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IBTEX No. 178 of 2018 August 28, 2018

USD 70.12| EUR 81.81 | GBP 90.22 | JPY 0.63

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
22565	47200	**85.93**

Domestic Futures Price (Ex. Gin), October

Rs./Bale	Rs./Candy	USD Cent/lb
23030	48173	**87.70**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	83.34
ZCE Cotton: Yuan/MT (Jan 2019)	16,115
ZCE Cotton: USD Cents/lb	**91.16**
Cotlook A Index – Physical	**93.05**

Cotton Guide: The ICE US Cotton December future rallied to settle the contract at 83.34 cents per pound up by 171 points from previous close. The rest of the board settled from unchanged to 173 points higher with the actively traded contracts all gaining more than 150 points. Trading volume was 20,134 futures, up slightly from Friday's 19,083. Option volume was 5,844 contracts.

The US market was supported by sharp gains in Chinese futures prices overnight as well as brisk activity at the Chinese reserve auction. The quantity offered for sale at Monday's auction was 30,007 tons. Of that, 29,279 tons (97.6%) was taken up. The enthusiasm was reportedly provoked by a 47-yuan drop in the official base price, combined with the approaching end of the current auction series. Traders also eyed rallying US equity prices.

The Dow Jones Industrial Index, NASDAQ Composite and S & P 500 all moved to new all-time highs. Meanwhile, the US Dollar Index continued its decline from recent highs, breaking key near-term support in the process.

On the technical front market continues to hold in the same range of 81 to 84 cents however, unless it comes out of the range the market will continue to move in the same zone.

This morning ICE cotton is seen trading lower marginally at 82.93 cents per cent. We think it may trade in the range of 82.40 to 83.60 cents per pound.

On the domestic front the Indian cotton price for S-6 continues to trade steady around Rs. 47200 per candy ex-gin. However, the MCX cotton future for the October contract has ended the session lower at Rs. 23030 down by Rs. 240 from previous week's close.

Note: the Indian cotton future is trading almost 8 cents or more than Rs. 1400 per candy higher than the ICE futures price and also above the spot price in India. This means Indian cotton future is at a very premium price. This may lead to a good price correction in the domestic future contract especially in October. The same is being felt on Monday's trading session. We think the view will continue on today as well. Our recommendation is to sell cotton on every rise.

FX Guide: Indian rupee has appreciated by 0.1% to trade near 70.07 levels against the US dollar. Rupee has edged up amid general correction in US dollar and firmness in global equity market. The US dollar index has slumped to 3-week low as Fed maintained gradual rate hike stance with no signs of economy overheating. The US dollar is also pressurized by China central bank's measures to prop up yuan. Progress in trade talks also reduced safe haven appeal for US dollar.

US and Mexico reached a bilateral agreement on Monday to revamp the NAFTA deal but Canada's response is awaited. Global equity markets have also stabilized amid progress in trade talks and general optimism about US economy.

However, weighing on rupee is higher crude oil price and continuing US-China trade tensions. Brent crude trades near $76 per barrel supported by supply worries relating to Iran and expectations of decline in US crude stocks. Rupee may see some strengthening amid general correction in US dollar and firmness in equities. USDINR may trade in a range of 69.85-70.3 and bias may be on the downside.

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

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INTERNATIONAL NEWS

US, Mexico Reach Trade Deal as Canada May Rejoin NAFTA Talks

President Donald Trump hailed a deal with Mexico to revamp the North American Free Trade Agreement as "a big day for trade" and said he plans to change the name of a reworked version of the accord.

Trump announced the agreement in a hastily arranged Oval Office event Monday with Mexican President Enrique Pena Nieto joining by conference call. Nieto said he hoped Canada would soon be incorporated in the revised agreement, while Trump said that remains to be seen.

As he announced the move, Trump said he would drop the name Nafta for the trade arrangement because of the bad connotations of a deal that has been criticized as contributing to the flow of jobs from the U.S. to Mexico.

The peso rose ahead of Trump's remarks. U.S. stocks also advanced, with auto suppliers and rail companies among the top gainers.

There is no deal reached yet with Canada, people familiar with the agreement said. The northern neighbor has been on the sidelines of the talks since July as Mexico and the U.S focused on settling differences.

A spokesman for Canadian Foreign Minister Chrystia Freeland issued a statement on Monday that warned against jumping to conclusions. "Canada's signature is required," spokesman Adam Austen said in an email. "We will only sign a new Nafta that is good for Canada and good for the middle class" and "we will continue to work toward a modernized Nafta."

Nieto said in a tweet on Monday that he spoke with Canadian Prime Minister Justin Trudeau and stressed the importance of Canada rejoining Nafta talks.
Bilateral pact

Still, an accord between the U.S. and Mexico is the biggest development in talks that began a year ago, punctuated by Trump's repeated threats to quit altogether. Significant breakthroughs came during the past several days of bilateral talks on automobiles and energy. The three countries trade more than $1 trillion annually, much of it under the pact.

There is one difference left to iron out, Mexican Economy Minister Ildefonso Guajardo told reporters early on Monday as he entered the Washington office of the U.S. Trade Representative's office where negotiations are going on. He declined to identify the issue.

Canada approval

Talks to update Nafta began a year ago, but in recent weeks have been held between just the U.S. and Mexico. The U.S. president says the deal has led to hundreds of thousands of lost American jobs, and he promised to either change it to be more favorable to the U.S., or withdraw.

The U.S. push to finish Nafta talks comes at the same time it's in a spiraling trade war with China, and has threatened to place tariffs on cars imported from major manufacturing centers in Asia and Europe — efforts that have created new uncertainty for many businesses and investors.

Talks between the U.S. and Mexico had focused largely on cars. The U.S. wanted to bring back auto manufacturing jobs that had gone to Mexico. The countries are said to have agreed that automakers who don't comply with the new Nafta rules will pay a 2.5 percent tariff, the same as they would if they skirted the existing Nafta, while any new Mexican plants wouldn't have a guarantee. That could potentially expose them to U.S. auto tariffs of between 20 percent and 25 percent, which Trump is considering under national security grounds. The new rules would also likely require key components to have more domestic content.

Jesus Seade, the Nafta representative for Mexican president-elect Andres Manuel Lopez Obrador, has predicted that the nations will agree on a softened version of a so-called "sunset clause," an automatic expiration after five years — a key U.S. demand. The recent push for a deal is in part to have it signed before the new president takes office in December.

That would be essential, as the sunset clause was a major sticking point — erupting, for instance, at the Group of Seven summit in June. Other key issues are Chapter 19 anti-dumping panels, which the U.S. wants to kill but which may be a deal-breaker for Canada, as well as Canada's protected dairy sector, which Trump is targeting to dismantle.

How quickly Canada will rejoin talks remains unclear, Canada's Freeland is in Europe this week. Even once Canada agrees, any Nafta deal between the three countries would have to be ratified. Timelines set out under U.S. trade law mean that would almost certainly be done by the next U.S. Congress, raising the prospect of further hurdles.

Source: sourcingjournal.com- Aug 27, 2018

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US consumers return to denim

Denim is on the upswing in the US. Retailers are starting to rebuild their denim assortments. So far this quarter, there's 42 per cent more denim product in stock than this time last year. In terms of growth, leggings continue to outpace denim though the denim market is double the size of the leggings category.

Price points have increased considerably since 2014, creating a more competitive denim market. The average price point for men's jeans in the US is up 20 per cent this quarter, and prices for women's denim have increased ten per cent.

Skinny jeans still represent 58 per cent of women's jeans. Straight leg jeans come second followed by cropped and ripped. Other silhouettes that have gained since 2016 are cropped, culotte, mom and wide.

Wide leg jeans that hit just above the ankle have been an area of focus for brands like Madewell and Everlane. Finished hems, frayed hems, and black and white denim have performed well. Flared jeans are also gaining momentum with consumers. Flared shaping on skinny styles is the most versatile, but high-waist wider cuts bring a refreshing hit of newness.

Apart from jeans, others like denim outerwear, dresses, shirts, shorts and skirts have grown 12 per cent in the last month.

Source: fashionatingworld.com- Aug 27, 2018

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Is Amazon or Walmart the Bigger Threat to Digital Retailers?

Amazon and Walmart may be locked in an endless battle for retail dominance, but to the 276 retailers surveyed by SLI Systems for its E-commerce Performance Indicators and Confidence Report H1 2018, there's really only one true threat.

More than two-fifths (41 percent) of retailers across the globe (and retailers in the U.S.) cite Amazon as a threat—higher than the percentage that reported similar sentiments the previous quarter. Even more telling, fewer companies (12 percent versus 24 percent the previous period) believe Amazon does not pose a threat to their business, reflecting how far the behemoth's tentacles extend into the commerce landscape.

Even as Amazon's threat level rises, fewer respondents see Walmart, and its Jet.com digital outpost, as a competitor of intimidating force—despite considerable investments in its digital footprint. The number of those who view the world's largest retailer as a menace dropped to 8 percent from 12 percent in Q3 2017.

The e-commerce optimization company polled retailers across the U.S., the U.K. and New Zealand to determine what digital merchants are prioritizing for 2018.

E-commerce is booming and apparel retailers hoping to cash in on consumer interest in shopping online are increasing their digital presence by offering more products and adding new product lines, according to the report.

Overall, e-commerce expansion is slowing down from its torrid pace in 2017, when 84 percent of respondents said they'd be incorporating new products and lines. For the first half of this year, 78 percent of all e-tailers, and 71 percent of apparel and fashion-related firms, indicated they're putting up more items on their websites.

Though experts had predicted a lot of M&A activity for 2018, the year has so far yielded little in the way of deals and acquisitions. According to the SLI Systems report, just 14 percent said they're planning one or many acquisitions for the calendar year.

Instead, the numbers point to online sellers putting an emphasis on buying or deploying new technology to enhance their digital storefronts. More than two-thirds (68 percent) said they were implementing new systems in the first half of 2018, higher than the 57 percent who had similar plans in Q3 2017.

Maybe they're overly confident in their investments, but retailers are optimistic about e-commerce revenue growth for 2018, according to the report. Not only does the overwhelming majority (91 percent) expect a jump in revenue, but retailers also think they'll see a larger increase than in previous quarters. Thirty percent expect their digital businesses to produce "aggressive growth" (between 11 percent to 30 percent) compared with just 22 percent in Q3 2017.

For contrast, the percentage reporting expectations of "modest growth" (1 percent to 10 percent) fell from 58 percent to 49 percent. Note that among U.S. respondents, more (59 percent) are planning for modest growth than those (12 percent) expecting aggressive growth higher than 21 percent. Twenty-five percent of apparel merchants believe they'll see growth above 21 percent, the report noted.

Expected revenue growth will benefit the 21 percent who also expect to see increases in per-order fulfillment costs, SLI said.

That begs the question: are mobile commerce investments mature or are retailers slacking off in prioritizing phone-based channels?

Just 5 percent said investing in their mobile website is their most important initiative, a figure that plunges to 1 percent when asked about the priority of investing in their mobile application. While mobile may not be the No. 1 focus overall, most retailers' financial investments are equal to (50 percent) or above (41 percent) last year's levels.

"With only 2 percent reporting a decrease, it's clear mobile remains integral to e-commerce success," the report noted. Retailers' digital commitments reveal their interest in furthering efforts to personalize the consumer experience.

Most (57 percent) deploy marketing emails based on a consumer's behavior online, making it the most-used personalization tactic, according to the report.

Other top efforts include recommending products based on online behavior (55 percent) while roughly one-third (34 percent) either create offers based on online behavior or segment customers using demographic information. For apparel retailers, most are personalizing the journey but displaying category page results based on what the customer has been doing online.

Of course, retailers expect these personalization initiatives to translate into bottom-line results. The report said 60 percent expect their conversion rate to increase as a direct result of these efforts.

Source: sourcingjournal.com- Aug 27, 2018

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EU half yearly clothing imports up six per cent

The volume of European Union clothing imports rose 6.62 per cent during the first five months of 2018. However, the value of imports fell 2.10 per cent. Bangladesh's apparel exports to the EU rose 0.83 per cent year on year.

Meanwhile, Turkey is impressively expanding its share in the European market due to its close proximity. Though volumes are not as high as Bangladesh's, Turkey is shipping more value-added garments to the European Union.

Indian apparel exports to the EU fell 3.58 per cent in value terms and marked a marginal growth of 0.49 per cent in volumes. The country's inability to take advantage of the rupee depreciation of around six per cent against the euro hurt exports big time. Further, the absence of a free trade agreement with the EU is clearly making products manufactured in India non-competitive as compared to countries like Bangladesh which get trade benefits by the EU.

Vietnam's apparel exports to the EU are on the up but only in volumes. The value of exports declined massively by 26.09 per cent. However, growth prospects for Vietnam are bright due to the upcoming free trade agreement with the European Union.

Source: fashionatingworld.com- Aug 27, 2018

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Revamped U.S.-Mexico trade talks could lower consumer prices, but won't bring back many North Carolina jobs

The potential renegotiating of the U.S. and Mexico trade agreement is not likely to bring back apparel and textile-production jobs, according to analysts and economists.

However, it could benefit North Carolina consumers and farmers, as well as create more foreign-trade uncertainty, particularly if Canada is not included in a revamped multilateral agreement to replace the much-criticized North American Free Trade Agreement.

Established to eliminate costly trade barriers between the countries, NAFTA has come to symbolize the pros and cons, and successes and pains, of international trade.

Supporters say NAFTA delivered on its promise of providing cheaper imported goods to U.S. consumers, but critics maintain it has cost millions of U.S. and Mexican workers their jobs, particularly in manufacturing.

President Trump said Monday his administration has reached an “understanding” with Mexico on revamping the agreement that went into effect in January 1994.

“Canada has been on the sidelines until Mexico and the U.S. came to an agreement,” said Michael Walden, an economics professor at N.C. State University. “I expect Canada to re-enter negotiations, and I expect a deal between the three countries by year’s end.”

Walden said that if NAFTA folded, North Carolina would lose about $450 million annually in trade value.

“Big winners in North Carolina from a deal will be agriculture and food products — mainly in meat,” Walden said. “Our state vehicle-parts industry will also be a winner — we make the parts, and then ship them to Mexico for assembly.”

NAFTA works chiefly by exporting primarily raw U.S. materials and components to Mexican assembly plants, where products are made less expensively, and then shipped back for U.S. consumption.

The strategy was an acknowledgement that wages in labor-intensive U.S. manufacturing jobs were becoming noncompetitive with Far East companies. Some Triad manufacturers, such as Burlington Industries Inc. and Guilford Mills Inc., eventually opened their own plants in Mexico, with mixed results.

Though the loss of jobs from Triad and N.C companies pursuing lower labor costs in China — and later in other Asian countries — has been severe, economists have said NAFTA tends to resonate more with North Carolinians.

“Don’t think the textile and apparel industries and their hundreds of thousands of jobs are coming back,” Walden said. “They aren’t, and are likely lost forever.

“Asian countries are now the big producers of clothing.

Mitch Kokai, policy analyst with Libertarian think-tank John Locke Foundation, said long-term impacts for particular industries “are hard to gauge at this point.”

“To the extent the new agreement lowers trade barriers, the biggest winners will be consumers — both those in America and those in Mexico.

“The losers will be those companies or industries that benefited from trade barriers that are going away,” Kokai said.

The National Retail Federation said that while “coming to terms with Mexico is an encouraging sign, threatening to pull out of the existing agreement is not.”

“NAFTA supports millions of U.S. jobs and provides hardworking American families access to more products at lower prices.

“To preserve these benefits and protect complex, sophisticated and efficient supply chains, the administration must bring Canada, an essential trading partner, back to the bargaining table and deliver a trilateral deal.”

Earlier this year, an AT Kearney study prepared for the federation and other retail associations found that without NAFTA, American retailers and consumers would face up to $16 billion a year in higher costs.

Zagros Madjd-Sadjadi, an economics professor at Winston-Salem State University, said going the bilateral trade route “complicates matters for Canada-Mexico trade unless a separate side agreement is made.”

Madjd-Sadjadi said the timing of Trump’s announcement “is definitely meant as a deflection” away from other issues facing the president.

“The negotiations may be finished with a completed agreement, but it does not come into force until ratified by the Senate,” Madjd-Sadjadi said.

He said renegotiated bilateral trade agreements “can do little” to bring back manufacturing jobs since “U.S. manufacturing woes are both structural and non-competitive in nature. The non-competitiveness is really not with Canada or Mexico, but rather with other countries.”

“The beauty of having NAFTA was the consistency we saw for all three countries. This made the entire NAFTA bloc one economic zone.

“By going forward with bilateralism rather than multilateralism, we could increase not only uncertainty, which is bad for all businesses, but also inconsistency in rules, which is often even worse,” Madjd-Sadjadi said.

Source: greensboro.com- Aug 27, 2018

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Turkey targets $500 billion textile exports by 2023

Turkey plans to achieve textiles exports worth $500billion by 2023. As a part of this plan, the country is seeking to make a number of investments and improvements in the sector.

The government plans to add 13,000 km roads as well as 12,000 km new railways to allow easier shipping. It also plans to increase the number of logistics centers from 8 to 21 over the same period.

This will help maximise the rate at which goods can be exported to the EU as a way to try and mitigate higher labor costs.

Another way Turkey plans to increase export value is by increasing the amount of specialised materials that the country is able to produce, along with raising the general quality of all textile goods.

The government has put forth economic incentives to encourage research and development through grants and subsidies, aiming to of spend 1.8 per cent of the GDP on R&D by 2018 and to 3 per cent by 2023.

The government also plans to decrease the number of unofficial employees in the economy. This will be achieved by focusing on female employees in the garment industry who largely work as sub-contractors or out of the home.

A framework has been laid out to increase the number of part-time positions, traineeships, and daycare centers that would allow for greater flexibility.

Source: fashionatingworld.com- Aug 27, 2018

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Dhaka urges Colombo to sign FTA quickly

Bangladesh has urged Sri Lanka to sign the free trade agreement and the bilateral coastal shipping deal quickly to enhance trade between the two countries.

Planning Minister AHM Mustafa Kamal made the call yesterday during a meeting with Sri Lankan Prime Minister Ranil Wickremesinghe in Hanoi, Vietnam, on the sidelines of the Indian Ocean Conference, according to a statement of the planning ministry.

Kamal requested the prime minister to take steps to speed up the preparatory work for finalising the FTA.

The bilateral trade between the two nations amounts to only $150 million and it will receive a boost if the FTA becomes effective, the planning minister said.

Wickremesinghe assured that Sri Lanka will expedite the FTA and maritime agreements.

He said a good number of Sri Lankans are working in Bangladesh in a very friendly environment, mostly in technical and managerial positions, supporting the manufacturing and service sectors.

Kamal raised the issue of the coastal shipping agreement, which has been pending for three years.

The maritime shipping connectivity will help Bangladesh's shipping cargoes to reach their final destinations in the west via Colombo Port.

In 2016, Bangladesh and Sri Lanka agreed to sign the FTA.

In March this year, Commerce Minister Tofail Ahmed said Bangladesh will sign the agreement in October.

Source: thedailystar.net- Aug 28, 2018

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Pakistan: Apparel industry wants export emergency to control deficit

Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA), welcoming Prime Minister Imran Khan's pledge of economic reforms and his vision to boost exports, has asked him to declare 'export emergency' in the country to control the decline in the export sector.

PRGMEA senior vice chairman Sheikh Luqman Amin said Pakistan's current account deficit surged by more than 40 percent in fiscal year 2018-19 to $18 billion.

Presently, there is only a desire to revive the economy, but an actual agenda backed by pragmatic analysis and research is missing, as the monstrous debt, and huge fiscal and current account deficits are symptoms of an ailing economy.

He said that low export is a major reason for the growing trade deficit, with the prime ministers forming just committees to address the deficiency. He said that a committee was also formed by former prime minister Shahid Khaqan Abbasi.

The current economic team is good and they need to increase exports by any means, as low export levels are a major reason for the growing trade deficit.

He said that the value-added textile exporters want the federal government to formulate separate policies for various sub-sectors of the textile industry in order to resolve their sector-specific issues and problems.

Sheikh Luqman Amin said the different sub-sectors of the country's large textile industry could not be treated at par because of their different and varying needs and requirements.

Hence, he said, the new government and textile ministry should formulate separate policies for the value-added and other sub-sectors of the industry in order to facilitate improved production and export.

He said that PRGMEA is the main stakeholder of the apparel sector. And apparel industry is playing a pivotal role in foreign exchange earnings and generating large employment in the whole textile chain and exporting up to $5 billion textile products.

The PRGMEA senior vice chairman hoped that the new government would initiate the process of dialogue with the representatives of all the sectors of the textile industry to get their input for the formulation of a new policy.

He said the value-added textile exporters were facing a severe problem in meeting the export orders due to multiple reasons, seeking the attention of the government on the issues of ease of doing business; cost of doing business, one window operation, minimum interference of bureaucracy and formulation of a counsel of all stakeholders to resolve the issues of exporters.

Sheikh Luqman stressed the need of early clearance of outstanding refund cases. He urged the new government to take immediate steps for clearance of outstanding refund cases to protect the industry from total collapse.

High cost of doing business, issues of market access and exchange rate are hindering the Pakistan exports growth and the government will have to work on it in consultation with the stakeholders to resolve the problems.

We are hopeful that country will progress rapidly in changed political culture and will put the country on the path of progress and prosperity, he added.

Sheikh Luqman said the PRGMEA wants economic progress and prosperity of the country and for this purpose, just right directions are needed to be set in consultation with the stakeholders. “We need to work together to overcome trade deficit and take steps to increase industrial and economic growth.”

Source: nation.com.pk- Aug 28, 2018

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Sri Lanka: Trade gap widens in June as imports continue to outpace exports

Sri Lanka’s imports raced to surpass the growth in merchandise exports during the month of June as the country struggles to bridge an ever-deepening hole in the trade account, intensifying the pressure mounting on the currency and foreign reserves.

Sri Lanka reported US $ 795 million deficit in the trade account in June, expanding from US $ 554 million deficit a year ago, as Sri Lankans drove more vehicles on imported oil, which pushed up the import bill by 18.1 percent year-on-year (YoY) to US $ 1.8 billion in June.

Instead, the whole of Sri Lankan domestic manufacturing sector could send goods worth of US $ 1.0 billion abroad in the same month, up just 3.8 percent YoY.

The Central Bank said June’s trade deficit was the lowest recorded so far for this year.

The persistently higher deficits have accumulated into a US $ 5.7 billion hole in the trade account for the first six months of the year, up from US $ 4.8 billion trade deficit reported for the first half, last year.

Under the liberal market economic policy of the present government, which advocates free trade, Sri Lanka's trade deficit has expanded at a faster rate and the rupee has collapsed from Rs.134 for a US dollar to Rs.162, a 21 percent plunge in the currency in 3.5 years.

The Central Bank said the Sri Lankan rupee has weakened by 5.0 percent during the year up to yesterday.

Meanwhile, the textiles and garments exports remained the only bright spot in Sri Lanka's export basket, as it stood out with the highest earning of US $ 453.5 million for the month of June, rising by 13.9 percent YoY.

During the first six months, Sri Lanka exported US $ 2.5 billion worth of textile and garments, up 5.7 percent YoY.

This June, Sri Lanka marked the first anniversary of regaining the GSP Plus trade concessions, which allowed duty free entry to the European Union, mainly for garment exports.

The rubber product exports during June rose by 5.8 percent YoY to US $ 77.3 million, due to higher earnings from tyre exports.

The food, beverage and tobacco exports and transport equipment declined, while gems, diamonds and jewellery, machinery and mechanical appliances and petroleum product exports rose as the latter received the boost from the combined effect of higher export prices and volumes of bunker and aviation fuel.

The agricultural exports performed poorly as many categories of exports led by tea declined during the month, except for seafood, unmanufactured tobacco and rubber exports.

Tea, Sri Lanka's largest agricultural export commodity, earned US $ 130 million from exports in June, down 6.5 percent YoY, due to the declines in both prices and volumes.

Meanwhile, fuel imports, which shot up by 71 percent YoY to US $ 343 million, weighed on Sri Lanka's import expenditure. During the first six months, Sri Lanka expensed a whopping US $ 2.1 billion on fuel, up 29 percent YoY.

In response to the higher Value-Added Tax imposed on gold imports to curb illegal smuggling of gold into South India, gold imports plunged to just US $ 0.4 million from US $ 46 million a year ago.

However, during the first six months of the year, gold imports rose 59.2 percent YoY to US $ 438 million.

Similarly, to curb the strain on the currency caused by excessive personal vehicle imports, the Finance Ministry raised the excise duties on vehicles below the 1000cc engine capacity.

In June, Sri Lankan imported US $ 147 million worth of personal vehicles, up from US $ 54 million in the same month a year ago.

During the first six months, Sri Lankans have spent US $ 813 million for vehicles, up 120 percent YoY.

The new duty structure came into effect on August 1 and the Central Bank expects the vehicle imports to decelerate as a result.

The higher expenditure on transport equipment has been driven by the importation of four ships and road vehicles such as commercial cabs and auto trishaws, the Central Bank said.

Meanwhile, the food and beverage imports slightly came down in June in response to the eased consumption after the Central Bank raised interest rates.

The Central Bank said there is a reduction in the imports of seafood, rice and sugar.

The expanding deficit in the trade account adds to the worries of weakening rupee and foreign reserves ahead of a mountain of foreign currency debt, which is coming up for settlement during the next few years.

Source: dailymirror.lk- Aug 27, 2018

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Turkey trade deal may help revive garments sector

The Department of Trade and Industry (DTI) is seeking to conclude a preferential trade agreement with Turkey with the intention of helping revive the Philippine textile industry.

“We are evaluating whether a preferential trade agreement is possible. We see an opportunity for sourcing certain strategic products,” Trade Undersecretary Ceferino S. Rodolfo told reporters on the sidelines of the first Garments and Leather Goods Expo held last week in Pasay City.

He cited the potential for sourcing raw materials like cotton from Turkey to supplement other sources like China, South Korea, Indonesia and Vietnam.

In turn, the Philippines can offer electronic products, tropical fruit and automotive parts.

The garment and textile industry exported $3 billion worth of goods as recently as 15 years ago, but is now down to just over $1 billion.

The DTI is in the process of drafting a five-year leather and garment industry road map.

The DTI said in 1970 the Philippines was the sixth-largest exporter of apparel to the United States, the world’s biggest buyer.

Last year, the industry exported a total of $1.02 billion to all destinations and expects growth of 10% this year due to spillover effects from the US-China trade war.

The DTI is also pushing for the garments industry to be included in the investment priorities plan, granting companies a four to six-year income tax holiday. The department said it is also pushing for garments to be included in the US generalized system of preference (GSP) scheme.

The GSP program covers a total 5,057 products, or some 47.7% of the 10,600 total US tariff lines. Of these, about 3,500 are open to all beneficiary developing nations while least-developed countries can export 1,500 more products under the scheme.

Source: bworldonline.com- Aug 27, 2018

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Uzbekistan to organize textile conference in September

Uzbekistan, will organize a textile conference on September 4 to be attended by over 30 textile companies from over 30 countries.

The conference will address the latest trends in industry, development of international textile technologies, certification and digital marketing, smart textile research projects.

Uzbekistan is the world's sixth largest cotton producer. It is taking steps to increase the volume of cotton fiber processing. A textile factory is coming up. The factory will annually produce 10,000 tons of polyester fiber, 10,000 tons of polyester yarn, 20 million running meters of mixed fabrics and 7,000 tons of blended linen.

The country is already a strong producer of raw cotton and yarns. It has signalled its intent to foster advances in both technology and the range of activities by its textile manufacturers.

Uzbekistan is ready to take its textile manufacturing capabilities to the next stage by investing in the latest technology for downstream processes of fabric manufacture, finishing and make-up.

The country intends to implement 132 investment projects in the textile industry, half of which will be financed through foreign investments and loans, by the end of 2019.

In particular, 112 modern, high-tech industrial factories will be created and 20 operating capacities will be expanded, modernized and technologically upgraded.

Source: fashionatingworld.com - Aug 27, 2018

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Singapore's Indorama to invest in cotton production in Uzbekistan

Singapore's Indorama Corporation will invest $ 335 million in the creation of modern cotton and textile production in Uzbekistan.

The government of Uzbekistan issued a resolution “On measures to create modern cotton-textile production by Indorama (Singapore) in the Republic of Uzbekistan.”

According to the document, the company in 2019-2023 will send $ 225 million of direct investment in the cultivation of raw cotton, corn, or another crop on the basis of crop rotation.

Another $ 115 million will be invested in the organization of deep processing of raw cotton and the production of cotton yarn during the implementation of the second phase of the project.

According to the resolution, the company will receive 50,000 hectares of land in the Kashkadarya and Syrdarya regions. In the second stage, the company will receive land in the Fergana and Jizzakh regions.

Indorama Corporation is one of Asia’s leading chemical holding companies. Today based in Singapore, its origins trace back to 1975 with the start of Indo-Rama Synthetics in Indonesia.

Indo-Rama Synthetics started as a yarn spinning company and manufactured cotton yarns in its early days. During the 1990s, the company diversified into the production of synthetic spun yarns and polyester fibers.

Currently, Uzbekistan is the world’s sixth-largest cotton producer among 90 cotton-growing countries.

In Uzbekistan, about 3.5 million tons of raw cotton are produced annually.

The country produces about 1.1-1.2 million tons of cotton fiber annually, which accounts for about 6 percent of global cotton production.

About 50 percent of the cotton fiber produced is shipped for export.

One of the policy priorities of Uzbekistan is further development of its textile industry. Uzbekistan takes consistent steps to increase the volume of cotton fiber processing.

In the period 2010-2014, the textile industry of Uzbekistan received and spent foreign investments worth $785 million while 147 new textile enterprises with participation of investors from Germany, Switzerland, Japan, South Korea, the USA, Turkey and other countries were commissioned. Export potential of these enterprises amounted to $670 millions.

Source: azernews.az- Aug 27, 2018

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NATIONAL NEWS

India to double exports by 2025: Suresh Prabhu

The government is working on a comprehensive strategy to double the country's exports by 2025, Commerce Minister Suresh Prabhu said today. Issues related to exporters were discussed during a stakeholders' meeting to discuss a strategy for revitalising India's exports and doubling the exports by 2025.

"This is necessary in view of challenges like uncertainty of global trade, rigid approach of banks affecting availability of credit, high logistics cost and productivity standards and qualities," an official statement quoting Prabhu said.

Minister of State for Commerce and Industry C R Chaudhary will be the chairperson of this mission and will review the work of different export promotion councils and divisions of the ministry.

In 2017-18, the country's merchandise exports grew by 10 per cent to USD 303 billion, while services exports rose by 18.8 per cent to USD 195 billion in the same period.

The ministry is also taking meetings with key ministries for preparing sectoral export strategies.

Prabhu stated that a special strategy is being prepared for the services sector to achieve broad-based growth instead of the existing pre-dominance of IT-ITeS.

The ministry said that commodity and territory specific strategy is also being prepared for items like gems and jewellery, textiles, engineering, electronics, chemicals, pharma, agri and marine products.

Territory specific strategy will cover North American Free Trade Agreement (NAFTA), Europe, North East Asia, ASEAN, South Asia, Latin America, Africa, Australia and New Zealand.

The commerce minister said that apart from traditional markets, India must also look at boosting trade with smaller countries.

He also said that exporters should not miss the opportunity presented by China's consumer market.

Source: moneycontrol.com- Aug 27, 2018

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Gujarat cotton season may get delayed

Due to irregular rains, cotton season is likely to begin late by a month in Gujarat, country's largest cotton producing state. According to cotton experts and industry, the crop plants are smaller than the normal size due to delay in sowing.

Normally, the new cotton season begins in October and ends in September every year, but this time it is expected that new arrival will start from October end or in November due to abnormal monsoons in the state.

“The state has witnessed late monsoon and as a result many farmers have sown cotton crop late this year. Moreover, frequency of rains is also not normal.

Some places received high rains whereas some had poor rains. This has affected the growth of cotton plant. Looking at the present situation, we believe that cotton season may be delayed by a month this year,” said Arvind Patel, managing director of Jaydeep Cotton Fibers Private and vice president of Saurashtra Ginners Association (SGA).

As per Gujarat agriculture department’s data, cotton sowing has reached to over 2.71 million hectares, about 2.33% higher than last year’s 2.65 million hectares. Though, sowing has increased but it is much lower than industry expectations.

Source: financialexpress.com- Aug 28, 2018

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Textile exports see a growth of 11% in July

The worst seems to be over for the textile exports, as it increased 11% year-on-year (y-o-y) to Rs 19,636 crore in July, quick estimates by DGCI&S (Directorate General of Commercial Intelligence and Statistics) showed. While textile exports grew by a robust 15% y-o-y to Rs 10,879 crore during the month, apparel exports advanced by a modest 6% y-o-y to Rs 8,757 crore.

Exports of cotton yarn, fabric, made-ups and handloom products surged 23% y-o-y to Rs 6,284 crore. Industry officials said that the sharp depreciation of the rupee against the dollar during the last few months pushed exports higher.

“Textile and clothing industry is finally on the verge of a turnaround. Devaluation of rupee by 9% in the last few months has made the industry competitive globally,” said Sanjay Jain, chairman, Confederation of Indian Textile Industries (CITI).

“Maintenance of a competitive exchange rate is an essential prerequisite in labour intensive manufacturing industries like textiles. The currency management by the government has benefited exports,” he said.

Two important decisions on the GST (Goods and Services Tax) front in the last three months, which allowed refund of excess ITC (input tax credit) to the processing and fabric industry, has reduced the cost of fabric by 3%-4%, especially MMF (manmade fibre) fabric.

The government also offered relief to SME (small and medium enterprises) manufacturers by easing the GST returns procedure. The acceleration in refund of GST dues to the industry eased working capital pressures, officials said.

The increase in import duty on about 400 items also brought cheer to the industry, which was hit by huge imports as import barriers came down significantly after the implementation of GST from July last year.

Imports of textile and clothing products improved 5% y-o-y to $1.87 billion in April-June 2018.

This was significantly lower than the 16% growth registered during the same timeframe last year. “The measures taken by the government to increase the import duty on various textile and apparel items will help in further reducing the imports in coming months,” Jain stated.

Production of spun yarn, fabric and manmade fibre also went up during April-June, data with the ‘Office of the Textile Commissioner’ showed.

Domestic demand is also picking up due to settling down of Goods and Services Tax systems, improvement in rural demand due to increase in MSP (minimum support price) and good monsoon rains, industry officials said.

Source: timesofindia.com- Aug 28, 2018

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What’s causing the rupee to weaken

Persistent current account deficit and net capital outflows are the key reasons for the fall

The rupee has crossed the 70 mark against the US dollar, and though it has pulled back there is widespread concern at what is being seen as a rather quick slide to new all-time lows. Some have cited the collapse of the Turkish Lira to draw odious parallels to India, unmindful that Turkey suffers from high inflation, large capital outflows and insufficient forex reserves.

The RBI, on its part, has maintained an intelligent silence but has taken action in the spot as well as the forward market, keeping in view its mandate to maintain orderly conditions by containing excessive volatility in the exchange rate without reference to any predetermined level or band.

In analysing the situation, it is important to note that episodes of volatility are not a new phenomenon in India and this isn’t the worst of what has been seen in terms of volatility. The depreciation five years ago, precisely on August 28, 2013, remains a watershed as the rupee touched ₹68.361 to the dollar. Thus, the worst in terms of volatility in recent years was seen in 2013-14, which saw the highest standard deviation at 3.08 and the coefficient of variation at 5.10 per cent (Table1).

Table 1
Tracking volatility
(volatility of rupee in terms of US dollar)

Years	Range	Mean	Standard deviation	Coefficient of variation
2012-13	50.56-57.22	54.45	1.25	2.30
2013-14	53.74-68.36	60.49	3.08	5.10
2014-15	58.43-63.75	61.15	1.18	1.94
2015-16	62.16-68.78	65.44	1.70	2.60
2016-17	64.84-68.72	67.09	0.71	1.06
2017-18	63.35-65.76	64.44	0.49	0.76
2018-19 (Apr -Aug)	64.93-70.23	67.69	1.26	1.87

Subsequently, even though the currency touched 68.777 (on February 26, 2016), this was again not the worst in terms of volatility measured by standard deviation and coefficient of variation.

Analytically, the movement in the exchange rate is influenced by demand for and supply of foreign currency liquidity (US $ liquidity). In the balance of payments framework, demand for foreign currency is broadly determined by import of goods and services and outflows of foreign capital whereas the supply of foreign currency is influenced by export of goods and services, worker remittances and inflow of foreign capital.

In the Indian context, the current account deficit and net capital outflows influence the shortage of dollar liquidity, which result in rupee depreciation (Table 2)

Table 2
The influencers
(in $ billion)

Years	CAD	Net capital flow	Net accretion to forex reserves	FDI	FDI as % of capital flow
2012-13	88.16	91.98	3.83	19.82	21.54
2013-14	32.3	47.8	15.5	21.56	45.1
2014-15	26.86	88.27	61.41	31.25	35.4
2015-16	22.15	40.06	17.91	36.02	89.91
2016-17	15.29	36.84	21.55	35.61	96.66
2017-18	48.79	92.29	43.57	30.28	32.81

Source: Compiled from RBI data

Evidence suggests that in all years barring 2015-16 and 2016-17, speculative capital flows (foreign portfolio flows) and debt capital flows (external commercial borrowings and NRI deposits) predominated the capital flows.

However, during 2015-16 and 2016-17, there were debt capital outflows. Illustratively, there were net outflows in external commercial borrowings and NRI deposits to the tune of $6.1 billion and $12.36 billion, respectively, in 2016-17.

Debt capital flows

To the extent the debt capital flows constitute a major share in the total capital flows. India's debt liabilities are higher at around 51 per cent of GDP as on end-March 2018. The ratio of net international investment position (international financial assets minus international financial liabilities) to GDP as on end-March 2018 was negative at 16.3 per cent.

The ratio of financial assets to GDP stood at 24.5 per cent and ratio of financial liability to GDP was at 40.8 per cent as of end-March 2018. Thus, we are a net liability country and should be cautious about building up reserves through debt. As such, there are three important elements linked to the weak rupee — persistent current account deficit; episodes of net capital outflow in terms of speculative and debt capital outflow; and predominance of debt capital in forex reserves.

In the event of rupee depreciation, the RBI intervenes in the forex market with the objective of containing volatility. During 2018-19, for the month of May and June for which data are available, the RBI sold $9.9 billion and $10.2 billion, respectively.

As of August 10, 2018, the outstanding foreign currency reserves stood at $400.9 billion, a decline of $23.63 billion over the end-March 2018 figure. This decline could be on account of the RBI selling dollars to intervene in the market to manage rupee volatility.

As alluded to earlier, some of the analysts have opined that rupee depreciation has been contributed by the depreciation in the Turkish Lira with a contagion effect. This view is erroneous as India's trade with Turkey in terms of exports and imports is minuscule.

For example, during 2017-18, share of export was 1.68 per cent of total exports and 0.46 per cent in total imports. Latest data for 2018-19 (April-June) show that the export share was 1.78 per cent and the import share was 0.56 per cent with Turkey. In addition, India doesn't have a large cross border financial transaction with Turkey.

Essentially, the depreciation of rupee could be linked to the current account deficit because of higher trade deficit contributed by higher import bills. According to latest available data, overall trade deficit (goods and services) during April-July 2018-19 was $43.77 billion as compared with $34.07 billion in the previous year.

Oil imports during April-July 2018-19 amounted to $ 46.98 billion, which was 51.5 per cent higher than in the corresponding period of the previous year. In addition, there were outflows of speculative capital from India due to higher interest rates in the US as the Fed increased the Fund Rate, record US GDP growth of 4 per cent in Q2, and lowest unemployment rate in the US in the past 60 years. Further, as we have significant trade dependency with the US the strength of the dollar also has a marked effect on the rupee.

Will rupee strengthen?

The moot question is: Will the rupee have a mean reversal as it happened in 2017-18, from an average of 67.08 in 2016-17 to 64.44 in 2017-18? As the dollar is strengthening and all accompanying fundamentals are strong, it looks difficult.

However, our efforts to further strengthen FDI and promote exports — by diversification, improving the quality of our commodities, and focussing more on developing and emerging market economies — will be helpful. That is the only long term sustainable and viable way to prevent the rupee from falling.

Source: thehindubusinessline.com- Aug 28, 2018

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Exhibition tells journey of cotton to handwoven fabric

An interactive exhibition on the textures, dyes and sounds of handloom weaving familiarises the viewer about the backstory of a simple woven cotton fabric and the skill that goes into it.

The exhibition titled "Many yarns of the cotton handloom story" is open till September 3 at the India International Centre (IIC) here.

It presents myriad objects to recreate the weaver's context: pictures of the handloom process, tools used by the weaver, yarn used in dyeing and the fabrics woven.

The exhibition narrates the story of how cotton is made into a fabric, what tools and materials are used, and what capacity a weaver needs to create a normal everyday fabric, Latha Tummuru, from the organisers Dastkar Andhra, told IANS.

The exhibition puts focus on the medium-skilled weaver and the medium-range handloom products, in a discourse that celebrates high-end weaving and products.

"For Delhi, such an exhibition is important because there are many designers promoting khadi, for instance. Although I feel people are appreciating handloom products more, nobody has any idea of how it is made," Tummuru said.

"For people to imagine why does a weaver make what he makes, and the challenges he faces, they should know the context in which a weaver functions," she said.

The sensory exhibition allows visitors to touch, feel, see and even smell the original dyes and fabrics, allowing a deeper understanding of the handloom process, she added.

Source: business-standard.com- Aug 27, 2018

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In a first, a development index in India for sustainable agriculture

For the first time in the country, the Indian Council of Agricultural Research (ICAR) is preparing a development index for sustainable agriculture.

The announcement was made by ICAR's secretary Chhabilendra Roul during the 42nd foundation day celebration of the National Bureau of Soil Survey and Land Use Planning (NBSS & LUP) held in the city on Monday.

Speaking to TOI, Roul said that as a pilot project, the development index will be first prepared for Punjab and Haryana. The council's institutes like National Institute of Agricultural Economic and Policy Research (NIAP) will be initiating the study which is expected to go on for two years.

"We are starting with these two states as they have similar agro-ecological conditions. Based on the results of pilot experiment, the study will be extended across the country," said Roul. He added that studies done by state-level agriculture universities will also be incorporated during the study.

The council has identified about 115 indicators to determine the index. Out of them, 17 indicators will be of soil, 15 of water and remaining will comprise ecological, environmental, bio-diversity and socio-economic parameters.

"While some countries have a development index for sustainable agriculture, our agro-ecological system is different and we can't rope in all the parameters they have. Discussions are going on with experts to zero down the indicators to a manageable level," added Roul.

The council hopes that with a development index in place, the government will be better informed about the status of sustainability and would be able to frame better policies for farmers' benefits.

Former director of Central Institute of Cotton Research (CICR) CD Mayee highlighted the drastic increase in the area where cotton is cultivated. "Earlier, the crop would be cultivated in 80 lakh hectares in the country.

Now, the area has gone up to 120 lakh hectares and the main reason behind this is market-controlled farming," he said.

AK Singh, former vice-chancellor of Rajmata Vijayaraje Scindia Krishi Vishwavidyalaya (RVSKVV), Gwalior, stressed on the need of preventing soil degradation.

On the occasion, the bureau dedicated three first-of-their kind mobile applications to the farmers of the country. The three apps included a soil health card, a potential zone mapper and a land resource inventory of Goa.

It also launched a digital map for Yavatmal, which revealed that 67% of the cultivable farming area in Yavatmal is suitable for growing BT cotton.

“The bureau will be preparing similar maps for other districts too,” said Surendra Kumar Singh, director of NBSS & LUP.

Source: timesofindia.com- Aug 28, 2018

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Cotton Spinning Mills seek parity with CCI over direct purchase

Cotton spinning mills are seeking parity with the Cotton Corporation of India (CCI) in getting relief from commission paid to middlemen in mandis in the northern states of Punjab, Haryana and Rajasthan.

This year, the state-run agency is set to buy cotton directly to ensure that farmers get the minimum support price (MSP) in full, unlike in the past where the crop was sold and remuneration paid through an agent who would get a 2.5% commission on the payment. In most states, the price of cotton bought by the CCI is transferred to the accounts of farmers. But in the North, most crops, including cotton until now, were sold through agents.

“The waiver of commission or ‘dammi’ should be extended to private mills and traders also as a 2.5% waiver will give a substantial cost advantage to the CCI in a highly volatile price market,” said Sushil Mittal, president of the Haryana Cotton Ginners Association.

“We have requested the Punjab government to aid in certification of cotton growers and will also reach out to APMC markets for identification of genuine farmers,” a senior official of the CCI based in Bhatinda said.

"Direct purchase may affect those farmers who are reluctant to perform paper work," said Haridha Kataria, chief executive of Shree Ganesh Traders. Another issue is over a possible delay in payment. Agents pay either in advance or within a day of purchase, but it may take a week or more for the CCI to transfer the money, he said.

Worried that the waiver of commission could be extended to APMC markets, the commission agents association in Haryana is opposing the move and the members are holding meetings over the issue.

"Direct procurement should not be allowed as it will distort the old system between farmers and agents," a Sirsa-based agent said.

Farmers, especially those who have planted the crop on leased land, are anxious too over payment issues. "We faced a similar issue in the case of mustard purchase on MSP, but the payment was ensured to the owner of the land," a senior official of the Haryana agriculture department said.

The CCI usually makes substantial cotton purchases in Telangana, Maharashtra and Andhra Pradesh. A 28% hike in MSP announced this year is expected to help boost government procurement of cotton in the North as well this year.

Source: economictimes.com- Aug 27, 2018

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