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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 21 of 2018 January 30, 2018

USD 63.68 | EUR 78.82 | GBP 89.44 | JPY 0.59

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19362	40500	**81.13**

Domestic Futures Price (Ex. Gin), January

Rs./Bale	Rs./Candy	USD Cent/lb
19900	41626	**83.39**

International Futures Price

NY ICE USD Cents/lb (March 2018)	78.36
ZCE Cotton: Yuan/MT (Jan 2018)	15,080
ZCE Cotton: USD Cents/lb	**91.78**
Cotlook A Index – Physical	**92.85**

Cotton guide: Start of the week cotton price snapped biggest loss. The front and forward month's futures contract slipped nearly 2%. For reference March 18 contract fell over 200+ points to settle the session at 78.36 cents per pound. Interestingly the December 18 contract slipped for the first time below 75 cents.

Market has moved into bearish tag for the short term since it broke 80 cents as key support level. The technical signals and price behavior may have changed into bearish tone however need to critically watch the mills long awaited fixations. The last five sessions drop in price is supporting millers to fix their unfixed contracts. Here we believe market could move into a very tough situation due to an interesting scenario between speculative and millers position in the market. There can be two outcomes in the market. A) Speculators liquidating hefty positions in the market could pull price further down. The record aggregate open interest story of more than 320K contracts would mean a lot to market. Any crack down in the OI may have severe impact on the price. We believe the action has just started this Monday. The OI for the first time fell over 3K contracts to around 317K contracts. This might keep the cotton price under stress and move the March contract towards 76 cents per pound. B) Alternatively; if speculators shy away and millers play the important role in the market in fixing their prior positions may not permit huge sell off in price. Market may find strong support near 77 to 76 ranges and push back the price higher.

The current and next week is expected to be challenging and interesting for Cotton price in the world market. The broad trading range for short term would be 76 to 82 cents per pound. The Gim Rogers long only funds and largest Goldman Sachs funds are likely to roll their positions. Gim Rogers's positions from March to May are likely to roll in next three sessions. Goldman Sachs's traditional rollover will take place on 7th February.

More on the trading front, volumes were higher above 67+K contract and cleared on Monday was 47262 contracts.

On the domestic front spot prices have eased down sharply to quote S-6 around Rs. 40650 per candy and the Punjab J-34 variety has declined to Rs. 4250 down by Rs.50 from previous day. (Ex-gin). The fall in price is majorly due to increase in arrivals. As per latest record the arrivals were more than 202K bales. This has kept the domestic cotton futures price lower. On Monday the February future settled at Rs. 20180 down by 2% from previous close. For the day we expect market to remain weak and the trading range would be Rs. 19960 to Rs. 20280 per bale.

Currency Guide:Indian rupee depreciated by 0.15% to trade near 63.685 levels against the US dollar. Rupee came under pressure amid general recovery in US dollar. The US dollar index recovered from 3-year low post US President Donald Trump comments that the greenback will strengthen. Also weighing on rupee is some correction in global equity market. Also affecting rupee is sell-off in bond market amid reports that government is set to announce FY19 gross borrowing of 6.5 trillion rupees in comparison to 6.05 trillion rupees estimated for the current year. Rupee may remain under pressure amid uncertainty ahead of Budget announcement later this week. USDINR may trade in a range of 63.5-63.8 and bias may be on the upside.

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

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INTERNATIONAL NEWS

B'desh HC to speak at NCC bilateral trade event

The Sri Lanka-Bangladesh Business Co-operation Council of the National Chamber of Commerce (NCC), will host Bangladesh High Commissioner to Sri Lanka Riaz Hamidullah as a special guest speaker on bilateral trade between Sri Lanka and Bangladesh on Thursday, February 8, 2018, from 3:00 p.m. to 4:30 p.m., at the chamber, No: 450, D R Wijewardene Mawatha, Colombo 10.

The participants will get an opportunity to have a close dialogue with the high commissioner and officials and get information on trade with Bangladesh.

Bangladesh (formerly East Pakistan), named in 1971, is one of the oldest civilizations dating back to 4000 years and is one of the most densely populated countries in the world with 166 million. The capital Dhaka's population alone is 17 million, almost the whole population of Sri Lanka. According to the Asian Development Bank, Bangladesh's economy grew by 7.1 percent in 2016, the fastest expansion in 30 years and the country's recent economic boom must rank as one of the world's best economics. Garment exports are the backbone of Bangladesh's industrial sector, accounting for more than 80 percent of total exports.

The main industries are jute, cotton, garments, pharmaceuticals, drugs, fertilizer, iron and steel, cement, petroleum products, tobacco, fabricated metal products and natural gas, agriculture products, rice, jute, tea, wheat, sugarcane, potatoes, tobacco, pulses and spices. Sri Lanka exports clothing apparel, rubber products, textiles, chemical products and tea to Bangladesh. Sri Lanka imports pharmaceutical products, apparel clothing, jute bags and vegetables from Bangladesh.

Source: dailymirror.lk- Jan 30, 2018

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Leading Malaysian manufacturers visit EDB

At the request of the Sri Lankan High Commission in Malaysia, the Export Development Board (EDB) met the trade delegation from the Federation of Malaysian Manufacturers (FMM) recently, at the EDB.

The 11-member Malaysian team visited the EDB and discussed potential business, joint ventures and export and import opportunities between the two countries.

The delegation comprised of leading Malaysian companies from the sectors of food and beverage, apparel, office furniture, logistics, waste management and recycling, packaging and construction materials, etc.

Hi Style Apparel Sdn Bhd, a company in the fashion industry with 30 chain stores in Malaysia and Singapore, is interested in sourcing products such as T-shirts, cotton pants, jeans and bags from Sri Lanka. The EDB has organised a few business-to-business meetings for this company with Sri Lankan apparel sector companies.

A member from Malaysia's leading thermo-vacuum plastic packaging company also visited with the delegation.

According to Tan Len Hock, the leader of the delegation, the FMM was established in 1968 and the FMM has consistently led Malaysian manufacturers in spearheading the country's growth and modernization.

As the largest private sector economic organisation in Malaysia, representing over 3,000 manufacturing and industrial service companies of varying sizes, the FMM is the officially recognized voice of the industry.

Trade between Sri Lanka and Malaysia has grown moderately over the past decade. The aggregate bilateral trade increased from US $ 384 million in 2007 to US $ 648 million by 2017 (January to November). As a trading partner, Malaysia is the seventh largest source of imports to Sri Lanka in 2017.

Sri Lanka imported goods worth US $ 599 million from Malaysia in 2017 (January to November), accounting for 3.1 percent of inflows into the country. Conversely, Malaysia ranked at the 35th place in terms of Sri

Lanka's export markets, with Sri Lanka exporting US $ 49 million, which is 0.5 percent of total exports to Malaysia.

The main exports from Sri Lanka are vegetable products, rubber articles, textiles and clothing and food products. The imports from Malaysia include fuel, vegetables, machinery, electronics and wood products.

Source: dailymirror.lk- Jan 30, 2018

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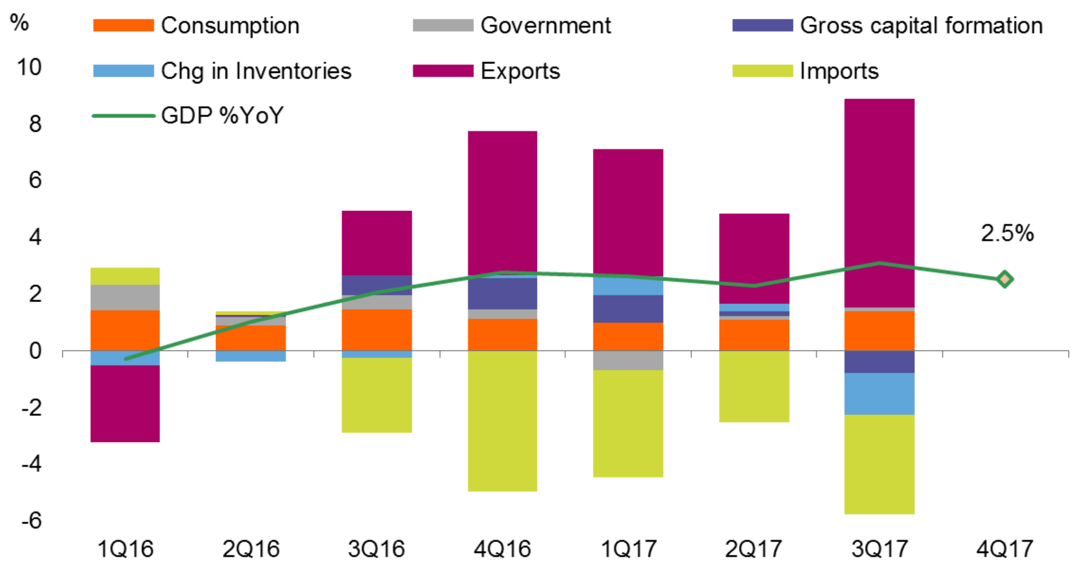
Taiwan: GDP riding global growth trend but prone to trade threat

The narrowly-focused economy is prone to trade hurdles in 2018 while low manufacturing wages could hurt retail sales. As such, we don't expect rate hikes this year but the Taiwan dollar could still strengthen

Trade is just too important to Taiwan growth



Slower growth for Taiwan due to high base effect

We expect economic growth in Taiwan to slow from 3Q's 3.1% YoY to 2.5% in 4Q, leading to a full-year growth rate of 2.6% for 2017. The slower pace of growth in 4Q is a result of a high base in 2016.

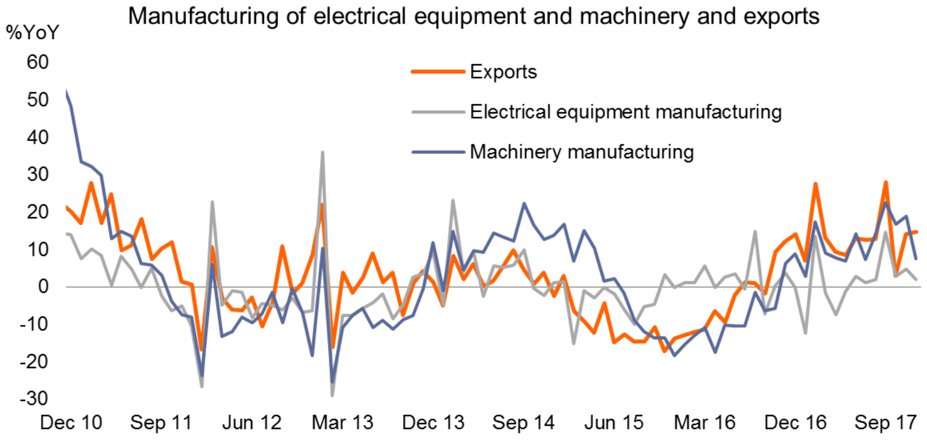
The engines of growth are manufacturing and trade of machinery, which has almost replaced the growth engine of electrical equipment manufacturing in 2016. That is not a bad sign for Taiwan. The two manufacturing industries seem to be able to compliment each other to sustain economic growth.

As we expect global growth to continue to rise in 2018, Taiwan's electronic-related products should continue to lead the Taiwan economy, growing at 2.1% in 2018.

2.1%	GDP growth in 2018 (forecast) 2.6% in 2017 (forecast)

It has been manufacturing of machinery leading export growth

Taiwan manufacturing of elec eqip n machinery vs export growth



Source: ING, Bloomberg

Narrowly-focused economy prone to trade hurdles

With a strong economic focus on electronics-related industries, Taiwan is prone to competition from peer countries, including South Korea, and Mainland China. Taiwan President Tsai Ing-wen has hinted at a military threat from the mainland so it's not difficult to imagine that Mainland China could impose some trade barriers. In fact, Mainland China has already moved in this direction by taking away Taiwan's diplomatic relations. The obvious one is Panama. We are highly aware that the risks of more trade hurdles from Mainland China would increase if Taiwan continued to avoid discussions with China about the One China policy.

Low unemployment but also low wage growth won't change in 2018

Domestically, although the unemployment rate is reasonably low and stable around 3.7%, wage growth was negligible at 1.4% in 2017 vs 2016 gauging from the labour cost index from Taiwan Directorate General of Budget Accounting and Statistics.

According to the Ministry of Finance of Taiwan, manufacturing is the sector that offers low wages. This explains the dim retail sales trend, as manufacturing contributes a large part of GDP. If the retail sector relies merely on locals, the growth trend is likely to be mild in 2018. Low manufacturing wages are not likely to increase anytime soon, suggesting consumers will not be able to ramp up spending in 2018.
In our view, retail sales are unlikely to support the economy if Taiwan were to be hit with more trade hurdles in coming months.

No change in interest rate expected
Although the economy is growing, it's just too fragile- relying largely on the manufacturing of machinery and electrical equipment. Some of these products are in competition with Mainland China and could face trade hurdles. In addition, wage growth is low and can't support a meaningful upward retail sales trend.

All this suggests that the central bank of Taiwan will not follow the global trend of raising interest rates.

What about lower interest rates to support the economy? The timing isn't quite right because economic growth is not as bad as in times of crisis. The already low level of policy rate at 1.375% would be the last lifeline for Taiwan when there is an unexpected event or crisis, which is not our base case in 2018.
But strong TWD to continue
Even without central bank rate hike, we expect that the Taiwan dollar would strengthen against the dollar. This is partly because of the weak dollar trend, and partly because of foreign investors chasing after Taiwan stocks.

Though strong TWD may not hurt trade it could hurt profit margins of exporters.

We expect USD/TWD to reach 27.80 at the end of 2018.

Source: think.ing.com/articles/taiwan- Jan 29, 2018

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Nigeria woos investors at Davos for textile, other SEZs

The Nigerian Government and the private sector will jointly create special economic zones (SEZs), starting first with the textile and garment sector, to boost the nation's economy, according to vice president Oluyemi Oluleke 'Yemi' Osinbajo. He conveyed this to investors through his spokesperson Laolu Akande at the World Economic Forum in Davos recently.

Osinbajo is optimistic about the forthcoming SEZ for garment manufacturing because it is specific and something that can be measured quickly, according to media reports in Nigeria.

A meeting of select investors in Davos was told that advantages of Nigeria's SEZ for textile manufacturing include use of English as official language, a stable political environment and conducive surroundings for the private sector.

As Nigeria produces cotton, its garment and textile industry has a huge potential, former World Bank chief economist Justin Lin told the meeting.

Source: fibre2fashion.com- Jan 30, 2018 **HOME**

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India, Uzbekistan interested to invest in textile factories

India and Uzbekistan are interested in investing in the textile sector in Afghanistan and that the Afghan Ministry of Commerce and Industry is trying to implement programs with the two countries.

Meanwhile, some economists say that Afghanistan has not been able to attract the necessary investment in the sector.

In this episode of Bazar host Nargis Mosavi discusses the topic with Rahimullah Samandar chief operating officer at Afghanistan Chamber of Industries and Mines (ACIM).

However, India has requested Uzbekistan to cut import duties on some textile items like fabrics, made-ups, leather goods and engineering products to promote trade between the countries.

Source: yarnsandfibers.com- Jan 29, 2018

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DTG machinery fair to take place this Feb in Dhaka

Dhaka International Textile and Garment Machinery Exhibition, a four day fair on textile and garment machinery to take place in the capital city Dhaka this February 2018, jointly organized by Bangladesh Textile Mills Association and Yorkers Trade and Marketing Service Company Ltd.

About 1,100 exhibitors from 36 countries, including Bangladesh, Austria, Brazil, China, France, Germany, India, Japan, Korea, Malaysia and the USA, will showcase state-of-the-art machinery that are currently being used in the apparel sector.

Leading international brands such as Mayer & Cie, Santoni, Shima Seiki, Stoll, Terrot, Picanol and M&R will take part in the exhibition.
The exhibition will provide local companies with the opportunity to build contacts with potential global entities and get access to international textile and garment value chains.

The first edition of DTG was held in 2004, it has become an increasingly significant textile and garment event in Bangladesh, with its scale setting new records year by year.

During the four-day show period, exhibitors will showcase their high-caliber machinery covering all aspects of the entire textile and garment industry supply chain, including spinning, weaving, knitting, dyeing, printing, finishing, testing, washing, embroidery, sewing and other related equipment.

The fair will take place from February 8th to 11th at Bangabandhu International Conference Centre, Dhaka, Bangladesh.

Source: yarnsandfibers.com- Jan 29, 2018

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NATIONAL NEWS

Textile packages gave 16% boost to exports: Economic Survey

The Textile package boosted exports of key man-made ready-made garments by 16 percent as per the Economic Survey 2017-18.

The document, which was tabled in Lok Sabha today noted that the apparel sector has immense potential to drive economic growth, increase employment, and empower women in India.

In June 2016, the Cabinet had announced Rs. 6,000 crore package for the apparel sector.

The largest component of this package were rebates on state levies (ROSL) to offset indirect taxes levied by the states (the VAT) that were embedded in exports. This ROSL was over and above the duty drawbacks and other incentives, such as Merchandise Exports from India Scheme (MEIS) that were given to offset indirect taxes embedded in exports.

Prior to the package, duty drawbacks were between 7.5 percent - 9.8 percent for apparels.

After the package, the ROSL increased export incentives by between 2.8 percent - 3.9 percent, as per the survey.

Further, as per the findings of the survey, the package increased exports of readymade garments (RMG) made of man-made fibres (MMFs). However, the package did not have a statistically positive impact on RMG made of other fibres, such as silk, cotton.

Also, the impact on MMF-RMGs increased gradually over time; by September 2017, the cumulative impact was about 16 percent over other comparator groups.

Source: business-standard.com- Jan 29, 2018

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At 7-7.5% GDP growth, Survey bets big on FY19

The Chief Economic Adviser, Arvind Subramanian, the architect of Economic Survey 2017-18, has painted a more optimistic picture of the economy by scaling up the GDP growth projection for this fiscal to 6.75 per cent and the growth forecast for the next year to 7-7.5 per cent.

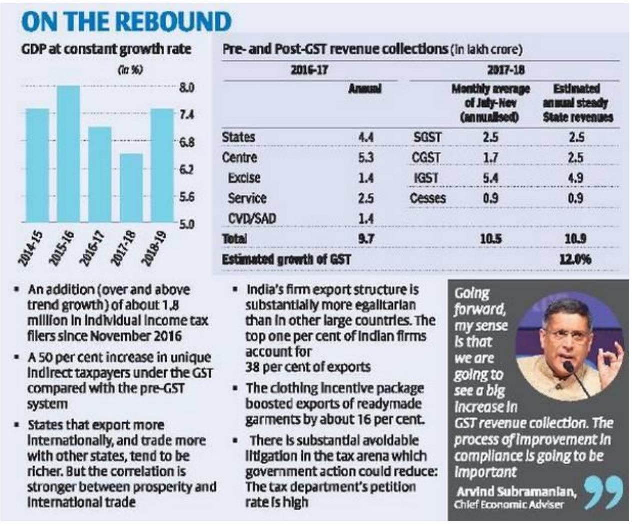
The Survey was tabled in Parliament by Finance Minister Arun Jaitley on Monday.

The forecasts were weighed down by rising global crude oil prices and the expected financial requirements of the general elections in 2019.

Coming just two days ahead of the government's last full Budget (2018-19) for the current term, to be presented on February 1, the Survey has advocated a modest consolidation in the fiscal deficit and has suggested that the government focus on finishing its ongoing reforms in agriculture and GST .

"The outlook for 2018-19 will be determined by economic policy in the run-up to the next national election," said the Survey. Growth could be even higher at close to the medium-term potential of 8 per cent if macroeconomic stability is maintained, ongoing reforms are stabilised, and the world economy remains buoyant, it added.

The upside risks to its projection come from higher export growth and a revival in private investments led by the resolution of bad loans by the Insolvency and Bankruptcy Code.


ON THE REBOUND

GDP at constant growth rate (in %)

Pre- and Post-GST revenue collections (in lakh crore)

2016-17	Annual	2017-18	Monthly average of July-Nov (annualised)	Estimated annual steady State revenues
States	4.4	SGST	2.5	2.5
Centre	5.3	CGST	1.7	2.5
Excise	1.4	IGST	5.4	4.9
Service	2.5	Cesses	0.9	0.9
CVD/SAD	1.4			
Total	9.7		10.5	10.9
Estimated growth of GST				12.0%

- An addition (over and above trend growth) of about 1.8 million in individual income tax filers since November 2016
- A 50 per cent increase in unique indirect taxpayers under the GST compared with the pre-GST system
- States that export more internationally, and trade more with other states, tend to be richer. But the correlation is stronger between prosperity and international trade
- India's firm export structure is substantially more egalitarian than in other large countries. The top one per cent of Indian firms account for 38 per cent of exports
- The clothing incentive package boosted exports of readymade garments by about 16 per cent.
- There is substantial avoidable litigation in the tax arena which government action could reduce: The tax department's petition rate is high

Going forward, my sense is that we are going to see a big increase in GST revenue collection. The process of improvement in compliance is going to be important

Arvind Subramanian, Chief Economic Adviser

Subramanian's growth projection are in line with analysts' estimates. "Our GDP estimate for 2018-19 is 7.5 per cent," said CARE Ratings. Downside risks include the persistently higher global crude oil prices, sharp corrections to elevated stock prices.

In Subramanian's first survey, he spoke about 'JAM Trinity', and in last year's Survey — which was released in two instalments — he

addressed the concept of universal basic income. In the latest Survey, he has come out with a fresh nomenclature: ‘from crony socialism to stigmatised capitalism’.
Subramanian has called for “heightened vigilance” of the stock market boom and said that a correction can lead to classic emerging market “sudden stall” and trigger capital outflows too.

Fiscal deficit management

In the context of the general elections due next year, the Survey raised the question of what kind of a fiscal consolidation roadmap the government would like to follow in its Budget.

It has advocated “a modest consolidation that credibly signals a return to the path of gradual but steady fiscal deficit reductions” that would take care of the need to maintain the fiscal consolidation roadmap and also take care of any populist give-aways the government may choose to give.

“Setting overly ambitious targets for consolidation — especially in a pre-election year — based on optimistic forecasts that carry a high risk of not being realised will not garner credibility either,” it warned.

The Centre has set a fiscal deficit target of 3.2 per cent for 2017-18, and plans to lower it to 3 per cent in 2018-19. The Survey is also cautious in its outlook on the fiscal deficit and said that “a pause in general government fiscal consolidation cannot be ruled out,” especially with ₹80,000 crore allocated to bank recapitalisation.

Policy prescription

Subramanian also advocated against any radical reforms, but said the government, must “finish what they have already started.”

In 2018-19, the government should look at supporting agriculture, stabilising GST, completing reforms to address the twin balance sheet (TBS) problem, finish the privatisation of Air India and head off macroeconomic pressures that may arise from higher oil prices.

Election year, high oil prices could spoil party

Average oil prices could rise by 10-15 per cent next fiscal, and a $10 per barrel increase in oil prices impacts the GDP by 0.2-0.3 per cent, inflation by 0.2-0.3 per cent and also widens the current account deficit.

In the medium term, policies must be focussed on three key areas: employment, education and agriculture. "We expect that the Budget will address some of these issues," said industry chamber CII.

"Above all, India must continue improving the climate for rapid economic growth on the strength of the only two truly sustainable engines — private investment and exports," said the Survey.

Subramanian listed the rollout of GST, resolution of the TBS problem, implementing a major recapitalisation package to strengthen public sector banks, further liberalisation of FDI and export uplift from the global recovery as major achievements in 2017-18, and said these have also been validated by the first upgrade in sovereign ratings in 14 years.

'Utter mismanagement'

The Opposition Congress said that the Survey has affirmed the "utter mismanagement" of the economy by the Centre. Congress' chief spokesperson Randeep Singh Surjewala said no amount of new announcements in the Presidential Address and the Budget can undo the damage the BJP Government has done to a robust economy like India.
For 2017-18, the Survey has pegged the average retail inflation at 3.7 per cent, with a spike in the fourth quarter, when CPI inflation may rise to 5 per cent.

The current account deficit is expected to average about 1.5-2 per cent of GDP this fiscal. Gross value added is expected to grow by 6.1 per cent in 2017-18 compared with 6.6 per cent in 2016-17.

Source: thehindubusinessline.com- Jan 29, 2018

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Healthy prospects for India's external sector: Economic Survey

The Economic Survey 2017-18 tabled in Parliament on Monday said that prospects for Indias external sector in this and the coming year "look bright with world trade projected to grow".

The survey presented by Finance Minister Arun Jaitley in Parliament projected the world trade to grow at 4.2 per cent and 4 per cent in 2017 and 2018 respectively from 2.4 per cent in 2016.

"Export growth in 2016-17 was fairly broad based with positive growth in major categories except textiles and allied products and leather and leather manufactures," the survey said.

"In 2017-18 (April-November) among the major sectors, there was good export growth in engineering goods and petroleum crude and products, moderate growth in chemicals and related products, and textiles and allied products; but negative growth in gems and jewellery."

As per the survey, the downside risks "lie in the rise in oil prices".

"However, this could also lead to higher inflow of remittances which have started picking up," the survey said.

"The supportive policies like GST, logistics and trade facilitation policies of the government could help further."

Source: business-standard.com- Jan 29, 2018

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India wants to keep growing and is willing to spend money to do it

Broadly, economists said they expect Jaitley to present a budget that won't reduce the deficit as aggressively as in recent years. Instead, they predicted he would introduce measures to boost the rural sector, generate employment, provide some tax relief and continue with infrastructure spending.

India's finance minister Arun Jaitley will have to balance two competing imperatives when he presents the country's annual budget on February 1.

He must find a way to restore India's crown as the world's fastest growing major economy and he also needs to keep the government on a path to lowering deficits. Meanwhile, the budget will assume more importance than usual because of a general election next year.

Broadly, economists said they expect Jaitley to present a budget that won't reduce the deficit as aggressively as in recent years. Instead, they predicted he would introduce measures to boost the rural sector, generate employment, provide some tax relief and continue with infrastructure spending.

In previous quarters, India's growth slowed as the economy adjusted to the crucial currency and tax reforms the government introduced. Though recent data suggested the growth momentum was returning, experts said economic conditions have become less favorable due to rising oil prices.

India now expects its gross domestic product to grow 6.5 percent for the financial year ending Mar. 31. That number, if realized, would be significantly lower than the 7.1 percent growth seen in fiscal 2017. India would also lose its growth crown to China, which grew 6.9 percent in 2017. India's fiscal year starts on April 1.

"India's angst is understandable," Sajjid Chinoy, chief India economist at J.P. Morgan, wrote in a note. "In a year when the global economy grew at its fastest clip in seven years, Indian growth is on course to slowing to a four-year low."

In the latest economic survey released this week, Indian policymakers said they need to manage the risks to the country's macroeconomic stability and push for more growth. Stability plans included successfully resolving the bad debt problem in India's public sector banks, stabilizing the goods and services tax implementation, and managing risks around higher oil prices and asset price corrections.

Pause in deficit cutting

Experts warned that if growth were to disappoint again in the new financial year, it could create new political and economic pressure on Prime Minister Narendra Modi's government ahead of 2019's elections. Therefore, the government is expected spend enough to get the economy growing past 7 percent.

So, market watchers will be paying close attention to Jaitley's comments on India's fiscal deficit targets for the next financial year.

Per the country's fiscal consolidation road map, the recommended target for a budget deficit is at 3 percent of GDP. Many expect the 2018-2019 target to be slightly higher, anywhere between 3.2 to 3.5 percent.

"Higher commodity prices and the need to support to the nascent recovery — especially ahead of general elections in 2019 — are likely to keep the fiscal consolidation process gradual," economists at Standard Chartered bank said in a note. They predicted the government would set a fiscal deficit target at 3.3 percent of GDP in the new financial year.

The economists explained that they expect to see double-digit growth in indirect tax revenue and strong divestment proceeds for the government in fiscal 2019. But that could be offset by potential individual income tax relief measures, excise duty cuts on retail fuel products, and an increase in rural and infrastructure spending. "This should keep the pace of fiscal consolidation slow," the economists wrote.

That said, a temporary pause in the path to fiscal consolidation will not "necessarily translate into the emergence of macro stability risks," economists at Morgan Stanley said in a note.

Radhika Rao, an economist at Singapore's DBS Bank, told CNBC that as long as the current year's deficit does not exceed 3.5 percent — the same as it was in 2016-2017 — India's commitment to fiscal consolidation would remain intact. The consensus among experts is that the current year fiscal deficit has likely exceeded the government's target of 3.2 percent.

Middle class tax relief

After simplifying India's complex indirect tax system last year, reports suggested that Jaitley could announce some relief for the country's middle class.

The finance ministry was considering a proposal to raise the personal tax exemption limit from 250,000 rupees ($3,912.5) per year to 300,000 rupees or more, according to a local media outlet. The ministry was also looking into making changes in the tax brackets to lighten the taxpayers' burden, the same report said.

If true, that could bring some relief to many Indian households that are struggling with rising retail inflation in the country.

DBS Bank's Rao, however, said she was skeptical about any forthcoming income tax concessions on the back of a major indirect tax overhaul. "With revenues and tax buoyancy still adjusting to new tax rollout, I'll be surprised if any new reforms or major concessions are laid out in February," she said.

Job creation mechanism

This week's budget announcement could also see the introduction of a formal policy aimed at creating quality jobs in various sectors, according to local reports.

The Morgan Stanley economists said it was likely the government would focus on boosting employment in labor-intensive and micro-, small- and medium-enterprises. Those include the textiles and clothing, jewelry and leather industries.

"[W]e expect that policymakers will look to actively tackle this issue in this budget," they said.

Greater focus on the rural sector

Last year, Modi's Bharatiya Janata Party won the local elections in his home state of Gujarat. But what was shocking to many was the fact that, though the party fared well among urban voters, it lost footing among the state's rural population.

That led many to speculate that the upcoming budget could be aimed at winning back rural voters before the next general election. In a recent interview with local television channel Times Now, however, Modi denied that the budget would be populist in nature.

"Budget is the property of parliament. It falls under the ambit of our finance minister, so I don't want to interfere in that," Modi told Times Now, according to an English translation of his Hindi comments. He added, however, that it was a priority for the government to help distressed farmers. Modi's statements in that interview suggested that the "budget will focus on measures to alleviate rural distress and on providing basic facilities to the common man," Sonal Varma, chief India economist at Nomura, wrote earlier this month.

She added that "fears of outright populism" in the budget may be exaggerated. Instead, Varma said she expects that the government "will stick to prudent populism" and adopt policies with both economic and political benefits.

Focus on public infrastructure spending

Analysts also predicted the government will continue to spend on public infrastructure projects. Those projects help boost job creation, productivity and economic growth — something the government will be looking to achieve before heading to the polls.
Morgan Stanley economists said there could be further announcements on funding infrastructure programs that have already been announced — those include upgrading India's railways, providing electricity connections to all un-electrified households, providing universal affordable housing and building more roads and highways.

Source: moneycontrol.com- Jan 30, 2018

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GST refunds delay hits state textile units hard

AHMEDABAD: With input tax credit (ITC) refunds for most industries pending for some six months now, textile processing units have been hit hard, with most battling working capital crunch. Estimates by textile processing units indicate that ITC refunds to the tune of around Rs 100 crore are pending for units across Gujarat - mainly in the clusters in Ahmedabad, Surat, Jetpur and Rajkot.

"Not a single ITC refund has been processed yet. This has led to major working capital crunch, especially for small and medium-scale units. With increase in raw material prices, our input costs have risen and it is difficult to sustain business operations," said Naresh Sharma, vice president, Ahmedabad Textile Processing Association.

Industry experts claim that prices of raw materials widely used in textile processing, including colour and chemicals has gone up. "The prices of caustic soda or caustic lye has increased by 40%. Similarly, the prices of colouring chemicals have also gone up in domestic and international market. This is bound to hit textile processing units with input costs going up," said Shailesh Patwari, president, Gujarat Chamber of Commerce and Industries (GCCI).

Struggling under severe working capital crunch, many units are either seeking loans or cutting down heavily on profit margins. "Currently, our production costs have gone up. Against this, ITC refunds haven't been processed, causing major capital crunch. This is not just denting the profits but is also impacting production and in turn, hitting business," said Nitin Thakker, owner of a textile processing unit in Ahmedabad.

Industry players claim the amount pending in the form of ITC is higher than their actual GST rates.
Explaining this, Arvind Hirpara, a partner in a city-based textile processing unit, said, "We're paying an average of 11% tax into input processes including lignite, power, chemicals and other miscellaneous processes. However, the finished product is sold on 5% GST. Therefore, our input cost is higher than what we get on the sale of products and with no ITC, it is difficult to run business."
Source: timesofindia.com- Jan 30, 2018

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Incentive package for garments helped increase exports

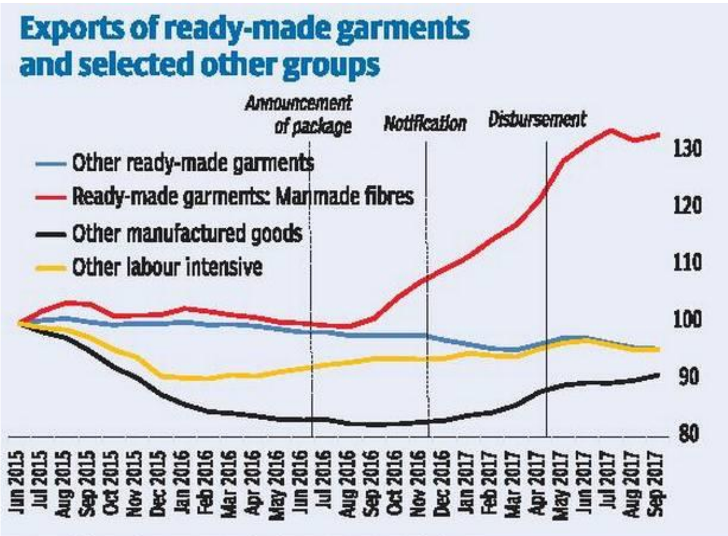
Exporters say proper implementation, awareness-programmes essential
New Delhi, January 29

Export incentive packages announced by the government to support vulnerable sectors do have a positive impact on performance of some categories, the Economic Survey has highlighted.

A case study of the ₹6,000-crore export package announced for the apparel sector by the government in June 2016 published in the Survey shows that the growth in clothing exports (manmade fibre) compared to other labour-intensive and manufacturing goods, which did not receive the incentives, was much higher.

Incentive packages

Exporters, however, point out that while incentive packages play a vital role in boosting export growth, proper implementation of the package was equally important to maximise gains.



Source: Ministry of Commerce and Industry, Survey calculations

"The package, which included rebates on State levies (ROSL), started off well and was a big help in increasing exporters. But for the last five-six months, payments to exports are stuck as Customs has not received money from the Textiles Ministry. Such issues related to faulty implementation prevents schemes from delivering to their full potential," said HKL Magu, Chairman, Apparel Export Promotion Council.

Moreover, small exporters need to be made aware of such packages as it is mostly the large exporters who benefit from them. "As part of the AEPC, we have started seminars at the cluster level to make small exporters aware of all the existing schemes," he added. The largest component of the package for the apparel sector were ROSL to offset indirect taxes levied by the States (the VAT) that were embedded in exports. This ROSL was over and above the duty drawbacks and other incentives that were given to offset indirect taxes embedded in exports.

After the package, the ROSL increased export incentives by between 2.8 per cent and 3.9 per cent.

To demonstrate whether the package succeeded in increasing exports, the surveyors used the difference-in-difference approach, which allows the impact of the package to be isolated. "Essentially, the approach asks whether the gap between clothing and comparator group export growth increased after the package was introduced," the Survey explained.

Key findings

The three main findings were that the package increased exports of readymade garments made of man-made fibres, the impact increased gradually over time with the cumulative impact of about 16 per cent by September 2017 and that it did not have a statistically positive impact on garments made of other fibres (silk, cotton, etc).

Source: thehindubusinessline.com- Jan 30, 2018

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From Yarn to Yardage

Seventy years after the assassination of Mahatma Gandhi, textile designers on why khadi — his adopted fabric — needs to go beyond the barriers of subsidies, and work towards collaboration

Khadi, by definition, is an ode to the handmade. In 1921, when Mahatma Gandhi stripped himself of all excesses and adopted the cloth of the poor farmer, he pitted political will against moral force. In her book, Clothing Gandhi's Nation, historian Lisa Trivedi writes about how khadi became a shared symbolic vocabulary that could be adopted by Indians across the country. Despite efforts by the Khadi and Villages Industries Commission and pockets of fashion designers across the country, khadi continues to fight for survival. “The process of weaving pure cotton cloth is unavailable anywhere in the world. At the scale that India had done it, we should be proud. Of course, we need to get out of the comfort of discounts and subsidies. The biggest challenge lies in standardisation, and finding ways to make it relevant to the contemporary market,” says Jaya Jaitly, founder, Dastkari Haat Samiti. We speak to textile designers for whom khadi or the handmade isn’t a fashion statement but a lifetime commitment.

Rajesh Pratap Singh, Faridabad

We have always used khadi. It’s the texture and the perfection in the imperfection which attracts me to it and ends up working its way into my collections. I work both at the fibre and yarn stage, as well as with the weavers. I help develop khadi in newer constructions and weights. We have also learnt a lot from the weavers who work in hand-spinning and handweaving across the country. In particular, I worked closely with people in Rajasthan, Gujarat and Bengal. Even a super-mechanised mill like Arvind works in tiny villages to promote khadi and khadi denim, and collaborations like these are the way forward.

David Abraham,A&T, Delhi

What interests me is the irregularity of khadi, the slubs and the bars; it has an aesthetic value you can’t get from a machine-made product. I can create texture, play with colour, and do short runs of 10 or 20 metres. It’s not mass produced, and that’s what resonates with me. I’m also aware of its political aspect. Khadi may not be a fashionable product, but it is a fashionable word. When you mention khadi as a designer or a consumer, you are saying you’re conscious of the heritage of India, and nationalism; and nationalism is a fashionable word. Khadi is labour intensive and it cannot survive on subsidies. I was told women hand-spinners in Jharkhand are now lined up to work on the highway project because it gives them more money. Weavers must get better wages. Let it function in market rates, and you will realise khadi is expensive. We also need to have our own set of quality standards in the handmade industry to take this forward.

Ravi Kiran, Metaphor Racha, Bangalore

Unlike most handwoven textiles that are geographically specific, khadi is woven in every part of our country. Hence, it is viable for any designer who wants to procure the raw material locally. Weaving khadi was a tool for protest earlier and it's still a medium of protest today. Though the idea and the reasons have changed, khadi weaving is a vehicle to address relevant issues such as rural migration, fossil fuels, industrialisation, women's employment, unmindful consumerism, and retaining our heritage and craft. Also, the fabric supports other local crafts such as tie and dye, hand-block printing and folk embroidery.

Source: indianexpress.com- Jan 30, 2018

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India's Future Group plans garment unit in Telangana

Indian Future Group wants to invest on a readymade garments unit in Telangana and is in talks with the state government in that regard, group CEO Kishore Biyani told media persons in Hyderabad recently. The investment and other details of the project are yet to be disclosed by the company. Hyderabad contributes about Rs 2,500 crore to the group's revenues.

The group's revenues would be around Rs 30,000 crore this fiscal and is expected to grow to ?40,000 crore in the next fiscal. It targets revenues of Rs 1 lakh crore by 2021, according to a news agency report.

Source: fibre2fashion.com- Jan 30, 2018

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