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TEXTILE INTELLIGENCE CENTRE
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US 72.18| EUR 79.59 | GBP 92.51| JPY 0.67

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

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

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

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

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

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

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

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

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

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INTERNATIONAL NEWS

USA: A Swing and Miss: Rough Year Ahead Before 2021 Recovery for Cotton

To ponder:

- Cotton's future in the U.S. calls for increased plantings. Period. Just not in 2020. The coronavirus will control everything.
- U.S. planting will drop from the previously projected 13.0 million acres to between 12.4 and 12.6 million.
- Cotton prices will lag during the remainder of the 2019-20 marketing year.
- Cotton prices will lag until at least March 2021.
- Pent-up demand for cotton will explode in 2022-23. Be ready. Plantings could grow to 13.5-14.2 million acres.
- Textile mills are running away from China as fast as they can – running, not walking.
- Turkey and Pakistan will take the European textile market from China.
- Brazil will pick up any and all cotton and soybean markets the U.S. does not lock up and hide.
- When will the U.S. cotton industry build a Mexican textile industry? It's tailor made.
- Trump has been the agricultural president, but coronavirus/economic recovery funding will now stand in line for tariff money.
- China will perform on its obligations, although their economy is being brought to its knees.
- U.S. cotton exports are booming and will continue, but prices will be very, very slow to benefit. If the U.S. does not continue to produce cotton, its markets will be lost. There will not be a second chance.

We missed this market as bad as we have ever missed anything – worse than the baseball that hit me in the head, the one I never saw. Obviously, I still suffer from that. That does not excuse the point that everyone missed this one just as bad.

Technically, we could see the old crop July and new crop December falling to the 67-cent area, but not down to essentially 61 cents. That is bad enough, but events are suggesting that the market will reset back into the mid to high

60s at best. Thus, one can't get excited about moving the remaining old crop or the oncoming new crop for anything above 65 cents. Most likely the new crop December has a cap in the mid to high 60s. Yet, the December 2020 and May/July 2021 contracts could offer some hope for pricing the 2020 crop back near 70 cents.

It's just a Cinderella story now, but the 2021 crop should see prices in upper 70s to mid-80s. But don't waste your time looking for that one slipper this season. It is lost for 12-18 months.

Again, as stated last week, Wall Street is the controlling factor, and it has told us that the economy is going to be bogged down will restart our economic engine only after it can get through the worst of the coronavirus fears. The virus is very severe. Its greatest impact will be to take much of the world's business economy to a near standstill – on and off – for at least another 10 to 12 months. Dominos will fall for months to come.

As stated last week, Wall Street's reaction began taking over the cotton market. Cotton is an agricultural commodity. But unlike grains and oilseeds, it is an industrial commodity (textile product) and tracks much closer to the Wall Street equity market. The Dow, in big round numbers, fell 5000-6000 points in less than two weeks, and cotton on the New York ICE fell 8-10 cents in just a week.

If the Dow keeps falling, then cotton will keep falling. The money coming out of equities, as the rules go, moves into bonds and bond funds. This simply drives down the rate of interest as bonds sit there not looking for any new investment. So much money has moved into bonds that the real interest rate is now just 1% – dreadfully low, but the best bet on Wall Street.

Numerous textile mills in China remain closed. Many processing, manufacturing and transportation centers have been closed for four weeks now. This same type economic activity is now beginning to move from location to location across the world. Textile manufacturing has already been impacted and will continue to be. Cotton demand will decline as consumers simply can't get the same wide access to products they have been buying.

It is interesting to me that in the face of all of this economic upheaval, the equity markets have fallen back to where they were just 2-3 months ago, back to their December 2019 levels. The principal lesson is one that the Americans and the U.S. press and politicians have absolutely failed to understand. That is, do not panic. In spite of record economic times, Congress is in a total panic. Their solution is how much money can they throw at the problem. Their tune is “everything can be bought.” They do not tell you there is more than half a BILLION still in the account for Ebola.

In China, some businesses are being reopened, but manufacturing operations – at least many of the textile operations – must be retooled and supplies must then be properly brought in and workers must be continuously screened. This will continue for up to four to six months.

The economic slowdown is real. It is widespread. It will spread further.

Source: cottongrower.com- Feb 27, 2020

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USA: The Compounded Effects of Tariffs and the Coronavirus

The fashion industry’s heavy reliance on China has come into question as forces ranging from the deadly coronavirus outbreak to the ongoing trade dispute with the United States challenge companies’ bottom lines.

Sourcing costs out of China had already been on the rise courtesy of heavy tariffs on apparel and footwear, but COVID-19, as coronavirus is officially known, is compounding the financial hit while also creating logistics bottlenecks.

During Sourcing Journal’s “China Tariffs & Trade 2020” webinar, Vincent Iacopella, executive vice president of growth and strategy of Alba Wheels Up International, Inc., explained that with carriers idle, capacity will shrink. As a result, as production in China picks back up, shipping capacity will likely fail to keep up with demand. “If there is a massive reduction in capacity, which is supply, and you have this massive increase in demand, it’s going to center around price…You will see pressure upward on pricing,” he said.

Those with higher-margin goods may be able to better afford to transport their products.

Ultimately there are only so many costs that can be passed on to consumers, so retailers are likely to take a blow to their margins as companies absorb the additional expenses throughout the supply chain.

At same time, companies' retail sales are suffering, compounding the financial strain. With falling foot traffic and closed stores in China, Steve Lamar, CEO and president of the American Apparel & Footwear Association, said retailers operating in the nation will be left with the challenge of moving inventory at the start of the next season.

And firms that produce outside China are not immune. Many rely on raw materials from the nation. For instance, Myanmar sources 90 percent of its raw materials from China. With the risk of running out of raw materials, these manufacturers are also feeling the impact of the epidemic.

While tariffs have lately been overshadowed by the coronavirus crisis, the experts said they remain a chief concern. The hope is that the industry will see a Phase Two deal that would offer relief but Ron Sorini, principal of Sorini, Samet & Associates, said he doesn't see it on the horizon. And regardless of the outcome of the 2020 presidential election, the speakers believe it is unlikely a party change will usher in a rollback of tariffs.

"I think unfortunately, we have to be prepared that the tariffs are going to be in for the long haul," Sorini said.

To navigate disruption in China, one of the biggest opportunities is diversification. While Vietnam's trade deficit with the U.S. may make it a target for tariffs, Sorini noted countries including Myanmar, Cambodia, Thailand and Indonesia are less likely to be subject to these trade actions.

"Probably what the coronavirus crisis is going to teach the broader supply chain is that in addition to diversifying your tier one, you need to make sure you have a diversified tier two and tier three, perhaps to the point where you have independent vertical capacity in other countries, so you're not dependent on any one country," Lamar said, "and in any supply chain, you're not dependent on more than one country."

Watch "China Tariffs & Trade 2020: What's On the Table, Off the Table, and Up Ahead for Tariffs & More," sponsored by Alba Wheels Up International and Sorini, Samet & Associates, to learn more about:

- How the coronavirus is impacting trade
- How to build contingency plans for transportation tie-ups
- The effect the outbreak is having on retail prices
- The best-case scenario for bouncing back post outbreak
- The outlook for a Phase Two trade deal with China
- How the 2020 election will affect the trade negotiations
- U.S. trade relations with Mexico and India

Source: sourcingjournal.com- Feb 28, 2020

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India expected to become alternative supplier of textile materials for Hanoi

Hanoi expects India to become a new source of materials for its textile and garment industry and Vietnam at large following the COVID-19 outbreak which has been causing a shortage of supplies.

Secretary of the municipal Party Committee Vuong Dinh Hue made the remarks at a reception hosted for Indian Ambassador to Vietnam Pranay Verma during which the two sides discussed the possibility for cooperation between Hanoi and Indian cities.

Hanoi attaches importance to relations with India, Hue said, suggesting the two sides should strengthen their partnership.

He said the city has been accelerating innovation to improve productivity and support startups, and wants to learn from Indian experience in this area. He also expected India to import textiles and garment from Hanoi.

Verma, for his part, spoke highly of Vietnam’s efforts to contain the epidemic, saying the Hanoi administration has created a safe environment for foreigners living in the city.

He agreed that the two sides should reinforce ties, and unveiled that India has also been taking steps to bolster cooperation with Vietnam in economics, trade and investment.

He hoped to see more investors from Hanoi and Vietnam opening businesses in India in the future.

The diplomat went on to mention the International Day of Yoga, to be held in Hanoi in June, noting India has been closely monitoring the developments of the COVID-19 outbreak while preparing for the event.

Source: en.vietnamplus.vn- Feb 28, 2020

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Coronavirus: the fallout in fashion

Towns, cities and entire regions across the world are on lockdown, and in China have been for weeks. Offices and factories are closed, private vehicles banned and movement restricted in a bid to curtail the spread of a deadly new virus. Covid-19 – popularly known as coronavirus – has caused tragedy and chaos since it emerged in the Chinese city of Wuhan at the end of 2019.

Thousands of cases of the potentially deadly respiratory infection are still being reported, and on 26 February it emerged the virus was growing faster outside China than inside for the first time. The World Health Organization has cautioned against assuming the worst is over.

Beyond the devastating human cost, businesses are also feeling the deep impact of the ongoing outbreak. The Chinese economy is already taking a hit.

The government has sought to ease pressure on financial markets by offering huge cash injections to help market stability. An outbreak of SARS – a similar respiratory infection – in 2003 led to a 1.1% reduction in GDP that year. The new coronavirus is already more deadly and infectious than SARS and is impacting a Chinese economy that has grown much larger in the intervening years.

Short-term sales drops are already slowing growth for brands and retailers, particularly in the luxury space, where the booming Chinese market is key. Burberry, Apple, Moncler and Nike have temporarily closed stores and warned on the shutdown's impact on sales. Nike has said it has closed more than half of its stores in the country and Moncler has reported footfall down 80% at its 55 Chinese stores.

It is too early to divine the long-term impact of the outbreak on the global fashion industry. This will largely be determined by if and when factories are able to return to full capacity. At present, some remain closed in the worst-impacted areas, centred in Hubei province, part of China's central manufacturing belt.

Factories that are open face staff shortages, as employees are still unable to return following the Lunar New Year holiday at the end of January.
Made in China

China is deeply embedded in all aspects of fashion's supply chain. The World Trade Statistical Review found that in 2018 – the most recent data available – China exported $118.5bn (£91.1bn) of textiles and $157.8bn (£121.5bn) of clothing, making it the world's biggest exporter of these categories.

Businesses are taking mitigating action to reducing risk and their dependence on Chinese manufacturing. But even those not manufacturing directly in China are feeling the impact: the World Trade Organization reports that the country is responsible for 37.6% of all global textile exports, so the shut-down is stalling production around the globe.

At Parisian textile trade show Première Vision, which took place earlier this month, more than 30 Chinese mills that were due to attend were absent, and international suppliers expressed concerns over the supply of yarns for their own textiles. The managing director of one British silk manufacturer, which sources 95% of its silk yarns from China, told Drapers he has been forced to send its undyed yarns to Italy to meet demand from international customers.

Northern Italy is known for its fashion manufacturing, and is home to the headquarters of luxury brands such as Moncler and eyewear label Luxottica. The region is now feeling the effects, and several towns north of Milan are in lockdown.

At Milan Fashion Week on 18-24 February, Giorgio Armani live-streamed its collection without an audience. Trade show White, held in the city on 20-23 February, reported a drop in visitors of 17% on the last edition, and footwear event Micam, also held in Milan, recorded 5% fewer visitors as a result of Asian buyers staying away (read our full coverage of Micam).

Meanwhile, at Paris Fashion Week on 24 February-3 March, Chinese fashion houses such as Masha Ma, Shiatzy Chen, Jarel Zhan, Calvin Luo and Maison Mai all cancelled their shows.

John Stevenson, retail analyst at Peel Hunt, believes the immediate impact for retailers may currently be muted by the timing of the outbreak – which reached its peak around the Lunar New Year holiday, which started on 25 January: “In a way it couldn’t actually have come at a better time for retail. Chinese New Year is traditionally a period of significant disruption, so the majority of spring-summer stock is already in the UK or on the water.”

He describes businesses as “in the waiting room”, unable to predict or plan for the longer-term impacts until the length of the delays becomes clear. Buying offices and factories are re-opening, but capacity remains limited. If the situation does not improve, late summer deliveries and autumn 20 stock will be hit.

Click here for more details

Source: drapersonline.com - Feb 27, 2020

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Maersk Links New $5 Billion Credit Facility to Sustainable Performance

Sustainability is playing a deeper role in financing across the supply chain.

A.P. Moller-Maersk has secured a new sustainability-linked revolving credit facility of $5 billion through a syndicate of 26 selected banks.

This is the first bank refinancing arranged by Maersk after its transformation from a diversified conglomerate to a global container logistics company. The facility refinances the undrawn $5.1 billion facility maturing in 2021 and has a tenor of five years that may be extended by up to two years. It will be part of the company’s liquidity reserve.

“We have received strong support from our global relationship banks,” Henriette Hallberg Thygesen, CEO of Fleet & Strategic Brands at Maersk, said. Maersk has secured a new sustainability linked revolving credit facility of $5 billion through a syndicate of 26 selected banks. "The facility was substantially oversubscribed, and we are pleased with the terms and conditions of the new facility. With the new facility, we have extended the maturity profile of our finance commitments, while aligning with our sustainability ones."

The credit margin under the facility will be adjusted based on Maersk's progress to meet its target of reducing CO_2 emissions per cargo moved by 60 percent by 2030, which is significantly more ambitious than the International Maritime Organization (IMO) target of 40 percent by 2030.

In 2018, Maersk announced its commitment to becoming carbon neutral by 2050. The new finance facility affirms Maersk's efforts to drive sustainability throughout its operations and supply chains.

"We are determined to reach our ultimate target of becoming fully carbon neutral by 2050 and this agreement serves as another enabler for us to deliver on that ambition," Henriette said. "Given the lifespan of our fleet, we need to find new and sustainable solutions to propel our vessels within the next 10 years. To realize this ambitious commitment, we are partnering with researchers, regulators, technology developers, customers, energy providers and now, banks."

Banco Santander, Bank of America Merrill Lynch International Designated Activity Company, Barclays Bank, BNP Paribas, Citibank N.A. London, Commerzbank Aktiengesellschaft, Crédit Agricole Corporate and Investment Bank, Danske Bank, Deutsche Bank, Handelsbanken, HSBC France, MUFG, Nordea, SEB and Standard Chartered Bank joined as mandated lead arrangers.

Banco Bilbao Vizcaya Argentaria, DNB Bank, Industrial and Commercial Bank of China (Europe), ING Bank, J.P. Morgan Securities, Mizuho Bank, Morgan Stanley Bank International Limited, Natwest Markets, Sumitomo Mitsui Banking Corporation, Société Générale and the Standard Bank South Africa Limited joined as lead arrangers.

Crédit Agricole and SEB acted as sustainability coordinators. MUFG acted as documentation agent and BNP Paribas as facility agent.

Last year, Italian fashion house Prada received the industry's first sustainability-linked loan, also involving Crédit Agricole,

Source: sourcingjournal.com - Feb 28, 2020

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Volume of EU apparel imports falls

The European Union's volume-wise apparel imports fell 1.42 per cent from January to November 2019. However, in the same period, the value of imports increased by 4.29 per cent.

Europe's changing retail landscape is one reason for the dip in import volumes. As consumer preferences are changing, and they are looking for more personalised clothing, many companies are now producing garments within Europe, which further results in lower imports.

The European Union as a whole remains a leading producer of both textile and apparel.

China's apparel exports to the EU fell in both value and volume by 6.51 per cent and 0.20 per cent respectively in the 11 months.

Bangladesh, the second top garment exporter to EU after China, managed to rake in growth marginally in volumes, while growth was significant in value terms.

Vietnam, on the other hand, dipped by 5.84 per cent in its quantity-wise exports and got a boost of 10 per cent in values of apparel exports to the EU.

India's exports to the EU from January to November '19 dipped 0.92 per cent in volume, while value surged marginally by 2.20 per cent.

Source: fashionatingworld.com - Feb 28, 2020

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Asia's garment industry sees lay-offs, factories closing due to coronavirus

Temporary factory closures and layoffs have already begun to hit low wage workers across Asia as quarantines and travel restrictions from the new coronavirus disrupt supply chains linked to China.

For 31-year-old Myanmar worker Aye Su Than, the suspension of production at Hunter Myanmar, which produces clothes for an Italian fashion brand, came out of the blue when managers informed its 900 employees almost two weeks ago.

"They said, 'There are no orders, no buyers, because of the virus we are going to shut down,'" said Aye Su Than, who is five months pregnant and makes about $130 per month.

She said she got $320 in compensation from the factory, which declined to comment when contacted.

"We don't know what to do now; It is not easy to apply for a job elsewhere during my pregnancy," Aye Su Than said, sitting in a tea shop in Hlaing Tharyar, an industrial district on the outskirts of Yangon.

Such bad news is being repeated in many parts of Asia's more than $290 billion textile industry, which accounted for 60% of the world's readymade garments, textiles and footwear in 2015, according to World Trade Organisation statistics.

Low-wage workers are particularly vulnerable to any global economic downturn triggered by travel restrictions and quarantines as the coronavirus outbreak spreads from China around the world, roiling supply chains.

International brands from Uniqlo to Adidas have wide networks of suppliers and can potentially shift production outside China to fill the potential gap in production from that country - the world's largest apparel and textile manufacturer.

Still, sourcing lines in the clothing industry are deeply intertwined and factories in southeast Asia are dependent in turn on China for supplies like cloth, buttons and zippers.

Cambodia said this week that 10 factories had already applied to suspend operations and would pay partial wages to about 3,000 workers.

The government in Phnom Penh expects a total of 200 to slow or stop production in March because of coronavirus, affecting 100,000 of more than 850,000 employed in the $7 billion sector, which is Cambodia's largest employer.

In Bangladesh, the world's second-largest garment manufacturing industry after China, factories are still running but anxiety is growing.

"Nobody knows what will happen ahead but the factory owners are really worried," said Mohammed Nasir, a director of the Bangladesh Garment Manufacturers and Exporters Association.

DEPENDENCE ON CHINA

Readymade garments are a mainstay of Bangladesh's economy, contributing almost 16% of national output and about $34 billion worth of exports in the last fiscal year ending in June 2019.

"Almost 70% of our woven fabrics come from China and naturally if goods do not arrive on time, the readymade garments industry will be affected. If the crisis in China is prolonged, the impact would be severe," Nasir said.
Bangladesh has about 4,000 garment factories employing some 4 million workers.

Neighbouring Myanmar has a smaller industry but is more dependent on China, with the Myanmar Garment Manufacturers Association warning that half of the nation's 500 factories could shut down by March if the crisis persists.

China supplies about 90% of fabrics sent to Myanmar, which so far has not reported any cases of the virus, but the closure of the land border to try to keep infections out has disrupted the supply chain.

"We can still export, but we cannot say what is going to happen in the next one or two months," Aung Min, vice-chairman of the manufacturers' association, told Reuters. "This is kind of scary the situation is uncertain."

A prolonged crisis could eventually see retailers face a shortage of clothing, although fashion giant H&M Group said it currently doesn't see the virus causing any larger delays in deliveries.

"We are in close contact with our suppliers in China and evaluating the situation together with them on a daily basis," H&M spokeswoman Ulrika Isaksson said, adding that the company was also exploring other options for production.

Manufacturers, too, are scrambling to find alternative suppliers of everything from fabric to buttons and zippers.

"It is not easy to shift the sourcing destination overnight. But buyers are currently looking for alternative sources," said Siddiqur Rahman, a leading garment exporter.

Alternative raw material suppliers are being explored in Thailand, Indonesia, Pakistan and India but then costs will go up, he said.

"Are the buyers ready to pay more? I don't think so. So, it is not that easy. But we'll have to look beyond China to survive in the long run," said Rahman.

Source: moneycontrol.com- Feb 28, 2020

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Pakistan: Govt to announce textile policy in next two weeks

Advisor to Prime Minister on Commerce, Textile, Industries and Production Abdul Razak Dawood has said the present government is working on textile policy to achieve growth and business targets.

The textile policy would be announced in next two weeks, he said while talking to a private news channel.

“We had gained free trade agreement (FTA),” he said, adding that there was no problem of duty-free access to markets. “The focus has been given to agriculture and industrial sectors through China Pakistan Economic Corridor projects,” he added.

Commenting on the United States relations with Pakistan in terms of trade, Dawood said the business ties in the past had been tough but after the visit of Prime Minister Imran Khan to Washington, the hurdles to enhance trade activities between the two countries had been reduced, he added.

The business and trade volume with Americans would have results in next meetings, he assured. To a question about relations with China, he said that Pakistan's relation with neighbouring country China had been marvelous.

Also addressing a press briefing the other day, Dawood said Pakistan desired market access to the United States and their investors to increase their investment here.

"We also prioritise for increasing our exports to achieve the objective of exports-led growth besides enhancing the bilateral trade with US," he said.

The adviser said during a meeting with the US Secretary of Commerce they discussed the issues related to bilateral trade and enhanced market access for Pakistan.

Razak said Pakistan is committed to acquire US Generalised System of Preference (GSP) programme, which provided nonreciprocal, duty-free tariff treatment to certain products imported from designated beneficiary developing countries (BDCS).

He said that as part of ongoing efforts to create jobs and economic growth on both sides, the two countries had held held regular consultations in May last under the Trade and Investment Framework Agreement (TIFA). The TIFA meetings goal was to expand bilateral trade and investment in goods and services in future.

Razak said Pakistan and the US also discussed ways to enhance the US investment in energy, oil and gas, agriculture, food processing and e-commerce besides increasing trade in agricultural goods and medicines. He said this was a high time for the US companies which invested in Pakistan for increasing bilateral economic and trade relations.

He said the US secretary's visit was the outcome of the previous discussions between Prime Minister Imran Khan and President Donald Trump to promote bilateral trade and enhanced economic engagements. The advisor also suggested that the US International Development Finance Corporation (IDFC) was appropriate forum, which also can help in developing of new businesses in Pakistan.

The IDFC involved in funding of $60 billion for all the developing countries. He said that about IDFC assistance, Secretary Ross sounded positive and suggested that the commerce ministry should propose projects in that regard.

The advisor said that the US also agreed to improve the travel advisory for Pakistan for bringing mega brands and US investment in different sectors to Pakistan to create employment opportunities. Razak also hoped that Pakistan would achieve trade benefits from GSP-Plus provided by European Union for 10 year till 2023.

He said that Pakistan wanted to get access to the potential markets of African region, Russia and North America for enhancing the trade liberalisation to achieve the objective of export led growth.

Source: profit.pakistantoday.com.pk- Feb 28, 2020

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Pakistan: Tax Policies & Garment Industry Future

A compulsory contribution to get state revenue, levied by the government on workers' income and business profits, or added to the cost of some goods, services, and transactions. Pakistan's largest export industry was the textile industry, with hosiery and readymade garments contributing 544 billion PKR/3.47 billion USD to total trade.

Of a grand total of 2.2 trillion PKR earned from exports, 285 billion rupees were earned from hosiery (13% of total export earnings); 259 billion from readymade garments (11%); 227 billion from bed wear (10%); 211 billion from cotton fabrics (9%); 199 billion from rice (9%); 111 billion from chemicals and pharmaceuticals (5%); 110 billion from cotton yarn (5%); 77 billion from towels (3%); 47 billion from leather manufactures (2%) and 733 billion from other products (33%).

However, total exports (2,263 billion) in 2018-2019, when compared to total imports (5,371 billion) paint a bleak picture of Pakistan's economic standing. The 3,107 billion rupee difference between exports and imports highlights an urgent need for development of our trade sector. Garment industry is now suffering from some acute problems in productivity, in quality, in management & marketing skills and thus facing a serious threat of a reduced share of international markets and biggest of all is large sums of taxes implemented on garments products by Pakistan government.

Pakistan's current taxation system is defined by Income Tax Ordinance 2001 (for direct taxes) and Sales Tax Act 1990 (for indirect taxes) and administrated by FBR. The sales tax rate in Pakistan stands at 17 percent. Pakistan provides zero-rate of sales tax on inputs and products of five export-oriented sectors i.e. textile, leather, carpets, sports goods and surgical goods.FBR started the preparations for charging 17 percent sales tax on local supplies of manufacturers-cum-exporters of five zero-rated sectors from July 1, 2019.

The board also initiated stock taking to avert any possibility of showing clearance of all stocks at zero percent (on papers) till June 30, 2019. According to this policy 17 percent tax should be imposed on export which is after that rebate able and therefore seven percent should be imposed on local manufacturer in export there are lots of flying frauds companies are still existing, which can watch by me even they are not watched by the department.

The FBR has issued instructions to the Large Taxpayer Units and Regional Tax Offices. The pre-budget talks between the government and industrialists on contentious issue of withdrawal of tax concessions and energy subsidies have ended, as tax authorities claim to gain some ground due to a rift between exporters and local suppliers.

The draft of Pakistan Textile Policy for 2020-25 with 4 tier strategy and 21 recommendations is all set to be pitched before the ECC for approval. It will try to increase the country's textile exports target by 2025 to $ 25.3Bn and $ 50Bn by 2030. The Pakistan Textile Policy draft narrates a clear roadmap to achieve the textile export targets along with vision to fully utilize the potential of home-grown cotton augmented by Manmade Fiber/Filament to boost value added exports and become a major player in the global textiles supply chain.

Global textile trade stands at $ 837Bn. presently; Pakistan's share is 1.6% in the world textile trade, which will be increased to 3% by 2025. If the fuel prices will still remain under the standard of cost of production. The primary reason for this poor performance is the narrow export base; even this narrow base is biased towards low value-added unsophisticated items. So if we produce better quality of products on low prices then our export will grown up and we will earn maximum profit.

Pakistan's underperformance in exports can be attributed to a number of factors, divided into supply side, demand side and investment climate constraints. Pakistan faces higher production costs and lower productivity compared to its peers. High production costs are in the form of import duty on cotton & MMF, high energy tariffs and minimum wage (Supply-Constraint). This has led to fierce competition with other low-wage competitors leading to small export orders for Pakistan (Demand-Constraint).

Pakistan faces unfavorable tariffs in garment exports in the international market such as ASEAN, which restricts market access, and its currency in the recent past was overvalued with respect to the dollar, making exports less competitive against China, India, Bangladesh and Vietnam. Other impediments include poor access to credit, delay in the payment of government-announced tax refunds, low technological adoption, and time-consuming export procedures.

Enhance role of industry associations need to be given a bigger role in vetting of government policies and in defining sustainable targets. Although garment sector exports have increased over the years and it has been the best performing segment of the textile value chain, the sector is grossly underperforming relative to its potential. Pakistan lags behind its competitors in the global share in export of garments.

Development is not a very easy job after imposing lot of taxes and heavy rates of production. conclusion of lot of things industry can develop a one product but due to having different kinds of weather industry new to develop a different product, so cost of production of different products are different moreover the age has been mature of customer who is going to be demand maximum designer and durability in product so after development lot of work need to do that's why cost of production raise high due to low value of rupees and industrial list cannot find good rate and more over in country lot of bad policies they had to bear in the shape of high rise tax system double rate of oil and gas triplication of electricity.

In these circumstance the dream of to be an industrial as a Pakistan and exportable Pakistan cannot be mature. So we as policy maker are responsible for our bad deeds in the shape of unsuitable policies for the industry. Regarding these objects if industrialist skips up industry the huge rate of unemployment will be spread which is not in the good favor of law and order situation for the Pakistan. This impression can give a setback to nation far behind others countries so radiant future of Pakistan industry and ruling government cannot be appreciate due to producing such a helpless condition and circumstances to the nation of Pakistan.

Source: pakobserver.net- Feb 29, 2020

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Bangladesh: Time to switch over to brand apparel exports

Holding the second position after China in the global apparel export market, Bangladesh is being chased by its closest competitor Vietnam. In the first nine months of 2019, the East Asian country exported readymade garments worth US$29.3 billion surpassing Bangladesh's US$26.1 billion earning from apparel exports.

Bangladesh's export growth even declined in some recent months, prompting stakeholders to fear that the country may lose its market share at one point. While devaluation of Taka against US dollars is an option to raise exporters' income at home, lack of competitiveness and finding no new markets for apparel exports are the key reasons of stagnation in the currently $35 billion export industry or decline in its export growth.

So, to overcome this crisis, it is high time that Bangladesh created its own brands of garments beside manufacturing and exporting garment items of global brands. Sales of 'made in Bangladesh' garment products by renowned brands indicate quality of the Bangladeshi products. Bangladeshi entrepreneurs have now attained certain maturity so they can try to establish their own brands.

Bangladesh is actually working very slowly in diversifying products, according to Asif Ashraf, Managing Director of Fakhruddin Textile Mills Ltd. The key factor for success in product development is willingness to take risk especially when business sustainability also requires manufacturing high-end products.

In fact, most of Bangladeshi garment companies are indifferent to innovation and diversification in apparel industry since they are comfortable in producing products under brand name of Western companies. However, the quick changing demand and preferences of the customers in developed countries have opened the door for making Bangladesh's own brand identity in the international arena.

In that case, the country's exports will increase in terms of value even without increasing volume. Also, the country's export volume will increase if Bangladeshi brands can be established based on diverse designs and cost competitiveness. Bangladesh's market vulnerability at present will be addressed and it will be able to sustain its strong position in the global RMG export market.

For making Bangladeshi brands known in the international apparel market, the garment companies will have to make appropriate investments in 'research and development'. The government should provide policy supports and share certain costs for research and development.

As Bangladesh's factories basically carry out designs of clothing made by buyers, the country will have to employ efforts to come up with diverse designs for innovating unique brands.

"Bangladesh has emphasised fashion design and many graduates are coming from several institutions. We have to show creativity in designing fashion garments. More institutions should be funded so that they can focus on design creation which will also cut cost of apparel production," said Saju Saha, Assistant Professor of Marketing Department, Jahangirnagar University.

He added, "The Bangladeshi garment industry has to focus on technological innovation so that high-end product which are difficult to produce can be made easily. We also need to focus on unique and specialised apparel products of our country which will have a high demand in the global market."

In view of needs of proper investments in research and development for product diversification and increase value addition' for earn recognition as global brands, Bangladeshi companies should also work together to become successful. In this context, Saju Saha pointed out that it's not possible for a single garment company to invest in brand creation and compete with giants.

Bangladesh Garment Manufacturers and Exporters Association and Bangladesh Knitwear Manufacturers and Exporters Association may conduct research on making a single apparel Bangladeshi brand by accumulating funds and with government support.

In creating Bangladeshi brand, the RMG exporters should first make their footprint in the domestic market in establishing local brands. Bangladesh leather exporters have already set example by establishing their brands in the local market. Garment manufacturers can follow suit.

Source: thefinancialexpress.com.bd- Feb 28, 2020

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Bangladesh: RMG supply chain takes hit due to coronavirus outbreak

With no let up in the spread of the coronavirus around the globe, the supply chain of Bangladesh's readymade garments (RMG) sector is taking a hit as its main sourcing destination, China, is the epicentre of the outbreak. Prices of all garment accessories, including yarn and sewing threads, have already gone up, Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said in a statement yesterday.

"Prices have increased by almost 50 per cent. This is killing us. If regular shipments from China do not resume within the next two weeks, we will not be able to procure any trim properly as most of the raw materials are imported from China," she added.

Huq said the items whose supply chain got disrupted included yarn, sewing threads, paper, plastic items (buttons), and twill tape.

She also said even the dyeing cost was increasing unacceptably. "In general, we are possibly going to take a hit for three to four months," she added.

Mostafiz Uddin, founder and CEO of the Bangladesh Denim Expo and Bangladesh Apparel Exchange (BAE), said the coronavirus had already disrupted the business for garments suppliers in Bangladesh. “For raw materials and other inputs, we are still heavily dependent on China. In fact, more than 50 per cent of Bangladesh's textile and textile-related goods, including garment accessories, are imported from that country,” he explained.

“In addition, about 40 per cent of capital machinery and spare parts for the textile and garments industry comes from that country,” he added.

Mostafiz said for all the progress made by the country’s RMG sector in recent years, the lack of vertical integration—Bangladesh only carries out one part of the supply chain process—had remained a major source of vulnerability. “It is Achilles' heel for our industry,” he added.

He also said that the coronavirus outbreak could be viewed as a wake-up call for the Bangladeshi RMG industry and also for the apparel industry globally. “This heavy dependence on China is unhealthy in many ways.

As any disruption to the supply chain by an epidemic like the coronavirus can be devastating, there is a real risk that some businesses may never recover from the shock,” he added.

On February 15 this year, Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA) president Abdul Kader Khan said they feared losing an estimated Tk. 1,500 crore if the coronavirus outbreak in China lingered, as the sector was already running short of raw materials.

“We fear that the supply of raw materials from China will remain suspended until March because of the outbreak. This would create a serious crisis in the garments accessories and packaging sector, as we need raw materials worth USD 4 billion per year and 40 per cent of that comes from China,” he added.

Talking with The Independent yesterday, Abdul Kader said a total of 1,744 factories across the country had been producing 35 garments accessories and packaging items.

“Raw materials for most of these factories come from China. Owing to the coronavirus outbreak and the prolonged holiday period for the Chinese new year, we have failed to resume the import of raw materials from different Chinese provinces,” he added.

Abdul Kader said a large number of factories were seriously suffering from a dearth of raw materials. “Finding alternative destinations for raw materials is not an easy task as very few countries offer as competitive prices as China,” he added.

Rafez Alam Chowdhury, advisor to the BGAPMEA, said most accessories-makers did not have a large capacity to store raw materials and were dependent on constant and regularised import.

“The capacity of storage depends on the size of factories as well as the financial strength and capacity to cope up with the work orders. On average, a factory can store raw materials for two months. So, most of us have already run out of raw materials,” he added.

Source: theindependentbd.com- Feb 28, 2020

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NATIONAL NEWS

TEXPROCIL to organise Ind-Texpo Edition 2.0 next month in Coimbatore

Ind-Texpo 2020 a specialised Reverse Buyer Seller Meet in its 2nd edition, will take place at CODISSIA Trade Fair Complex, Coimbatore, Tamil Nadu from17-19 March 2020.This one-stop sourcing platform for a variety of textiles across the value chain is organised by The Cotton Textiles Export Promotion Council(TEXPROCIL). It is supported by the Ministry of Commerce Industry and Ministry of Textiles, Government of India.

Show Highlights

- Featuring over 100+ quality importers visiting from over 25+ countries/regions
- 75+ Indian Textile companies to exhibit with the latest product offerings
- Showcasing Indian Textiles ;Farm to Fashion
- Textile Innovations showcased by selective suppliers
- Sourcing made simple under one roof

The 2nd edition will witness 100+ quality importers visiting the show from over 25+ countries and regions in their pursuit for de-risking their businesses and developing alternative sources of supplies on account of the shutdown in China due to the outbreak of 2019 nCoV.

The event showcases top quality yarns, apparel fabrics, denim fabrics, and choicest home textiles to include range of living room, bed, bath and kitchen products Made in India.

Buyers from countries including Colombia, Chile, Peru, Paraguay, Ecuador, Bangladesh, Sri Lanka, Vietnam, UAE, Middle East, Ethiopia, Kenya, etc. have already confirmed their registration to visit the show. There have also been increased enquiries from importers in EU and other countries to source Indian yarn, fabrics and home textiles.

Over 70+ Indian companies are expected to exhibitat the show with their latest product offerings and selective innovations to connect with the leading buyers from international markets.

As a part of its business matchmaking program,Ind-Texpo 2020 will also feature exclusive B2B Meetings for the exhibiting companiesto spend quality time with overseas buyers based on a pre-determined schedule of time slots during the exhibition.

Ind-Texpo, since its launch edition, has been successful in integrating the textile value chain at a single global trading platform. Alongside the exhibition, the event also facilitates exchange of high-quality market intelligence to support industry efforts to attain a competitive edge and move up the value chain with a renewed vigour and better understanding of global trade.

Ind-Texpo 2020 holds the promise of being a perfect platform to take the industry forward. With just a few stalls available, Dr. K.V. Srinivasan, Chairman - TEXPROCIL appeals to Indian companies to come and explore the business opportunities made available at this unique one-stop sourcing platform.

For more information, visit:www.ind-texpo.com or write to us on email: events@ind-texpo.com

Source: aninews.in- Feb 28, 2020

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ComMin to meet exporters on March 3 to discuss export, import opportunities amid Coronavirus outbreak

The commerce and industry ministry has convened a meeting of exporters and industry on March 3 to discuss export and import opportunities emerging on account of the coronavirus outbreak in China. The meeting will be chaired by Commerce and Industry Minister Piyush Goyal.

An industry source said that as China was a global supplier of goods, huge export and import opportunities have emerged due to the outbreak of this deadly disease in China and other parts of the globe.

"The outbreak of this disease has reflected that depending completely on one country for goods is not a good idea and in such a situation, India is best placed to fill this global supply chain gap," the source said.

According to a commerce ministry analysis, there are as many as 550 products where Indian exporters can plug global supply gaps.

These identified products accounted for about 75 per cent of India's exports in 2018. Currently, exports of these items are estimated at USD 243 billion.

Further 1,054 products have been identified where India is dependent on Chinese imports.

In the analysis, the ministry has identified alternate countries from where New Delhi can import products disrupted by the outbreak in China.

The ministry has shared this list of made in India products which can be used to plug global supply line disruption with embassies.

The death toll in China's deadly coronavirus has climbed to 2,788 so far 25 with confirmed cases rising sharply to 78,824.

Source: moneycontrol.com- Feb 28, 2020

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Textile industry demands level playing field with Asean

Feeling the heat of slump in business, one of India's biggest textile body, Northern India Textile Mills' Association (Nitma) held a meeting with Ravi Capoor, secretary textiles, Government of India, to discuss the critical issues concerning the textile sector. The Nitma delegation comprised president Sanjay Garg, vice-president Mukesh Kumar Tyagi, and others.

Garg said, "The meeting with the textiles secretary was held in a very cordial environment, and we discussed all the issues bothering the textile sector. The major points which came up for discussion in the meeting included the anomaly in the FTA (free trade agreement) with Indonesia and Vietnam, which is leading to closure of MSME (micro, small, and medium enterprises) scale spinning mills."

He added, "On the issue of an existing anomaly due to Asean (Association of Southeast Asian Nations) FTA, it was explained that due to inclusion of the finished product of the mills in the list of items in the said FTA, it had been cleared of imports with Asean certificate with zero duty.

Hence, there has been a surge in imports, particularly from Indonesia and Vietnam, mostly in the post-GST period. This has denied a level playing field for the Indian spinning mills, as compared to their counterparts in Indonesia."

Garg also said, "In the meeting, it was also mentioned that this surge in imports has been happening of late, as some of our existing duties — which were acting as a safeguard against imports in the pre-GST period — were removed, while the government introduced the GST. Post-GST, with the removal of Cenvat and SAD, polyester yarn is being cleared with zero duty.

We have suggested for urgent exclusion of Polyester Staple Yarn (PSY) from the FTA list or inclusion of its raw material, the PSF, in the FTA list of items.

It was submitted that this would allow us to strengthen the vision of 'Make in India', and also provide the much-needed competitiveness to spinning mills products, which have been undergoing stress due to this grave anomaly, affecting their future and survival, as huge capacity is being added in our competing countries."

The secretary assured the body that the textile ministry was ready to facilitate the industry by all means to enhance their growth competitiveness, and hence, necessary steps were being taken to unleash the growth of the textiles sector, which has a huge potential for growth in India."

Garg also informed that important decisions were expected in the next GST council meeting, which would further help improve the competitiveness across the entire textile value chain.

The secretary further said, "It may be difficult to make the changes in the Asean agreement, and it may also take a little longer to review the current Asean trade agreement." He reiterated that he had understood the difficulties being faced by this segment, and was sincerely willing to provide the yarn manufacturing sector a level playing field.

Source: moneycontrol.com- Feb 28, 2020

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CCI purchases 10,000 bales of cotton under commercial operations; 70 lakh bales under MSP

Cotton Corporation of India (CCI) has purchased 10,000 bales over the last few days for its commercial account due to low prices, said P Alli Rani, chairman cum managing director, CCI.

"There has been a marginal increase in buying for the commercial account, but we are hard pressed for people because of the MSP purchases which are in full swing.I do not have much infrastructure but because of lower prices this year I have floated a tender for the same," she said.

This is probably the first time the commercial purchase is happening alongside the MSP operations. Last year, the agency had commenced commercial operations during end of March. The agency has floated a tender to purchase cotton at `39,400-39,500 per candy (1 candy =356 kg) from the open market through an electronic auction.

CCI has purchased 70 lakh bales from farmers in the MSP operations so far. The state-owned company is also the government's nodal agency for purchases under the minimum support price scheme.

Nearly 65% of the cotton arrivals have come into the market, she said. Gujarat, Maharashtra and Telangana are the top three cotton growing states in the country.

The minimum support price for medium-staple variety of cotton is Rs 5,255 per quintal and Rs 5,550 per quintal for long staple cotton. Alli Rani said that the corporation is likely to purchase some 80 lakh bales under MSP operations for this season and could even buy up to 96 lakh bales subject to market conditions.

The Cotton Advisory Board's provisional production estimate for this season is 360 lakh bales. The CCI has nine lakh bales stock of cotton from the previous seasons and 70 lakh bales from this season. Nearly 53% of cotton procured so far this season is from Telangana.

The Cotton Association of India has pegged 2019-20 crop at 354.5 lakh bales, compared with 312 lakh bales last year. The CCI might look at exports, though it was not keen on it, she said, adding that they have received inquiries from Bangladesh for exports.

Reacting to the fall in international prices, she termed it as a knee jerk reaction to the coronavirus and felt that the situation should settle in a few day

Source: financialexpress.com- Feb 29, 2020

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FOSTTA demands MSME status for textile traders

Federation of Surat Textile Traders' Association (FOSTTA) has urged Union ministry of micro, small and medium enterprises (MSME) to provide status of MSME to textile traders in the city.

FOSTTA office-bearers held a meeting with special secretary and development commissioner of MSME, Ram Mohan Mishra, who was on a day's visit to the Diamond City on Friday.

The traders' body raised several issues including that of their long-pending demand of providing MSME status to textile traders.

Purshottam Agarwal, joint secretary of FOSTTA, said, “Textile trading business involves 60% job work on cloth, which passes from more than 12 different types of processes. However, traders are also manufacturers and that they should be given the status of MSME.”

Traders said a representation has been made to MSME development commissioner for setting up a ready-made garment centre in Surat.

FOSTTA president Manoj Agarwal said, “We raised an important issue with MSME development commissioner for setting up a skill development centre for women doing hand-embroidery on saris and dress material. After GST implementation, hundreds of women have been rendered jobless.”

Source: timesofindia.com- Feb 29, 2020

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Coronavirus an opportunity for Indian textile industry?

While scientists across the world are busy developing vaccine and other ways to stop the spread of the deadly coronavirus, the situation can only temporarily benefit the Indian textile industry. It is because India does not have the large-scale capacity similar to China, the epicentre of the virus outbreak, for production of yarn, fabric and other textiles.

"At the moment, the word coronavirus (COVID-19) is creating more fear than anything else around the world. This is impacting business, especially imports from China.

This has led to an improvement in the local market and for the time-being the situation is benefitting India," Satyanarayan Agarwal, president, All India Texturisers' Association, told Fibre2Fashion.

Voicing a similar sentiment, Vikram Jain, director, SBT Textiles Pvt Ltd, said: “Basically, products that are not made in India and are imported from China are going to feel the pinch. But, of course, these are sunshine days for products that we make in India.

Fabric, yarn, raw materials, and several accessories are normally imported from China, and the demand for these products is huge. India cannot build up the capacity requirement in just few months. From March onwards, China is likely to start operations, but in the meantime, we have already lost three crucial months. It's a long time for the industry to recover."

Talking about trade disruption and preparing for the same, Smarth Bansal, DGM-product management, Colorjet group, said, "At Colorjet, we already have invested towards indigenous manufacturing and contribute in 75 per cent value addition due to in-house capability with CNC, LVDs, laser and other machines, and our dependence on China is becoming negligible. In addition to this, we are also gearing up for export markets where shortages will occur once the existing stocks get depleted.

"A lot of importers have started facing issues with supplies of both machines and spare parts which will ultimately impact the expansion decisions of many textile printing units. However, we will be able to timely deliver our Indian manufactured machines by Colorjet."

Source: fibre2fashion.com- Feb 28, 2020

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Open up India's economy for 10% growth: Panagariya

India's slowdown has bottomed out and now its economy needs to be opened up if the country wants to realise the ambition of a 10 per cent growth rate, according to former NITI Aayog vice chairman and professor of economics at the Columbia University Arvind Panagariya, who recently delivered the keynote address at a discussion in New York on India's budget.

In the next fiscal, India's gross domestic product (GDP) growth is expected to be 6 per cent and then it will get back to 7-8 per cent, which has been the case in the last 15 years, he was quoted as saying by a news agency report.

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

The discussion was organised by India's Consulate General in partnership with the US-India Strategic Partnership Forum (USISPF). Panagariya noted that since about 2003, India has been growing at an average rate of about 7 per cent and the first five years of the Modi government was characterised by 7.5 per cent growth on an average.

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

"I think you could criticise the government here for being a little slow in beginning the process of cleaning up of the bank non-performing assets (NPAs). The problem was known actually by 2013... but this particular problem of NPAs never gets solved very quickly," he said. He said as the clean up happens, "we should see the growth returning".

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

He said something that has been going on for the last two to three years is that India is turning more and more towards import substitution. "Trade economists use a more aggressive term - protectionism. And I've been saying that this is something that should not only be stopped but has to be reversed," he said.

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

Source: fibre2fashion.com- Feb 27, 2020

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How Indian businesses may be impacted by China factory shutdowns

Shares of TVS Motor Co. tumbled as much as 6.7% on Tuesday after India's third-biggest two-wheeler maker said that a shortage of some parts imported from China may lead to a drop in production this month.

TVS isn't alone. Swathes of Indian businesses that import raw materials from China are bracing for a hit from the coronavirus outbreak that has shuttered plants that feed the global supply chain with all sorts of industrial components.

While India has so far reported only three confirmed cases, compared with over 82,000 globally, prolonged disruption in raw-material supplies can delay a recovery in India's economy -- set for its weakest growth in 11 years. Shifting overnight to suppliers elsewhere in Asia isn't feasible and airlifting parts for transport will bump up the cost of components, according to ICICI Direct.

To be sure, there will also be some winners from the coronavirus crisis. Textiles, fertilizers, oil refiners and other users of global commodities will benefit from the softening in their prices, according to Nomura and Citi Research. Producers of the basic ingredients used in medicines are expected to gain from the rise in their prices, according to Emkay Global Financial Services.

Here's what some brokerages are saying:

ICICI Direct

March quarter is unlikely to see an immediate impact as vendors stocked-up on inventory ahead of Chinese Lunar New Year holidays

Prolonged shutdown will severely impact sales of air-conditioners, LEDs, fans and kitchen appliances, which will been seen in the April-June quarter

Alternatives in Thailand, Malaysia, Vietnam unprepared to meet challenge of sudden demand; airlifting parts will boost cost of components and finished goods by 5%-6%

Nomura

China accounts for about 14% of India's imports; disruption will lower import of primary and intermediate goods, hurt domestic production

Over 60% of Chinese shipments to India comprise electrical machinery and equipment and organic chemicals, with an additional 7% in the form of plastic articles and fertilizers

Pharmaceuticals, autos, electronics, solar and agriculture among sectors to be hurt

Gainers include textiles, fertilizers and mid- and small-sized firms that would face less competition from Chinese imports

Emkay

Peak summer sales could be at risk if the delay in part supplies persists beyond February

Chemicals and agro-chemical companies like Dhanuka Agritech Ltd., Rallis India Ltd., Vinati Organics Ltd. and Camlin Fine Sciences Ltd. appear vulnerable

Tata Motors Ltd. and Motherson Sumi Systems Ltd. may be hurt in autos; Oil & Natural Gas Corp. earnings may be impacted due to lower crude prices

Lower oil prices to benefit companies like Asian Paints Ltd., Pidilite Industries Ltd. and Apollo Tyres Ltd.

Lower LNG prices to help Gujarat Gas Ltd., Gujarat State Petronet Ltd., among others; Divi's Laboratories Ltd. and Granules India Ltd. to gain from expected rise in API prices

Citi Research

India's direct vulnerability to coronavirus outbreak, beyond supply chains, is limited

Manufacturing sector accounts for less than one-fifth of India's real GDP

Support from monetary policy side may come if needed as fiscal space remains constrained. Electronics, electrical machinery, chemical, pharmaceutical and textiles are most vulnerable sectors

Electronic goods imported from China, including mobile phones, are mostly sold by unlisted companies

Capital Economics

Coronavirus outbreak to have limited macroeconomic impact on India

There could be “serious consequences" for companies in textiles and electronics, which respectively import a third and half of intermediate goods from China. It will be difficult for these sectors to source goods from other suppliers immediately.

Source: livemint.com- Feb 28, 2020

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India stands to gain most from supply-chain disruptions, FDI pipeline doubles to $175 billion: UBS

India is expected to be a big beneficiary of the ongoing trade battle between US and China. Evidence of this trend is already visible from foreign direct investment (FDI) pipeline doubling to $175 billion from last year’s $87 billion. Given the rise in protectionism and tariff barriers, corporations are looking at shifting supply chains .

UBS, the world’s largest wealth manager, in its US CFO survey found that 76% of the respondents have either shifted their supply chain or are planning to shift in response to protectionist policies such as trade tariffs and India continues to be among the top destinations in Asia for manufacturing shift.

The report also said that high number of respondents looking to diversify continues, suggesting a manufacturing shift from China is more structural and longer term in nature.

While FDI in India has increased in the last one year, there has been interest from global companies to set up manufacturing facilities for not only electronics but also heavy manufacturing as well. India's current FDI pipeline has doubled and key focus sectors include construction, electronics, infrastructure, textiles, food processing, pharma among others. Even while analyzing the earnings transcripts of 44 global companies there has been increased references to 'India' and 'trade war' and spot nuances in language signify a potential relocation of manufacturing to India.

According to UBS, meetings with policymakers, UBS Evidence Lab results, trade data analysis, and newsflow, all point to early evidence of a pickup in manufacturing exports (including import substitution).

"Exports is one of the keys in our '4 Keys framework' from which we expect an earnings cycle inflection. We expect a 15% earnings CAGR in Nifty over FY21-23, compared with 6% over the past five years. Our Nifty target for end-December 2021 is 14,700," said UBS in its report.

However it also stated that, it is too early to call whether India will have major success, but the next three years should be better than the past five years. Also, exports are highly correlated with earnings and GDP growth.

Post the corporate rate tax and recent Budget incentives for exports have been ignored by investors, believes UBS. In the recent past, government has taken steps like easing customs duties, liquidity for exporters and higher credit availability to boost manufacturing and exports.

"Local corporate commentary also suggests some pickup in mentions beyond the chemicals sector, including in contract manufacturing companies and consumer appliance companies," said UBS.

Source: financialexpress.com- Feb 28, 2020

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Industrialists demand mega textile park in Punjab

To promote textile ecosystem in Punjab, especially near Ludhiana and Barnala clusters, the textile mills have demanded setting up a mega textile park spread across 1,000 acres. According to the industry, the proposed move will generate employment besides boosting exports. At a meeting with Ravi Capoor, Secretary, Textiles, recently, the Northern India Textile Mills' Association (NITMA), an apex body of textile units in North India, has sought setting up one of the 10 proposed mega textile parks in Punjab.

Capoor said the ministry was ready to approve the textile park for Punjab provided availability of 1,000 acres by the state government was ensured. He suggested the NITMA to work closely with the ministry and the state government for setting up the park.

Availability of land is a major impediment in boosting industrialisation in Punjab. To address the issue, the Punjab Government is contemplating to convert vacant panchayat land into an industrial park.

The NITMA also invited him to address the textile fraternity of Ludhiana so that new vigour and dynamism could be generated among young entrepreneurs for investing in the sector and promotion of exports of man-made fibres (MMF) along with technical textiles and blends.

A delegation led by Sanjay Garg, president, NITMA, also highlighted the need to make cotton available for spinning mills at competitive prices.

The association also apprised him of the current impasse in the cotton market which had led to increase in prices of raw materials, affecting its supply and working capital availability. The NITMA has sought government's intervention to resolve the crisis situation.

Garg said Capoor had assured them that the government was closely following the cotton economy, its supply-side issues and would come out with Direct Benefit Transfer scheme for farmers and reduce the stress for spinning industry.

The Rs 50,000-crore textile industry of North India has specialised manufacturing clusters in Ludhiana, Panipat and Baddi-Barotiwala-Nalagarh belt of Himachal. Punjab is among the largest producers of cotton, blended yarn and mill-made fabrics in the country.

The industry body has also sought a level-playing field for man-made fibre industry by removing anti-dumping duty on competitiveness in the value chain. There is a tremendous scope in investment and exports of man-made fibres which are bound to unleash its growth together with technical textiles and blends.

According to Garg, the Secretary assured them that he would take necessary steps to resolve this issue which had been hurting the growth and competitiveness of the textile industry, including the acrylic sector.

Source: tribuneindia.com- Feb 28, 2020

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SIMA wants Technology Mission on Cotton to be launched in

With Cotton Corporation of India launching the first Indian brand cotton "HIRA", the Southern India Mills Association (SIMA) on Wednesday appealed to the Union Government to launch the technology Mission on Cotton in a revised format to increase productivity.

Cotton productivity in India is only around 460 to 500 kg per hectare as against 1,500 to 2,200 kg per hectare achieved by over 20 countries in the world, SIMA Chairman Ashwin Chandran said in a statement here.

According to him, the Textiles ministry is also planning to launch a scheme "Nirmal Cotton Mission" with CCI as a nodal agency that would go a long way to make Indian cotton to become the best quality cotton in the world. The SIMA chairman hailedthe launch of HIRA by CCI at a function in Mumbai on Wednesday and its plans to market it shortly.

He appealed to Prime Minister Narendra Modi to launch the Technology Mission on Cotton in a revised format to increase productivity.

According to the statement, India became the largest producer of cotton during 2014-15 and continue to be the leader by accounting for 37 per cent area under cotton.

India produces 330 to 400 lakh bales and consumes 300 to 320 lakh bales of cotton per year thus becoming a net exporter of cotton.

"However, Indian cotton quality has been far below the standard especially in terms of trash content, contamination, that stalled value addition and also affected the revenue of cotton farmers," Ashwin noted

Source: outlookindia.com- Feb 28, 2020

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