer goods such as clothing, footwear and electronics.

As factory wages in China have risen to the highest in emerging Asia, however, other developing countries with lower costs have begun to steal away investment and jobs, helping to promote industrialization and boost growth at home.

Apparel and electronics manufacturers, for instance, have already started diversifying production to rivals such as Vietnam and India. Vietnam has been enjoying an export boom, led by sectors traditionally dominated by China, including clothes and mobile phones. Taiwan-based Wistron, famous for assembling Apple gear in China, is expanding its assembly operations in India.

Till now, China has managed to hold on to a surprising amount of low-end manufacturing by offsetting high costs with better infrastructure and more reliable and extensive supply networks. Poorer countries haven't been able to capitalize on cheap wages as much as they should. For example, while U.S. textile and apparel imports from Vietnam and India rose last year, the value of China's exports remains far larger, with shipments worth nearly $39 billion in 2017.

A wider U.S.-China trade war could accelerate the transition. U.S. companies that rely heavily on imports from China, such as electronics brands and retailers, would be forced to redesign their supply chains around tariffs. Multinationals and their suppliers would look for alternative facilities outside China; some would probably decamp from the mainland altogether for cheaper climes.

This is bad news for China. Even though the government is attempting to upgrade manufacturing into more advanced products, the country still relies on cheap factories to employ lots of low-skilled workers.
The sooner apparel and electronics production moves offshore, the more pressure Chinese leaders will face to boost innovation and create new, high-tech export industries.

We still don’t know which Chinese exports will get hit by Trump’s tariffs, so the impact on Chinese factories is hard to predict. And even if the two manage to avoid a protracted confrontation -- behind-the-scenes talks are apparently underway to defuse the current dispute -- the threat of a widespread disruption of trade could undercut the confidence of U.S. companies in China as a production source, convincing them to diversify faster.

The real loser in all this, though, is likely to be Trump’s trade policy. Though some factory production in China may “reshore” to the U.S., much of it probably won’t. Such labor-intensive assembly would simply be too expensive in high-wage America. That means Trump could find closing the trade deficit to be much like a game of Whac-a-Mole. As he pounds down the deficit in China, it’ll bulge in other countries as production hops from place to place.

Indeed, that’s already happening. As Vietnam has become a more important player in supply chains, the U.S. trade deficit with the country has swelled -- to $38 billion last year, three times larger than in 2011.

In a world of global production, tariffs may never hit their target.

Source: bloombergquint.com- Mar 27, 2018

EGYPT’S TRADE WITH TURKEY GROWS DESPITE POLITICAL RIFT

Egyptian exports to Turkey jumped by 38.5% in 2017 compared to 2016, despite the political clash that has pitted the two countries against each other over the past few years.

According to the latest report released by the Egyptian Commercial Representation Office in Istanbul, Egypt’s exports to Turkey edged up by 38.5% to stand at $1.99 billion in 2017, compared to $1.44 billion a year earlier.
Egypt’s imports from Turkey, meanwhile, declined by 13.7% to reach $2.36 billion in 2017, compared to $2.73 billion in 2016, the same report stated. It also highlighted that foreign trade balance increased from 53% in 2016 to 85% in 2017.

In a March 11 statement, the Egyptian Ministry of Trade and Industry said that “Egypt’s trade deficit with Turkey fell 72% to reach $360 million in 2017, thanks to a boost in the exports of chemicals, textiles and plastics.”

“Export growth to the Turkish market last year is due to a boost in Egyptian shipments of chemicals by 89%, textiles and ready-made garments by 23%, and plastics and rubber by 31% — which together make up around 80% of total Egyptian exports to Turkey,” head of the Egyptian Commercial Service Ahmed Antar said, according to the ministry’s statement.

“The increase in Egyptian exports to Turkey is the product of a change in the country’s monetary policies and a focus on pushing up exports through leveling the quality of the Egyptian product,” Bassant Fahmy, an economist and a member of the Egyptian parliamentary Economic Affairs Committee, told Al-Monitor.

Fahmy said that since 2016, the Egyptian government has been stepping up efforts in order to kick-start the national economy by increasing exports, lowering unemployment rates and decreasing the budget deficit. In 2016, the Egyptian government started an ambitious economic reform program after obtaining a $12 billion loan from the International Monetary Fund.

“Egypt’s growing exports to Turkey is also a pointer that the government does not mix politics with economy,” Fahmy noted. She said that Egypt’s political disagreements with Turkey have never affected the two countries’ economic ties. “This proves that Egypt is open to all investors and committed to create an investment-friendly environment in the country,” she added.

In February, Minister of Trade and Industry Tarek Kabil met in Cairo with a delegation of Turkish businessmen, headed by the president of the Union of Chambers of Commodity Exchanges of Turkey, Rifat Hisarciklioglu, to get acquainted with their problems in Egypt and find ways to solve them.
During the meeting, Kabil promised to uproot all hurdles facing Turkish investors in Egypt, while Hisarciklioglu expressed the Turkish investors’ desire to invest in Egypt in the coming period. “Turkish businessmen seek to pump new investments worth $1 billion into Egypt in 2018 and in the first half of 2019,” media reports noted.

Hisarciklioglu had attended the joint Egyptian-Turkish Business Forum held in Cairo in January 2016.

“Egypt’s strategy in dealing with Turkish investors and businesspeople is excellent. Politics should never affect economies. On the contrary, politics should be used to boost any country’s economy,” Ahmed Koura, an economist and the former head of Al Watany Bank of Egypt, told Al-Monitor.

Koura said that the government should provide Turkish investors in Egypt with more incentives to increase their ventures and expand their businesses. “In any free economy, investors are always welcomed and are encouraged to pursue their businesses regardless of any political disagreements,” Koura added.

Egyptian-Turkish relations deteriorated after former President Mohammed Morsi was ousted in 2013 following mass protests against his rule. Shortly after Morsi’s ouster, Egypt announced that it downgraded its diplomatic ties with Turkey and expelled the Turkish ambassador.

In return, Turkey announced the Egyptian ambassador “persona non grata” and also downgraded diplomatic ties with Egypt.

Egyptian and Turkish officials have expressed intention to normalize ties several times since 2016. However, relations between the two countries continue to be tense.

Source: al-monitor.com- Mar 26, 2018
44 nations sign African Continental Free Trade Area pact

Forty-four African nations recently signed the African Continental Free Trade Area (AfCFTA) agreement, which aims at creating a liberalized market for goods and services across the continent. The agreement, on the lines of the European Union, was signed during the 10th ordinary session of the African Union (AU) Heads of State summit held in Rwanda’s capital Kigali.

The AfCFTA saw the origin of the world’s largest free trade area since the World Trade Organization was formed in 1995, according to global media reports.

If all 55 AU member states ratify it, the agreement will bring together an estimated 1.2 billion people with a combined gross domestic product of more than $2 trillion.

Nigeria did not sign agreement, because President Muhammadu Buhari may reportedly have succumbed to pressure from local labour unions and big corporations who oppose the treaty, saying it would harm the local economy.

Source: fibre2fashion.com - Mar 26, 2018

Pakistan: Ministry of Commerce & Trade directed to increase trade with ASEAN

A legislative body on Monday directed the Ministry of Commerce & Trade to accelerate the pace of negotiations at political and ministerial levels to increase trade with Association of South East Asian Nations (ASEAN).

The directions were given during a meeting of the National Assembly Standing Committee on Commerce & Textile, which met on Monday at the Parliament House while Member of National Assembly Siraj Muhammad Khan was on chair. The committee was briefed about Pakistan’s trade and investment relations with member states of ASEAN.

The meeting was told that the ASEAN was geopolitical and economic organisation encompassing 10 countries with vastly different stages of developing economies, all sharing immense growth potential.
Members of the committee stressed that Pakistan should get their due share in trade with member states and utmost efforts should be made to make direct contact with them.

The committee was further apprised that ASEAN was a major global hub of manufacturing and trade with a huge market worth over $2.6 trillion and collectively seventh largest economy in the world and third largest in Asia. It was informed that currently Pakistan holds observer status however, strategy of bilateral engagement with major ASEAN countries had been adopted in order to strengthen the case for full dialogue partnership.

Apprising about the current engagement of Pakistan with ASEAN member states, the representative of Commerce Division informed that Pakistan had been a trading partner with Malaysia, Indonesia, Thailand, Vietnam and Philippines and had been exporting cereals, textile articles, cotton, seafood, leather, machinery and other items whereas, palm oil, coffee, rubber, machinery, chemicals were major imports.

Keeping in view the emerging status of ASEAN as a global hub for manufacturing, Pakistan desired to strengthen its relations and was confident to achieve, full dialogue partnership status, the representative added.

The committee while discussing the performance of trade officers in Pakistan’s trade missions abroad, directed for monitoring of trade officers and exploring potential markets for Pakistani products. The committee also directed for relocation of trade missions to countries where demand of Pakistani products existed. The committee expressed its satisfaction on the performance of Pakistan Institute of Trade & Development.

The committee recommended inviting businessmen to share their diverse experiences with the under training newly inducted trade officers and for those posted in trade missions abroad. The committee also recommended expanding training facilities in trade to the private sector.

The meeting was attended by Commerce & Textile Minister Muhammad Pervaiz Malik, MNAs Chaudhry Asadur Rehman, Seema Mohiuddin Jameeli, Waseem Akhtar Shaikh, Mian Muhammad Rasheed, Tahira Aurangzeb, Zeb Jaffar, Dr Shezra Mansab Ali Khan Kharral, Nazir Ahmed Bughio, Sajida Begum, Dr Fouzia Hameed, additional secretaries of the
commerce and textile divisions as well as senior officers of the concerned departments.

Source: dailytimes.com.pk - Mar 27, 2018

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**Pakistan: Commodities: Short supply of quality lots hampers cotton trading**

Slow trading activity was witnessed on the cotton market on Monday as textile millers looked for quality lint which was running in short supply.

However, cotton prices remained steady due to intermittent buying from some needy spinners.

Surprisingly, polyester yarn prices were raised further by Rs2 per kg to Rs162 per kg. Last week, polyester yarn rates were increased by Rs4 per kg.

Meanwhile, market reports suggest that ginners on their part are in a hurry to dispose off left over stocks ahead of the hot and dry weather as this will result in cotton bales losing weight due to moisture loss.

Discouraging reports are coming from lower Sindh, where cotton sowing starts at this time of the year, but due to water shortage growers are facing difficulties. In many places growers have repeated the sowing more than one.

There are also reports of water shortage in Punjab as India has held back on Pakistan’s rightful share of water. This is going to be a critical situation for the Rabi crops.

The KCA spot rates were unchanged at week-end level.

The following deals were reported to have changed hands on ready counter: 200 bales, Rahimyar Khan, at Rs7,900; 400 bales, Khan-pur, at Rs7,900; 1,000 bales, Haroonabad, at Rs6,400 to Rs6,700; and 200 bales, Vehari, at Rs6,800.

Source: dawn.com- Mar 27, 2018
Myanmar's export earnings from garments over $2 bn

Export earnings from the cut-make-pack (CMP) garment sector in Myanmar was $2.332 billion by early March of the current fiscal, according to the country's commerce ministry. Export earnings from this sector rose from $337 million in 2010 to nearly $1 billion in 2014. Garments, which rank second in the list of export items, are a priority for the ministry.

Myanmar’s financial year ends on March 31. Japan, South Korea and the European Union (EU) import CMP garments from Myanmar.

In 2015, the export earnings hit US$ 1.46 billion, accounting for 10 per cent of the total export value of the country. In the same year, the garment export to EU market increased to 80 per cent, according to a report in Myanmarese news website.

The commerce ministry is following a ten-year strategy for this sector in cooperation with Myanmar Garment Entrepreneurs Association.

Source: fibre2fashion.com- Mar 27, 2018

Vietnam pins hopes on CPTPP

Vietnam hopes the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will enable it to boost exports to major markets such as Japan, Australia, Canada and Mexico. The CPTPP is a new free trade agreement between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

The agreement is also expected to provide opportunities for Vietnam to strengthen foreign direct investment in fields that the country seeks to develop.

Vietnam’s garment and textile exports to CPTPP countries currently account for only 13 per cent of the total value, much lower than that of 38 per cent to the US market. Among the eleven member countries, Japan imports most of Vietnam’s garment and textile products, 8.8 per cent.
The garment and textile sector in Vietnam has also pinned its hopes on Australia and on increasing exports to this market. The agreement is also expected to provide additional opportunities for seafood exports.

Japan currently is Vietnam’s largest seafood importer among CPTPP member countries, accounting for more than 15 per cent of Vietnam’s seafood export turnover.

In addition, Mexico is a major tuna importer. In 2017, tuna export turnover to Mexico increased 66 per cent compared to 2016. With strong commitments to reduce tariffs, shrimp, tuna and octopus exports will benefit greatly from the CPTPP.

Source: fashionatingworld.com- Mar 26, 2018

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NATIONAL NEWS

India-EU FTA: Prabhu hints talks may resume early

At $43 billion, the EU—including the UK—made up for 17.6% of India’s goods exports in the first 10 months of the current fiscal, while imports from the bloc stood at over $39 billion. Garments were India’s biggest exports segment, followed by engineering goods and gems & jewellery.

With threats of a global trade war looming, commerce and industry minister Suresh Prabhu on Monday hinted at an early resumption of negotiations over the long-stalled free trade agreement (FTA) between India and the European Union.

“We have started working on the India-EU FTA again. We have invited them and are looking at it,” the minister said. Access to the EU market is crucial for a number of Indian sectors, especially textiles and garments and IT.

Similarly, India is a lucrative market for the European auto and pharma companies. At $43 billion, the EU—including the UK—made up for 17.6% of India’s goods exports in the first 10 months of the current fiscal, while imports from the bloc stood at over $39 billion.

Garments were India’s biggest exports segment, followed by engineering goods and gems & jewellery. Similarly, the country imports capital goods and gems and precious stones worth billions of dollars from the EU.

As many as 16 rounds of negotiations took place between the two sides for the proposed FTA—officially dubbed as Bilateral Trade and Investment Agreement (BTIA)—from 2007 to 2013 before formal talks were stuck. Senior Indian and EU officials had met late last year to explore a way forward for the long-pending negotiations.

Inflexibilities from both the sides and Brexit delayed resumption of formal negotiations. Differences have persisted on the broad contours of the proposed FTA, including EU’s insistence that India cut import duties on auto parts and wine and strengthen intellectual property rights regime and the Indian demand for more liberalisation in services and greater flexibility on data privacy.
India also feels the flexibility shown by it in further opening up to foreign investments in more than a dozen sectors should be considered positively by the EU. The matter is crucial as it will have a bearing on Indian IT companies wanting market access.

On India’s strategy in view of rising trade protectionism, Prabhu said: “We have decided that we will be a country which will engage with all of our traditional friends, and at the same time, start making new friends.”

Source: financialexpress.com - Mar 27, 2018

Stage set for E-Way Bill from April 1

Businesses, tax dept gear up; Karnataka, AP to be among the first States to adopt system

With less than a week left for the implementation of the much-delayed E-Way Bill across the country, tax officials and businesses seem to be well prepared this time around.

“The IT system is fully geared up for the E-Way Bill. It has been thoroughly checked and can handle a much higher load,” said Prakash Kumar, Chief Executive Officer, GST Network (GSTN), adding that it has also gone through multiple rounds of testing.

The software for the E-Way Bill is being developed by the National Informatics Company and is being monitored by the GSTN.

In an interview to BusinessLine, Kumar said the system has been designed to generate as many as 75 lakh E-Way Bills per day with a higher throughput between 4 pm and 9 pm, when the traffic is expected to be higher.

“We have also opened it up to GSPs and have given APIs to large transporters who have over two lakh transactions every month. This will allow them to directly create e-way bills in bulk,” he said.
However, the major challenge has been that no one has an estimate of the number of trucks and vehicles transporting cargo in the country on a daily basis. “We tried various sources and also highlighted it with the GST Council,” Kumar said.

The E-Way Bill, which is an electronic ticket for movement of goods worth over ₹50,000 for distances above 10 km as part of the Goods and Services Tax, will be rolled out for inter-State transport from April 1.

For intra-State movement of goods, the E-Way Bill system is expected to be introduced in a phased manner from April 15, according to the GST Council decision earlier this month. All States will be on board by June 1.

Karnataka and Andhra Pradesh are expected to be among the first to introduce E-Way Bill for intra-State movement. “The country has been divided into four zones and depending on the preparedness of each State, they will roll out the E-Way Bill for intra-State movement in phases,” said another official.

The CBEC is understood to be in talks with commercial tax departments of States to work on the roll-out schedule.

The E-Way Bill had started on a trial basis from January 16 and was expected to be rolled out from February 1. However, it was deferred due to technical glitches on Day 1.

Meanwhile, after raising many concerns over possible delays and harassment, businesses too seem to have now become prepared for the E-Way Bill.

To address these worries, the CBEC had earlier this month notified amendments to the E-Way Bill rules relaxing several provisions such as allowing even job workers to generate these documents and providing for longer validity.

Industry players now say that many of their concerns have been addressed. Most businesses have also tried out generating E-Way Bills.
“Everyone is geared up. But what happens on April 1 and whether the system can take the load of lakhs of E-Way Bills being generated is the question. Also, we have to see how the ground-level implementation takes place,” noted an expert.

Welcoming the launch of the E-Way Bill, Anjani Mandal, Co-Founder and CEO of Fortigo, said: “It should not be delayed, but should be implemented uniformly across the country, including the date for implementation.”

While businesses are prepared for it, he, however, noted that instead of April 1, the E-Way Bill could have started from April 10 or 12 so that there is enough time for all shipments of the previous financial year to have left the factory and reached their destination.

Source: thehindubusinessline.com - Mar 26, 2018

Inefficient supply chain, inconsistent policy take sheen out of cotton textiles

Despite the Centre’s support to the Indian textile industry, the sector, stakeholders say “has been losing its sheen” on various fronts.

From scale of operation to poor expansion or investment in post-spinning operations — be it weaving or processing, rising labour costs, inconsistent fibre policy, lack of level playing field to remain competitive on the export front, inordinate delay in signing of FTAs (Free Trade Agreements) and the inefficient supply chain seems to have pushed the cotton textile industry in the country to a tight spot.

Such issues were discussed at a panel discussion on “Is Indian Cotton textiles losing its competitiveness?”

The event — the second in the Agri Conclave series — was powered by BusinessLine in association with Multi Commodity Exchange (MCX).

Prabhu Damodharan, Secretary, Indian Texpreneurs Federation (ITF), said the garment sector in the textile value chain is at its lowest ebb, losing out to low cost countries such as Vietnam and Bangladesh, as they enjoyed LDC
(Least Developed Countries) status. “The LDC has given these countries an edge over our exports. Exports from these countries are cheaper 10 per cent at the threshold level and there is no social compliance.”

Could the scale of operation be our detriment considering that most of the factories in the textile value chain, in the post-spinning area are small and medium units?

“The spinning sector has established a benchmark, but scaling is required in post-spinning operations, particularly in weaving, processing, knitting and garmenting. Though not at the scale of operations in China, there is a need to scale up in garmenting. Lack of access to capital and the size of operation has put them in a disadvantageous position,” observed Susindaran, Chief Executive Officer, Kay Ventures.

**Effluent discharge norms**

Suresh Manoharan, Secretary, Perundurai SIPCOT Textile Processors’ Association, said in processing, the challenges faced by the industry are innumerable, on account of zero liquid discharge (ZLD). “We are now converting water pollution to air pollution,” he said in a lighter vein, before adding that the ZLD had pushed the cost of production northward by 20-25 per cent.

“This condition (of ZLD) is imposed only in western Tamil Nadu. Further, the processing sector is capital intensive, and the margins – practically nil.”

S Dhananjayan, senior auditor and advisor to Tirupur Exporters’ Association, said the knitwear cluster had to conform with various compliances such as ZLD and social compliance, which, in turn, resulted in a 10-15 per cent rise in production cost, making the operations unviable.

“After the roll-out of GST, and with the government extending some cushion by way of ROSL (Rebate of State Levies), we thought the sector would get some breather.

But post-GST, the sector has started to choke for want of working capital. This is expected to hit our bottom line by 4-5 per cent. It is a devastating blow.”
Market size, demand

Deepak Mehta, Head – Agri & Energy, MCX, stressed that price risk management is important for the cotton sector. “The market size is huge at ₹65,000 crore and in 2017-18, the risk cover was only to the extent of ₹9,000 crore,” he said, urging the participants to utilise the MCX platform more aggressively.

Earlier, delivering the key-note address, G Chandrasekhar, commodities market specialist, said that rising income and the “natural” fibre status would increase the demand for cotton. “The domestic demand is given, but the challenges in supply could impact. As India integrates with the global market, the stakeholders must take a 360 degree vision, as the cotton prices here will be decided by what is happening globally.”

J Thulasidharan, President, Indian Cotton Federation, said there is no specific quality standard on cotton quality in India, but quality per se of the cotton produced here is good.

Source: thehindubusinessline.com - Mar 26, 2018

China promises to address trade deficit issue with India

China today promised to address the issue of widening trade deficit with India as the country sought greater market access for its goods and services, the Commerce and Industry Ministry said today.

The issue of trade imbalance with the neighbouring country was discussed in detail during the meeting of India-China Joint Group on Economic Relations, Trade, Science and Technology here.

Commerce and Industry Minister Suresh Prabhu and his Chinese counterpart Zhong Shan chaired the meeting.

The Chinese minister “promised to address the trade deficit between the two countries,” the ministry said in a statement.
Two-way trade

Both the sides deliberated upon ways to boost two-way trade, preparation of an action plan, greater focus on Regional Comprehensive Economic Partnership (RCEP) and e-dialogue.

Prabhu said addressing India’s trade imbalance with China is the most important matter to be taken up by the group.

“Minister exhorted his Chinese counterpart for greater market access for agricultural products like rapeseed, soyabean, basmati and non-basmati rice, fruits, vegetables and sugar,” it said.

He also said that India can export high quality pharmaceutical products besides IT and ITeS services to China and increase cooperation in the sectors like tourism and healthcare.

Trade deficit with China stood at $ 36.73 billion during April-October this fiscal. India’s trade deficit with China has marginally dipped to $ 51 billion in 2016-17 from $ 52.69 billion in the previous fiscal.

The group was formed in December 1988 during the visit of the then Prime Minister Rajiv Gandhi to Beijing.

Source: thehindubusinessline.com- Mar 26, 2018

How US tariff war will impact Indian firms

US President Donald Trump has put the global market on tenterhooks with his aggressive rhetoric on import tariffs. Highlighting the skew in trade balance, Trump has threatened reciprocal taxes on goods imported from countries that impose ‘unfair’ duties on US exports.

While his ire is mainly directed towards large trading partners like Europe, China, Canada and Mexico, India is also in his crosshairs. How will a full-blown tariff war impact India Inc. and what will be its effect on the stock market? In a series of tweets, the US President recently pointed out that the
US had lost $800 billion in yearly trade deficit because of its ‘very stupid’ trade deals and policies

US jobs and wealth are being given to other countries and they have taken advantage of the US for years, said Trump, warning that he would not allow it anymore. Sounding confident of coming out on top, Trump has effectively let out a war cry: “When a country (US) is losing many billions of dollars on trade with virtually every country it does business with, trade wars are good, and easy to win,” he says. He has already set his plan into motion, proposing 25% tariff on steel imports and 10% on aluminium. These increasingly protectionist measures by the US, however, threaten to derail the global economic growth engine, warn analysts.

Trump’s rhetoric has prompted other countries to threaten retaliatory tariffs, followed by counter-threats by the US, raising concerns of tit-for-tat protectionist measures that were a feature of the Great Depression in the 1930s. Ambareesh Baliga, an independent market expert, feels an all-out trade war will prove detrimental to global markets. “Global economic growth hinges on the free movement of goods.

If we revert to large-scale nationalism, it could set growth back by a couple of decades,” he says. If this plays out, capital markets will feel the heat. India is ninth in the list of US’ trading partners that have a trade surplus. Trade surplus means that we export more to the US than we import from the country. India’s exports account for a hefty 15% of US’ aggregate trade with the world. Gems and diamonds are India’s biggest goods exports to the US, followed by pharmaceuticals, textiles, fish and petroleum products.

As of now, these exports are not on the radar of the US, but there is a risk of retaliatory tariffs on these goods. Trump’s clamp-down on steel and aluminium imports will not impact India much as just about 4% of the steel exports flow into the US, while aluminium exports constitute 2% of total US
aluminium imports. While the direct impact of higher metal tariffs on Indian firms will be limited, there is a possibility that muted metals demand, owing to cooling off in global trade, will put pressure on prices of these metals.

Further, there is a chance that unabsorbed steel and aluminium exports from other countries may be rerouted and dumped on Indian shores. This incremental supply in the domestic market is likely to put metal prices under pressure, hurting the operating profits of Indian metals and mining firms, such as Tata Steel, SAIL and Hindalco, among others.

“The US trade protection measures will lead to a temporary disruption in a few regional markets as new trade channels open up to cater to supplies left behind from reduced US exports,” says Abhishek Poddar, Analyst, Kotak Securities.

Source: The office of the U.S. Trade Representative (USTR)

However, the potential steel mill and aluminium smelter restarts in the US will not significantly weaken the outlook on global aluminium and steel. Especially, given supply side reforms in China in these industries, says Poddar. Trump has also come down heavily on higher import duty on US-made Harley Davidson motorbikes. He previously threatened to slap retaliatory taxes on motorcycles coming into the US from India.

While the Indian government responded by slashing customs duty on imported high-end motorcycles to 75% from the earlier 100%, and eventually cut it down to 50%, the US President was left unimpressed and made it clear that the cuts were not enough.

If the US decides to levy equivalent duties, it could affect USbound exports of two leading Indian twowheeler manufacturers—Eicher Motors and Bajaj Auto. The former exports its Royal Enfield range of motorbikes, while Bajaj Auto ships the KTM brand to the US.
However, the volumes are limited to a few thousand units, with the total value of Indian motorcycle exports to the US at just about $6 million (₹40 crore) in 2016-17. As such, tariffs are not likely to create a visible dent on these firms’ profitability, which enjoy a strong domestic demand. India’s IT services firms have been exposed to Trump’s protectionist policies for a while.

Tighter immigration laws have affected how these firms hire local talent in the US and has restricted the flow of skilled personnel to the US. As things stand, India is not directly affected by the US actions, but the likely spillover effects could bring the domestic markets under pressure.

Source: economictimes.com- Mar 27, 2018

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Confident pending GST claims will be settled: FIEO

‘Govt. has assured exporters’ dues will be cleared by Mar. 31’

Pending GST refund claims, a major concern for exporters, could soon be a thing of the past with the government promising to address the issue before the close of this fiscal, FIEO said.

“Most of exporters have started getting refunds... the situation is not so alarming,” A. Sakthivel, chairman, FIEO’s Southern Region said. Of the Rs. 10,000-crore refunds claimed by exporters in the south, Rs. 4,000 crore had been cleared.

The government had assured exporters that the balance Rs. 6,000 crore would be cleared by March 31, disclosed Mr. Sakthivel during an interaction on the sidelines of a meeting on pending IGST/ITC refund claims organised by the Federation of Indian Export Organisations (FIEO).

He said with delay in refunds pushing exporters into a cash crunch, the FIEO engaged with the government regularly seeking an early solution. According to federation’s estimate, the pending refund claims nationwide had touched Rs. 30,000 crore.
Export growth

An early disposal of the claims is bound to cheer the exporters, he said, pointing out that the 3.2% global growth forecast for world trade in 2018 by the World Trade Organisation (WTO) would be a good sign for India’s export growth.

In 2017-18, India’s exports are expected to grow at 7-8%, he said, pointing out that the rate had been lower in the previous fiscal on account of sluggish market conditions.

Hyderabad Customs Principal Commissioner A.K. Jain, said 10,000 shipping bills, seeking Rs. 760 crore, were filed with his office by exporters since July. Of these, Rs. 480 crore, pertaining to 5,700 bills, had been disbursed.

The remaining include 3,800 shipping bills, relating to Rs. 260 crore refunds that were yet to come to the CBEC from GSTN (GST Network). Principal Commissioner, Hyderabad GST, Naresh Penumaka said 285 applicants had filed for input tax credit refund of Rs. 124 crore of which 150 applicants, involving Rs. 100 crore, had been cleared.

Source: thehindu.com- Mar 25, 2018