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TEXTILE INTELLIGENCE CENTRE
INFORMATION BUREAU TEXPROCIL

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US 71.42 | EUR 78.66 | GBP 91.81| JPY 0.65

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19091	39900	**71.20**
Domestic Futures Price (Ex. Warehouse Rajkot), December		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19320	40379	**72.06**
International Futures Price		
NY ICE USD Cents/lb (March 2020)		65.95
ZCE Cotton: Yuan/MT (January 2020)		12,835
ZCE Cotton: USD Cents/lb		82.79
Cotlook A Index – Physical		**74.95**

Cotton Guide: After touching a high of 66.14 cents per pound, the ICE March contract settled at 65.95 cents per pound. ICE figures have been positive for the last few days. Yesterday, the ICE March contract settled positive with a change of +15 points. The ICE May contract settled with a positive change of +25 points at 67.06 cents per pound. The Volumes were also seen to be slow and low due to the holiday laid week in the United States of America.

The MCX futures on the other hand were positive for all the nearby contracts but negative for the November contract. The MCX November contract settled at 19,000 Rs per Bale with a change of -110 Rs. We need to note that volumes have shifted from November contract to December contract. The MCX December contract settled at 19,320 Rs per Bale with a positive change of +120 Rs.

Therefore our prediction has remained true for both the MCX and ICE contracts.

The Cotlook Index A has been updated at 74.95 cents per pound with a change of +85 points. The average price of Shankar 6 seen on the website of CAI is at 39,900 Rs per Candy [29 mm, 3.8 – 4.2 mic, trash content of 3%, 28 GPT]. The actual spot price of S6 available at the market [some locations in Gujarat] is seen to be lower at 38,900 Rs per Candy with staple length 29 mm, Micronnaire of 3.8 and RD of 76.

On the fundamental front, from here on we are positive for both the ICE and the MCX contracts. The new range of ICE contracts is presumed to be from 65-70. The question is how long will it take for this to happen? The bearishness is now almost ruled out for now. Therefore as mentioned previous report, the prices are seen to reach 70 cents per pound before Christmas.

On the technical front, In daily chart, ICE Cotton March has retraced back within the channel from the support of upward sloping channel, after an Inverse Head & Shoulder pattern breakout. Price have sustained at the support of 38.2% Fibonacci retracement level (63.51) of an intermediate up move. Meanwhile, price is around the daily EMA (5, 9) at 65.54, 65.51, along with the momentum indicator RSI is at 53, suggesting sideways to positive bias for the price. The immediate resistance for the price would be at 66.90. Thus for the day we expect price to trade in the range of 64.90-66.90 with sideways to positive bias. In MCX Nov Cotton, we expect the price to trade within the range of 18900-19200 with a sideways to positive 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

Xi Outlines Plans to Open Up Chinese Market Amid US Trade War

Negotiations between the United States and China on trade may be trudging on with little transpiring at each juncture, but China's greater plans for global trade appear to be moving along just fine.

During a call Tuesday between U.S. Trade Representative Robert Lighthizer, Treasury Secretary Steven Mnuchin and vice premier and leader of the China-US Comprehensive Economic Dialogue, Liu He, the three continued discussions on how to resolve core concerns and agreed to "maintain communications" toward a phase one trade agreement, China's Ministry of Commerce said in a statement.

On Monday, China, according to Bloomberg, has agreed to raise penalties for intellectual property violations—which has been a sticking point for the U.S. in the talks. President Trump has clearly conveyed his displeasure at the U.S. having to give up sensitive commercial secrets as a condition for doing business there. China said it will work to reduce IP violations by 2022 and intends to make it easier for violated parties to be accordingly compensated.

Little else has yet been said about a resolution on tariffs as the Dec. 15 tranche 4B duties approach, and the U.S. and China don't appear to have honed in on a date for signing the phase one agreement.

However, China is positioned to further facilitate trade on a global scale, tariff war or not.

In remarks during the opening ceremony of the 2nd China International Import Expo earlier this month, Chinese president Xi Jinping spoke about economic globalization and plans to open up China's market.

"China's door to openness will only open wider and wider," Xi said. "We will persist in opening up to promote reform, development and innovation, and continue to promote higher levels of opening up."

And with that will come a greater focus on manufacturing for its expanding middle class and curbing barriers to international trade.

"China will actively build a more domestic market, pay more attention to the role of imports, further reduce tariffs and institutional costs, cultivate a number of important trade demonstration zones for innovation, and expand imports of high-quality products and services from various countries," Xi said.

Addressing intellectual property in particular, Xi said China will "relax foreign market access" and "improve the legal system for intellectual property protection."

Amid scant details on the status of the ongoing phase-one trade deal talks, some surmise that a deal is close at hand, while others don't expect an agreement this year at all. So far, China has been clear that it's willing to make a deal based on "equality" and Trump has been adamant that the deal must be better for the U.S. because the current playing field is already uneven. Until both sides agree to some concessions, the stalemate will continue.

Source: sourcingjournal.com- Nov 26, 2019

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Tariffs Aren't the Only Culprit Behind Handicapped Global Growth, OECD Says

Factors such as the U.S.-China trade conflict, weak business investment and persistent political uncertainty are weighing on the world economy and raising the risk of long-term stagnation, according to the latest "Economic Outlook" report from the Organisation for Economic Co-operation and Development (OECD).

World gross domestic product (GDP) growth is expected to be 2.9 percent this year, which would be its lowest annual rate since the Great Recession, and remain at 2.9 percent to 3 percent in 2020 and 2021, after expanding to 3.5 percent in 2018, OECD said.

The organization, a global policy forum that promotes policies to improve the economic and social well-being of people around the world, said bold action is needed to address the high levels of uncertainty facing businesses and the fundamental changes taking place in the global economy.

It called for policy makers to lead in a transition to cleaner energy and to an increasingly digital world.

OECD also said that governments should work together to boost investment and establish fair international rules on taxation and trade.

“It would be a mistake to consider these changes as temporary factors that can be addressed with monetary or fiscal policy,” OECD chief economist Laurence Boone said. “They are structural. Without coordination for trade and global taxation [and] clear policy directions for the energy transition, uncertainty will continue to loom large and damage growth prospects.”

The global economic slowdown involves advanced and emerging-market economies, although its severity varies based on their reliance on trade. Growth in the U.S. is forecast to slow to 2 percent in 2020 and 2021, OECD said, while in the Euro area and Japan, growth is expected at around 1 percent. The deceleration in China’s expansion is set to reach 5.5 percent in 2021, compared with 6.6 percent last year.

“Two years of escalating conflict over tariffs, principally between the U.S. and China, has hit trade, is undermining business investment and is putting jobs at risk,” the report said. “Although household spending has been holding up, signs of it weakening are emerging. Car sales have declined sharply over the past year.”

The report said while the fragility of the world economy can be blamed in large part on deliberate policy decisions, it also reflects deeper, structural changes. Digitization is transforming business models while climate and demographic changes are already disrupting existing patterns of activity. At the same time, China is rebalancing away from a reliance on exports and manufacturing toward consumption and services.

Speaking in Beijing, where he was meeting Chinese Premier Li Keqiang and other heads of international organizations, OECD secretary-general Angel Gurría said: “The alarm bells are ringing loud and clear.

Unless governments take decisive action to help boost investment, adapt their economies to the challenges of our time and build an open, fair and rules-based trading system, we are heading for a long-term future of low growth and declining living standards.”

Aggregate investment growth in the G20 countries, excluding China, slowed from an annual rate of 5 percent at the start of 2018 to only 1 percent in the first half of 2019, the report shows.

The OECD warned that further escalation of the U.S.-China trade conflict would disrupt supply networks and weigh on confidence, jobs and incomes. Uncertainty about a future European Union-U.K. trade relationship poses a further risk to growth.

Source: sourcingjournal.com - Nov 26, 2019

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As Global Fiber Production Explodes, Eco-Friendly Materials Matter More Than Ever

Textile Exchange's Preferred Fiber and Materials Market Report reveals that global fiber production has doubled in the last 20 years, reaching a high of 107 million metric tons in 2018, and is expected to grow to 145 million metric tons by 2030.

The report, which measures the production of fiber and materials with improved social and environmental impacts, known as preferred, shows production increases for the more responsible options for almost all fiber categories. The volumes are still low in comparison to conventional counterparts, however.

Among the key findings in the report were that in the Plant-based Natural Fibers category, cotton remains the most used fiber despite some recent development of other materials.

Preferred cotton had a market share of 22 percent of the total global cotton production and was grown in 30 countries in the 2018 reporting year.

Preferred cotton programs include ABRAPA, BASF e3, Better Cotton Initiative, Cleaner Cotton, Cotton made in Africa, Fairtrade, Fairtrade Organic, Field to Market, ISCC, myBMP, Organic, REEL Cotton, Regenerative Cotton and Transitional Cotton.

Also in the sector, passage of the U.S. Farm Bill made 2018 an important year for hemp. The bill separated hemp from the closely related marijuana plant, legalizing its growth and setting standards for cultivation and sales, allowing brands to incorporate the fiber into their apparel.

In the Synthetic Fiber Category for 2018, polyester was reported to have a market share of around 52 percent of global fiber production, making it the most widely used fiber worldwide.

In an effort to accelerate the industry's use of preferred fibers, Textile Exchange initiated a commitment to recycled polyester–one type of preferred polyester–that encouraged brands and retailers to publicly commit to increasing their use of recycled polyester by 25 percent by 2020. This goal was achieved in 2018.

"This momentum is exciting and hopefully will not be deterred by the 2018 recycled polyester market share being approximately 3 percent lower when compared to the 16 percent in the previous year due to the ban on importing different types of solid waste, including plastic bottles and polyester textile waste, to China that went into effect January 2018," the report said.

In the Animal-based Fibers and Materials category, preferred down was produced on thousands of farms in 13 countries. Preferred down is recognized by the adherence to standards, including Textile Exchange's Responsible Down Standard, the Global Traceable Down Standard and Downpass.

Wool is the most used animal-based fiber, with more than 1 million metric-tons produced globally. Preferred wool is estimated to be below 3 percent of the global market share.

Preferred wool is identified by key standards and initiatives, including Textile Exchange's Responsible Wool Standard (RWS) that was launched in 2016 and covered sheep on 278 farms in six countries during 2018.

It was also a significant year for mohair as Textile Exchange began the development of a Responsible Mohair Standard (RMS) that will sit alongside the RWS and provide assurance that mohair comes from farms with high animal welfare and progressive land management practices.

Textile Exchange is continuing its work on the Responsible Leather Round Table and a newly assembled Responsible Cashmere Round Table.

The Manmade Cellulosic Fibers category registered steady growth, with a market share of approximately 6.2 percent of total fiber production volume– double what it was in 1990 and expected to continue growing. The category includes viscose, acetate, lyocell, modal and cupro.

Textile Exchange said the continued growth of global fiber production will have significant impacts on people and the planet.

“Now is the time to accelerate a transition to preferred fiber and materials,” the organization said. “This is a critical step to reducing the footprint on the planet that is being left by conventional fiber and material production.

Textile Exchange aims to be the driving force for urgent climate action with a goal of 35 percent to 45 percent reduced CO_2 emissions from textile fiber and material production by 2030.”

Textile Exchange is a global nonprofit that manages and promotes a suite of six leading industry standards, as well as collects and publishes critical industry data and insights that enable brands and retailers to measure, manage and track their use of preferred fiber and materials. It has more than 400 members who represent leading brands, retailers and suppliers.

Source: sourcingjournal.com - Nov 26, 2019

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USA: Denim Mills Show Confidence in Recycled Fibers but Will Brands Follow?

Waste not, want not.

Recycled content was the common thread across exhibitors at Kingpins New York last week, where the supply chain presented new (or expanded) recycled concepts for Spring/Summer 2021.

With cotton cultivation pegged as the thirstiest stage in the lifecycle of a jean and campaigns by Plastic Ocean International and Oceana raising awareness about the environmental harm of ocean plastic pollution, mills are prioritizing ways to provide alternatives for the denim industry.

Interest in recycled fibers is growing day by day, says Özge Özsoy, Bossa's marketing chief. "With increasing consumer demand for more sustainable products and a rising focus around eco-friendly practices, the fashion world is taking steps to lessen its negative impact on the environment," she said.

The mill succeeded in becoming the first textile company to produce 100 percent recycled fabric through its Re-Set collection, which Bossa began in 2006. Recycled product currently makes up 11 percent of Bossa's production, but the Turkey-based mill's goal is to increase this value to 25 percent in the near future.

Part of Bossa's plan to ramp up the amount of recycled content in its production involves the consumer. The mill recently launched a project collecting used jeans from consumers to recycle into new products.

The post-consumer recycled jeans are part of the mill's new Future Denim collection, a line of 100 percent sustainable fabrics that pulls from a menu of sustainable fibers including organic cotton, recycled cotton, recycled polyester, Eco-T400 and Refibra, and combines them with Bossa's water-saving Saveblue dyeing process.

Collaborations with vendors, customers, startups and NGOs, and investments in in-house technology have been key in Artistic Milliners' development of fabrics made with recycled yarns, Ebru Ozaydin, Artistic Milliner senior vice president of sales and marketing, said.

For Spring/Summer 2021, the company also launched new R&D platforms, Bio-Vision and Circular Blue, to support zero waste design product development for fiber technologies and water and energy usage.

For Artistic Milliners, which introduced recycled fibers to its production in 2012 for a H&M project, post-consumer waste and recycled polyester are the most popular recycled alternatives. The mill's portfolio of recycled fibers now includes pre-consumer recycled cotton, post-consumer recycled cotton, industrial waste and branded fibers like Tencel's Refibra, Roica by Asahi Kasei and Unifi's Repreve and Ocean Repreve.

Repreve, the recycled fiber made from PET bottles, has emerged as a component that consumers recognize. Searches for the material increased 130 percent in 2019, according to recent data from global fashion search platform Lyst.

The story of Repreve—and its goal to recycle 20 billion plastic bottles by 2020—resonates with U.S. consumers. It's a name they have seen on everything from Timberland boots and Fitbit bands, to Roxy swimwear and Express jeans.

In 2018, more than 20 percent of Prosperity Textile's fabric sales contained sustainable materials, of which recycled ingredients are a part. Andy Zhong, Prosperity Textile marketing director, estimates that brands and retailers in U.S. are buying more Repreve fabrics, while European brands are ordering more fabrics made with recycled cotton.

"The demand for recycled fibers is growing steadily, and in our product portfolio, fabrics made with recycled polyester Repreve or pre-consumer recycled cotton with Recycled Claim Standard (RCS) and Global Recycled Standard (GRS) certifications are our key offerings," he said.

And more is to come. At Kingpins, the mill presented more inspiring ideas on recycling, like the Indigo Renew line, which is upcycled from the indigo cotton yarn wastes produced at dyeing mills.

Since the yarns are already dyed, no further indigo dyeing is needed to create the signature blue tone. Prosperity also introduced new fabrics with the newly launched Lyra Ecomade and T400 Ecomade fibers made recycled materials.

Pakistan-based mill Soorty uses Repreve in a variety of stretch fabrications, said Saad Talat Siddiqui, Soorty senior manager of marketing and product development. The Repreve line complements Soorty's other recycling initiatives, including its range of denims made with organic cotton and 20 percent post-consumer recycled cotton or industrial recycled cotton.

Spring/Summer 2021 marks the first-time Mexico-based Global Denim is using Repreve. Many clients, said Anatt Finkler, creative director at Global Denim, have asked for the recycled polyester as a way to enhance fabric recovery.

Global Denim is also rolling out its Ecoloop program on a broader scale. The recycling cotton program, which is based on creating new fabrics with recycled cotton yarn sourced from post-consumer jeans, the mill's own floor scraps and textiles from its commercial partners, launched last year as a small conceptual line. Rather than contain the recycled cotton denim to a single collection of fabrics, Global Denim is adapting fabrics across all of its seasonal product lines to be made with Ecoloop systems.

Approximately 20 percent to 25 percent of the mill's collection for Spring/Summer 2021 has 10 percent to 15 percent recycled cotton content in its makeup, Finkler said. For now, the recycled fibers are used only for fabrics with open-end construction, but she said the mill is working on adapting the technology for ring construction.

Recycling has been a long-term priority for Artistic Fabric & Garment Industries (AFGI), which announced in 2016 that it's in-house shredding plant is certified under the GRS to process post-consumer waste jeans into new fibers. This allows the fully vertical company to transform discarded jeans into new yarns, fabrics and jeans.

Although high-volume brands like Zara and H&M are asking for fabrics with 20 percent recycled cotton, according to AFGI senior marketing manager, Sabur Iftikhar Qureshi, the Pakistan mill is pushing forward with higher quantities. At Kingpins, the mill presented a "100 percent sustainable jean" made with 70 percent post-industrial recycled cotton and 30 percent post-consumer recycled cotton.

However, the U.S. market is still a long way from giving an entirely recycled jean the time of day. Most U.S. brands, Iftikhar Qureshi said, request just 5 percent recycled content.

American labels are considering more recycled content, he added, but one of the main hurdles they encounter is consumer mindset. “

Jeans made with recycled content creates less pollution, but they cost more. This is the problem,” Iftikhar Qureshi said. Brands are challenged by justifying the higher cost for a product that consumers still correlate to be made by “used” goods.

“They’re afraid to take that risk,” he said.

The upcharge is making the brands afraid, said Artistic Milliner’s Ozaydin, adding that their requests for “cost-neutral” is not possible until recycled content becomes “the new normal of the industry.”

And mills are still working out the kinks. Recycled fibers, Ozaydin pointed out, tend to have lower tensile and tear strength and the shades might be slightly different due to the nature of recycling processes and the dyestuff penetration. “Therefore, recycled fibers need new testing protocols and new shade assessment procedures,” she said.

Using recycled fibers in the denim fabric process is still in its infancy, but as the category matures brands will have to work on educating shoppers to create more awareness, Ozaydin said.

“The end consumer is starving for information, and transparency and authenticity are extremely important especially for Gen Z consumer,” she said. “The supply chain can organize educational platforms in collaboration with retailers, but we also have to make sure the consumer can reach solid and trustable information about the product they are investing [in].”

Source: sourcingjournal.com- Nov 26, 2019

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USA: Crop Progress Notes for Cotton – November 25

Successful trials of cotton in rain-fed zone with proven heat-resistance varieties have been termed a panacea for cotton woes.Cotton harvest progressed 10% in the past week, according to data from the USDA Crop Progress report for the week ending November 24.

The report showed that 78% of the U.S. crop has now been harvested, with seven states at least 90% complete. The U.S. percentage is 4% ahead of the 5-year average for this date, and 10 cotton producing states are also running ahead of their respective averages.

Biggest percentage increases in the past week came from California (up 25%), Kansas (up 20%), Oklahoma (up 14%) and Texas (up 12%).

Source: cottongrower.com- Nov 26, 2019

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South Korea, China and Japan will seek free trade agreement

The South Korean Ministry of Commerce, Industry and Energy informed this Tuesday that starting tomorrow, Wednesday, the sixteenth round of negotiations will take place here in order to reach a free trade agreement (FTA) between this nation, China and Japan.

According to the report, the talks will last three days and will be led by high-ranking officials from the nations involved.

It is also expected that the dialogue will focus on ways to open markets to goods and services and reduce other trade barriers in order to create a FTA for which talks have been held since 2012.

Yeo Han-koo, South Korean deputy minister of trade negotiations and leading the current talks, said that this new round will seek a beneficial agreement to promote economic cooperation and prosperity in Northeast Asia, building on the momentum of the Regional Comprehensive Economic Partnership (RCEP).

The RCEP was signed earlier this month in Thailand and includes the entire bloc of 10 countries of the Association of Southeast Asian Nations and its dialogue partners: South Korea, China, Japan, Australia and New Zealand.

Yesterday, South Korean government sources reported that the country managed to conclude a free trade agreement with Indonesia while intensifying efforts to reach an agreement next year with the Philippines.

It is also working to close an agreement with Malaysia, while it recently agreed to conduct a joint feasibility study on a possible FTA with Cambodia.

Source: plenglish.com- Nov 26, 2019

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Fall in China cotton imports

China's cotton imports are falling. Reasons include high levels of cotton in consignment, burgeoning industrial and commercial stocks, and stagnant consumption growth. Over a fifth of China's 2018-19 cotton imports are estimated to have remained in consignment.

Although 2019-20 imports are lower than the previous year, the total quantity forecast to clear customs and enter the free market is expected to grow. Cotton in consignment for 2019-20 is forecast to halve from the previous year with reduced incentives for storage.

Cotton stored in bonded warehouses was estimated to have more than doubled at the end of 2018-19 from the previous year.

Private enterprises' incentive to incur costs of storing cotton in consignment is mostly driven by China's import policies and allocation of import quota when issued.

Due to restrictive import policies pertaining to quota licenses for commercial and industrial enterprises, importers prefer to store cotton close to the port of entry. This pertains to uncertainty surrounding the timing and availability of quota for merchants.

China is still expected to be the world's largest importer in 2019-20, exceeding the second largest, Vietnam, by nearly 4,40,000 tons. This is expected to stabilize domestic supplies, even as total stocks are expected to be the lowest since the country's formal price support program was initiated more than eight years ago.

Source: fashionatingworld.com- Nov 26, 2019

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Turkey keen to open Dhaka office to boost bilateral trade

Turkey is eager to set up its own office in Bangladesh on the lines of the Japan International Cooperation Agency and the Korea International Cooperation Agency to boost bilateral cooperation and trade, Turkish vice president Fuat Oktay told Bangladeshi finance minister AHM Mustafa Kamal at Ankara last week. Kamal said Bangladesh would consider the request.

Kamal sought cooperation from Turkey in information and communication technology.

Fuat said Bangladesh could supply more agro-processed foods, jute and jute-made goods, processed fruits including mangoes, lichies, jackfruits and pineapple to the Turkish market, according to a news agency in Bangladesh.

He also suggested that Bangladesh could supply leather goods as well as meat to Turkish market where Turkey could extend support in case of getting the necessary Halal certification.

Source: fibre2fashion.com- Nov 26, 2019

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Pakistan: Pre-requisite for enhancing textile exports: long-term policy

Pakistan was once the leading textile exporter and was considered the most efficient and technically advanced textile sector in the region. The sector gradually started losing its shine in the last two decades. The foremost reason behind this decline was that country's textile sector failed to innovate and modernize production owing to systemic inefficiencies, administrative delays, and low profitability due to ever increasing cost of doing business, low profit margins and liquidity crunch because of cash flows soaked up in delayed refund/drawbacks along with tariff and non-tariff barriers on import of raw materials.

Long-term economic crisis in the form of stagnant economic growth, declining exports, worsening Balance of Payments (BoP), increasing unemployment rate and limited GDP growth rate, all require long-term policy framework focused on sustainable economic recovery. Policymaking in Pakistan has remained weak and its implementation is even weaker with no mechanism of policy outcome evaluation.

Textiles being the largest industrial sector of the country, contributing almost 60 percent of total exports, demands special dedication of the authorities to assist in improving exports. Pakistan has had two five-year textile policies; first five-year textile policy was developed in 2009 and the second one came in 2014.

Both policies were comprehensive on paper but they failed because of their non-implementation and technical shortfalls. Over the same period, Pakistan's textile and clothing export growths have decreased, whereas our regional competitors are seeing a multiplying growth with Vietnam's newly emerging textile market growing at the rate of 107% (2011-18) while Pakistan's declined by 10% (2011-18).

Currently, more than 70-80% of textile machinery is more than 10-year-old while an international GHERZI benchmarking study in 2007, deduced that Pakistan's textile infrastructure was the most updated and had modern spinning technology in the region compared with India, China, Indonesia, Egypt, Vietnam and Bangladesh at that time.

Over the past decade, Pakistan's export market base, much like its product base, has also remained stagnant. Traditionally, our trade partners include the US, China and European countries. America's share in our textile and cloth exports is 30%, European countries' 41% and China's 18%.

While, on the other hand, Africa, which we have failed to focus upon so far, is going to be the single largest buyer of textile and clothing in coming years. Africa is the second highest populated region in the world with Sub Saharan Africa economy of 2 trillion dollars. Looking at future size of their economy, it is high time to establish ourselves in the emerging markets in order to reap economic benefits in the future.

TEXTILE & CLOTHING EXPORTS GROWTH

Countries	% Change 2011-18 (In Billion Dollars)
India	31%
Bangladesh	63%
Vietnam	107%
Sri Lanka	20%
Pakistan	-10%

Simultaneously, we also need to reform our product mix within our industry to compete with the world. A decade or two back, the share of cotton products' trade was more than 70 percent when Pakistan had its name internationally, this share has now declined to 30 percent.

Now world trade has started moving away from cotton products, preferences have shifted to Man Made Fibers (MMF) globally due to their affordability and durability, whereas Pakistan's export mix has stayed the same in favor of cotton leaving us out of the arena.

Without a doubt now exports have started to pick up and increased exported product volumes are surely on track to reflect in dollar terms which were previously not yielding results in value terms, raising concerns.

During the first four months of FY20 exports have shown 4 percent year-on-year growth even with bleak global economic outlook indicating continuous decline in prices of almost all the key commodities including Pakistan's top exporting category textiles.

Nevertheless, textile sector has responded rather well to the deteriorating global situation and has illustrated its capability to compete globally. The volumes for most of textile exporting categories are hitting all-time periodic highs. Readymade garment export quantity has increased by 32 percent year-on-year in 4MFY20, while, bed wear and knitwear grew by 19 and 7 percent, respectively. These three commodities combined constitute nearly 40 percent of the country's total exports. This improvement in numbers was made possible because of the corrective policy interventions by the government like rationalizing energy rates for exporting sectors and; hence providing a regionally competitive platform.

The rise in textile sector is likely to translate into LSM numbers as well. The textile sector is the single largest industrial employer in the country. If there will be any sizeable expansion in this sector, the sector's capacity for creating employment and exportable surplus will go even further higher in coming months, hence serving the country's precise need of earning dollars and creating employment. Exportable product diversification and engaging new markets might be a long-term goal, the significance of this sector in reviving exports and serving as a catalyst for economic growth and industrialization cannot be overlooked.

A multi-dimensional strategy shall be developed to restructure and revive textile industry according to the contemporary needs. The welcome initiatives aimed at restoring the viability and competitiveness of the textile sector like reducing energy prices, swift settlement of pending refunds and enhanced financing facilities should be continued as part of long-term policy measures.

Furthermore, interest rates should be reduced in the light of economic target of earning foreign exchange and attracting fresh investment for a sustainable Balance of Payment (BoP) solution. Higher interest rates have escalated borrowing cost of money because if interest rates rise, the opportunity cost of investment rises, and thus investment level falls.

Only implementation of progressive policy measures has the potential to increase export volume to US $45 billion plus in next five years along with creation of 3-4 million additional jobs through tapping unutilized potential, exploring nontraditional markets and setting up industries focused on value-added textile products and apparel.

The threat of increased competition in the global textile market is serious and becoming progressively more so. In order to compete with the world and also regionally, there is need to further reduce our cost of doing business and make it comparable to regional competitors like India, Bangladesh, Vietnam and Thailand and for that a long-term policy is a must.

Pakistan needs consistent and implementable long-term textile policy focusing on increased productivity that fosters sustainable export volumes imperative to long-lasting economic growth.

Source: brecorder.com- Nov 27, 2019

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NATIONAL NEWS

CCI buys 1.2 million bales of cotton at MSP

Estimates cotton production to increase by 13.6 per cent to 35.5 million bales this season

Cotton Corporation of India (CCI) has purchased 1.2 million bales or about one per cent of total cotton arrivals in the ongoing season that started in October.

Cotton prices was down below the minimum support price (MSP) fixed by government in September and forced CCI to buy in Punjab, Haryana, Gujarat and Rajasthan.

The cotton crop in Maharashtra is estimated to be delayed, as unseasonal rains damaged around 1.9 million bales in the state. The damaged crop is estimated to fetch prices that would be 30-35 per cent lower than the MSP due to high moisture content, said India Ratings and Research report.

The CCI has estimated cotton production to increase by 13.6 per cent to 35.5 million bales (of 170kg each) this season on the back of greater-than-average rainfall in the country and increased sowing by farmers. Area under cotton cultivation has increased by 6 per cent year-on-year during the current season.

India's raw cotton exports fell by 75 per cent in the first half of this fiscal due to high domestic prices and the availability of cheaper cotton from Brazil, the US and Vietnam.

The spinning industry saw disruptions in production in September quarter owing to reduced demand and volatility in cotton prices. While demand from China improved marginally in August and September, a further improvement would be healthier for the spinning industry, which has been facing margin pressure and low capacity utilisations.

Fabric exports improved in first half of the fiscal owing to an improvement in the quality of Indian fabrics and addition of newer markets. Exports in first half of this fiscal was up at Rs 12,489 crore against Rs 11,611 crore.

A sharp rise in imports of cheap apparel from Bangladesh has rendered the Indian textile value chain uncompetitive. Readymade garments output recorded a de-growth of 14 per cent month-on-month in September due to a steep fall in demand from the US and UK.

Source: thehindubusinessline.com - Nov 26, 2019

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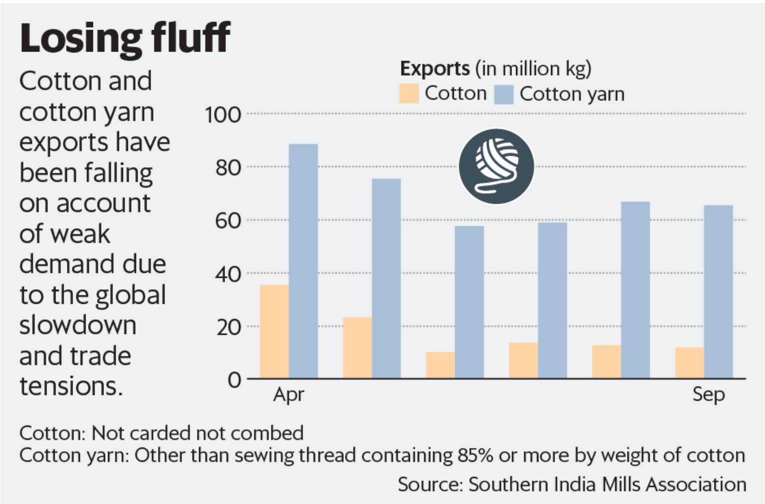
Lower cotton prices to ease pain for mills hit by weak yarn exports

The new cotton season from October 2019 to September 2020 ushers in hope of lower raw material costs for yarn mills. This could give a leg-up to profitability in the coming quarters amid weak exports.

Cotton Corporation of India estimates production to rise 13.6% year-on-year. Therefore, current cotton prices (Sankar-6 grade) are down 8% since September and 16% lower from the high of ₹129 per kg touched in April.



However, analysts reckon that mills would benefit from this drop in prices with a lag. Most of them are saddled with high-price cotton inventory, which eroded profitability in the last two- three quarters. “The spinning industry saw disruptions in production in Q2FY20 owing to reduced demand and volatility in cotton prices," said a recent report by India Ratings and Research Ltd.

Larger mills such as Ambika Cotton Mills Ltd, KPR Mill Ltd and Vardhman Textiles Ltd maintained operating margins at about 16-18%, but many small units faced high cotton prices. Shares of Vardhman Textiles and Ambika Cotton Mills have fallen 17% and 28%, respectively, in a year, while KPR Mill’s share price was buoyed by a recent buyback offer.

The yarn spinners' plea to incentivize yarn exports is reasonable given weak exports is the biggest drag for the cotton textile industry. Cotton yarn exports fell to 66 million kg, from 89 million kg in April.

"US-China trade war halved yarn exports to China due to weak demand in the region. This was further aggravated by duty-free access allowed to Pakistan and Bangladesh by China. Meanwhile, demand in domestic markets has been impacted by cheaper yarn imports from Vietnam, Thailand and other South-east Asian countries by Indian fabric manufacturers," said Abhishek Rathi, senior analyst (corporate) at India Ratings.

Thus, there is a glut of yarn in the local market, which is suppressing prices. Although spinning mills are trying to offset this by developing new export markets, it will take time. In this backdrop, softening cotton prices could improve margins of spinners at least in a couple of quarters.

That said, the impact of minimum support prices and easing of trade tensions between the US and China may limit the decline in cotton prices.

Source: livemint.com - Nov 27, 2019

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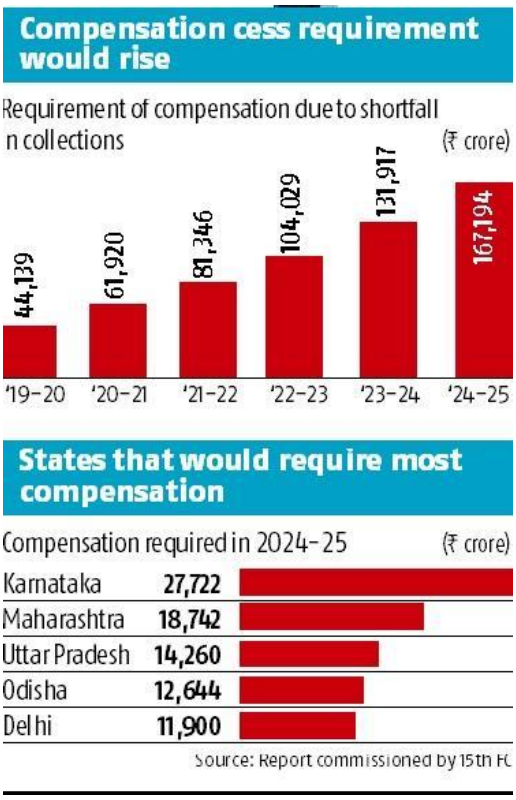
States' GST compensation may need to be extended beyond 2022: Report

States will need to be compensated for their revenue shortfall under goods and services tax (GST) even after 2022 — the sunset year for compensation under the law — because of slow revenue growth, a report commissioned by the 15th Finance Commission (FC) has noted.

It shows that states would require compensation of at least Rs 1.67 trillion in 2024-25, because none of them would be able to achieve 14 per cent growth every year.

While Karnataka would need the highest compensation among states, Delhi too would face a revenue shortfall to a great extent in coming years, the report warns.

Compensation cess is collected over and above the prevailing GST rate on certain luxurious items of consumption. The 15th FC might consider this an important input while it revises the formula for devolving tax revenue from the Centre to the states.



This finding of the report might put weight on the states' side in the devolution formula. States are fearing a reduction in their share after the terms of reference of the FC are revised to include special provisions for defence spending.

This fiscal year (2019-20) states are facing an acute crisis due to a shortfall in revenue from all sources, including state GST (SGST) and sales tax.

They allege due to structural issues in GST, they would be left with no support after the compensation period ends in 2022.

On similar lines, 15th FC Chairman N K Singh has been calling for a simplification in GST.

"The issue of GST rates, exemptions, changes, and implementation of the indirect taxes is entirely within the domain of the GST Council. This leads to unsettled questions on the ways to monitor, scrutinise, and optimise revenue outcomes... Since both the FC and the GST Council are constitutional bodies, coordination between the two is now an inescapable necessity," he said in lecture on November 22.

The report, authored by Sachhidananda Mukherjee and R Kavita Rao of the National Institute of Public Finance and Policy, a New Delhi-based centrally funded think tank, also highlights inconsistencies in the data provided by various sources on GST revenue.

"Unless the information from different sources (GSTR-1 and GSTR-3B) converges, any projection made from them may be erroneous," the report notes.

GSTR-1 is the tax return form that includes supplies from a company (goods or service) while GSTR-3B is the tax return form that includes the tax paid, input-tax credit utilised, and the summary of purchases and output and turnover of the company for the pertaining period.

The report says due to different sets of compliances for the two return formats, the aggregate data populated from these two returns does not match, and makes projections difficult.

There is a 20 per cent difference between the compliances of these two monthly returns, and this only adds to the inconsistency, the authors said.

These projections form an extremely important input for the Finance Commission because it bases its recommendations on these.

The compliance for the summary monthly return (3B) has been struggling to cross 65 per cent even after more than two years of implementation.

The report also shows the tax liability does not match the sum of the tax paid in cash and the credit utilised (which should usually be the case) in some quarters, especially the early quarters. In addition, the aggregate credit utilisation data populated from GSTR-3B does not match category-wise credit utilisation.

The report uses data from the revenue department in the finance ministry and the data thrown in by the GST Network (GSTN), the IT services back-end of the GST tax system.

The two throw different sets of data, making the analysis of GST unviable.

A robust IT system and better tax compliance would be the only way to tackle this mismatch, and better projections can be made only when the GST system stabilises, the report notes.

GST revenue has grown only 5 per cent this fiscal year, and the compensation paid to states has run into Rs 66,000 crore in the first six months, the data shows.

Source: business-standard.com- Nov 27, 2019

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India's economic growth to weaken in second half of FY20, says DBS Bank

New project announcements remain at a multi-year low, while production was depressed by weak consumer durables, non-durables, intermediate and capital goods, the bank pointed out.

India's economic growth is expected to slow further in the second half of the year, Singapore's DBS Bank said on Monday.

"Real GDP is likely to print 4.3 per cent YoY in 3Q vs 2Q's 5 per cent, nearing the trough for this cycle," DBS said in its daily economic report.

Weakness in the crucial consumption sector is likely to be extended into the quarter along with tepid private sector activity.

New project announcements remain at a multi-year low, while production was depressed by weak consumer durables, non-durables, intermediate and capital goods, the bank pointed out.

Surveys by the Reserve Bank of India (RBI) reflect downbeat consumer sentiments towards income and employment conditions.

Indirect and direct tax collections also reflected slower demand, as did sluggish credit growth as banks and non-banks tightened due diligence, it said.

Providing a counterweight, fiscal spending likely quickened after slower disbursements in the first half of the year due to the general elections.

Net trade is unlikely to be a drag with weak exports accompanied by a sharper fall in non-oil, non-gold imports. "Under GVA (Gross Value Added), we expect 4.1 per cent print, with most sectors barring public administration to have slowed in the quarter," said DBS.

The third quarter economic numbers are due this week.

Source: business-standard.com- Nov 25, 2019

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Commerce ministry seeks views of different departments on national logistics policy

The commerce ministry has sought views of all the ministries, including steel, shipping and others on the draft national logistics policy, which aims at promoting seamless movement of goods across the country, an official said. The draft policy also seeks to reduce high transaction cost of traders.

The government wants to formulate the policy as the sector's growth is critical to boost exports and economic growth. "We have sought some actionable points from all the ministries and departments on the policy," the official said. The draft was floated by the logistics division of the commerce ministry.

The cost of logistics for India is about 13-14 per cent of the gross domestic product (which is over USD 2.5 trillion) and is much higher as compared to other countries.

The target is to reduce it to about 10 per cent in the coming years. High logistics cost impacts competitiveness of domestic goods in international markets. Logistics is a key component for increasing competitiveness of exporters and domestic traders by reducing transport cost and time, and expediting smooth movement of goods.

In February, the commerce ministry had floated a 23-page draft policy with an aim to create a single point of reference for all logistics and trade facilitation matters in the country, which will also function as a knowledge and information sharing platform. It has suggested several steps, including creating a national logistics e-marketplace.

The draft also aims at simplification of documentation for exports/ imports and drive transparency through digitisation of processes involving customs, in regulatory, certification and compliance services; and creating a data and analytics centre to drive transparency and continuous monitoring of key logistics metrics.

Source: financialexpress.com - Nov 26, 2019

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Telangana seeks Rs 898 crore from Centre for textile

Telangana government has sought about Rs 898 crore from the Centre for creating infrastructure at the Kakatiya Mega Textile Park (KMTP) coming up in Warangal.

State Minister for IT and Industries KT Rama Rao submitted a memorandum to Union Minister for Textiles Smriti Irani in New Delhi on Tuesday, an official press release said here. The Telangana government has also submitted the required documentation sought during the PAC (Project Approval Committee) meeting.

The government asked the Centre to sanction Rs 897.92 crore for infrastructure at the textile park, and also early approval of the project, the release said.

Rao requested the Union Minister to also finalise the policy for Development of Manufacturing Regions for Textile and Apparel Sector (MRTA) so that projects like KMTP can be benefited and can have a positive impact on the development of the textile sector, it said.

The KMTPis in line with the draft policy of MRTA of the Ministry of Textile aimed at establishing manufacturing facilities for domestic and export-led production in apparel and other textile-related sectors, the release said.

The park has already received the commitment of FDI totalling USD 145 million from Youngone Corporation, South Korea, and the Telangana government has signed memoranda of understanding for Rs 3,020 crore with 14 large textile/ apparel companies, the release added.

Source: deccanherald.com- Nov 26, 2019

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