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IBTEX No. 85 of 2019 April 30, 2019

USD 69.76| EUR 78.06 | GBP 90.28 | JPY 0.63

Cotton Market

Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm

Rs./Bale	Rs./Candy	USD Cent/lb
22153	46300	**84.47**

Domestic Futures Price (Ex. Warehouse Rajkot), May

Rs./Bale	Rs./Candy	USD Cent/lb
22480	46983	**85.71**

International Futures Price

NY ICE USD Cents/lb (July 2019)	76.95
ZCE Cotton: Yuan/MT (September 2019)	15,555
ZCE Cotton: USD Cents/lb	104.78
Cotlook A Index – Physical	**87.20**

Cotton Guide: In this series of weekly report we have focused more on the 2019-20 season, factors to watch out for, statistics to notice and broad price trend.

As planting has begun in many northern hemisphere producing countries, attention has shifted ahead to the upcoming crop year 2019-20- US, China and India are the three major countries to focus for Cotton in the northern hemisphere. The USDA will issue their first comprehensive set of supply, demand, and trade estimates for 2019-20 in the month of May. These projections will inform baseline expectations, but will have to be based on important assumptions regarding macroeconomic conditions, the trade environment, and the weather.

For cotton price outlook, a key variable in recent years has been the allocation of stocks inside and outside of China. As has also been the case in recent crop years, there has been considerable uncertainty when attempting to predict those allocations. The potential increase in production from the U.S. suggests that it will not be difficult for China to find the imports it would need to stabilize stocks. However, India, and most other cotton exporters are also projected to grow more cotton next crop year. Higher supply exposes vulnerability in the price trend. If the weather is good and China does not significantly increase imports, the world-outside-China could face a significant increase in stocks. If that proves the case, prices globally could face downward pressure.

As per seasonality Index (SI) for the past 37 years Cotton price globally tend to move lower during May to July/August amid supply flowing trend. In 2018 May cotton reached a high at 96.50 cents per pound before selling hit the market. The economic slowdown in China caused by trade issues with the US caused the price of the fibre to decline to a low at 69.53 cents in mid-February 2019, but since then the price had been rising and is currently treading near the 80 cents per pound level. This year despite US-China trade worries and other concerns, cotton price has managed to move significantly higher. The ongoing trend may be continued for a while before it could start declining amid expectation of higher supply.

On a normal state it is expected that the crop numbers are to increase in 2019-20 however, weather will be very important factor to watch out. US-West Texas region and the rainfall pattern, Indian Monsoon and Chinese shower will determine the crop situation and growth.

US Cotton Planting Report released in the 1st week of April 2019 by USDA: SDA's Prospective Plantings report for 2019 projects all U.S. cotton acres to total 13.8 million acres – down 2% from 2018 plantings. However, USDA numbers are slightly higher than Cotton Grower Acreage Survey number that is pegged at 13.70 while National Cotton Council Survey's projection is much higher at 14.50 million acres. The latest Report will be released in the first week of May give a better clarity on the acreage number. India's acreage under Cotton is expected to increase amid higher price realization. The MSP is also expected to increase. Farmers' are likely to switch from other crops to Cotton. The both acreage and production is expected to rise in 2019-20. However, as discussed above the weather will be very important factor to watch for.

Factors to consider in the medium Term:

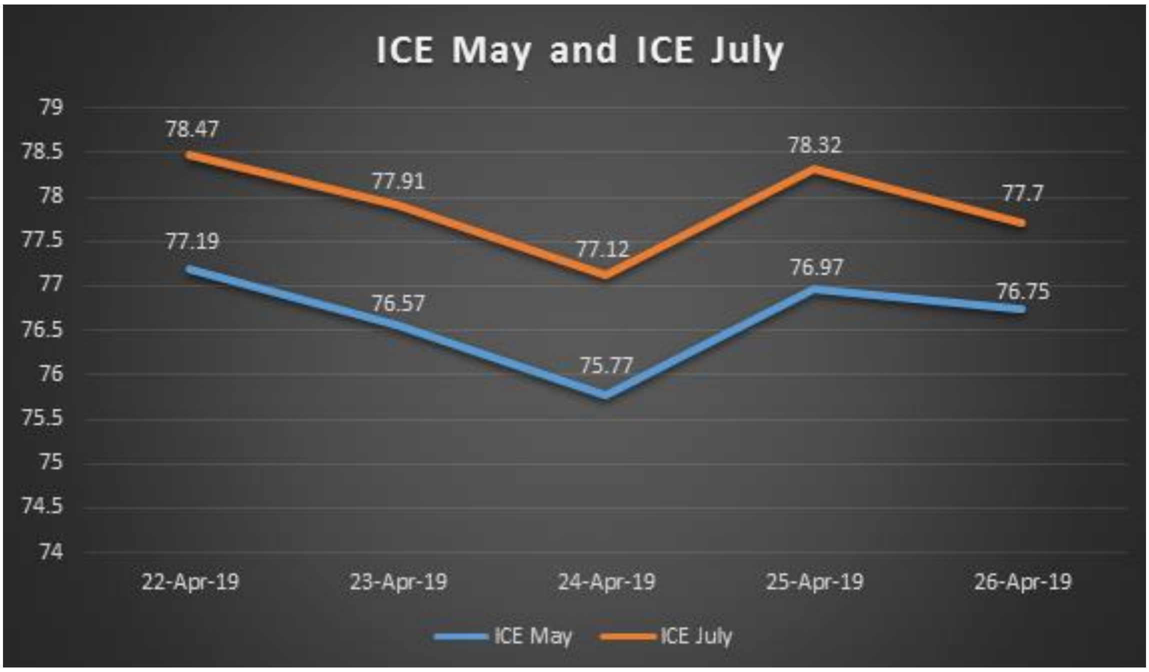
- World Stock position in and out of China
- CFTC Positions
- Speculative/ Hedge Funds position trend
- US-China Trade deal update
- Weather Outlook
- Macro Economics
- FX- Trend Especially US Dollar and Indian rupee
- Seasonality Trend
- Export/Import Trend
- 2018-19 accuracy of the stock positions

For the week:

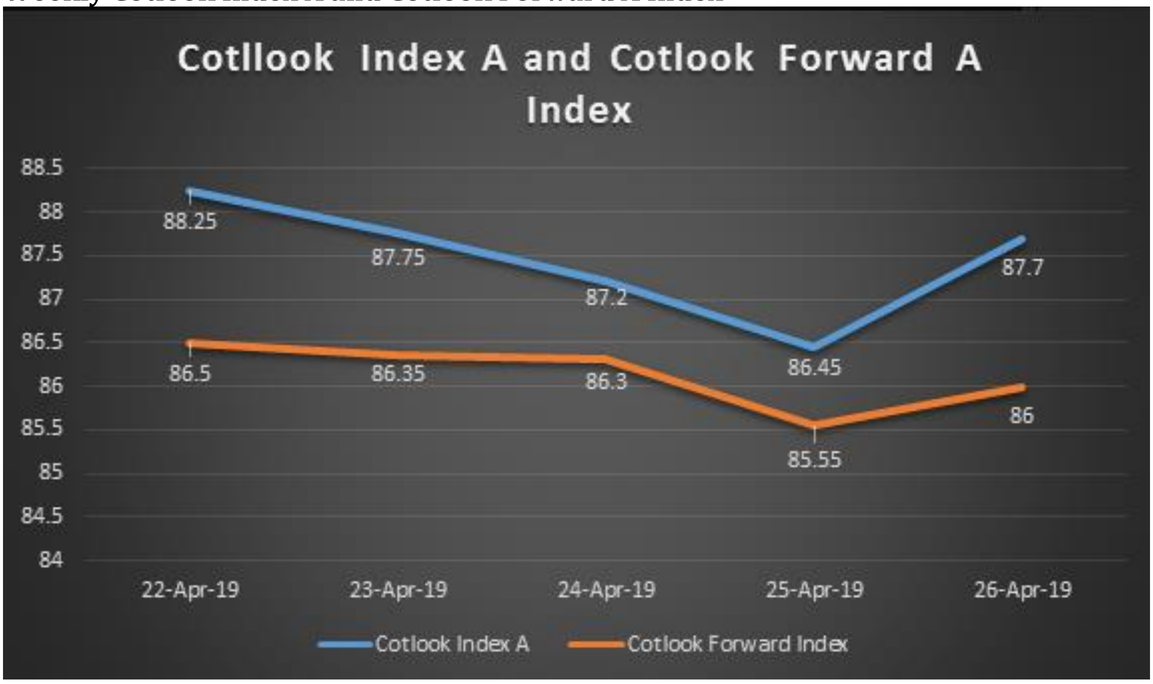
It is likely to be a busier trading week, as the U.S. economic data pace picks up, including the FOMC meeting that begins on this Wednesday with a statement and a press conference from Fed Chairman Jerome Powell.

No change in U.S. monetary policy is expected at this meeting. U.S. corporate earnings reports will also continue to be released this week. Also U.S.-China trade talks will resume this week, with U.S. officials traveling to Beijing. Most of the marketplace is optimistic the U.S. and China will reach a plausible trade deal in the coming weeks.

Weekly ICE Chart



Weekly Cotlook Index A and Cotlook Forward A Index



On the Technical front, ICE Cotton July futures witnessed sharp decline towards the lower band of the channel support at 76.30, with RSI in daily charts trading below the 50. Moreover, price failed to hold above the 21 day EMA support at 77.70, which kept the upside restricted in yesterday's trade.

So for the day price is expected to remain in the range of 76.30 to 77.40 with sideways bias. Only a move above 77.40, would push price further higher towards 78.20/78.40 zones. Likewise, below 76.30 next support exists around 75.50. In the domestic market May future is expected to remain in the range of 22290-22570.

Currency Guide

USDINR has turned down from the resistance zone of 70.25/35 on spot but remains supported between 69.50/60 levels on spot. As long as the spot is caught within this range, we could see choppy trading. Positional traders can go short closer to the upper end of the range with stop above 70.30 on spot, on a closing basis. At the same time, traders looking to buy dollars, can do so closer to 70.60 with stop below 70.50 on a daily closing basis..

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

A stable outlook for Chinese home textile industry

Chinas' home textile industry, during the first 11 months of 2018, maintained a steady growth rate. National Bureau of Statistics claims, around 1,861 home textile companies achieved total revenue of 193.302 billion yuan during January-November 2018, a year-on-year increase of 3.78 per cent and a decrease of 0.82 percentage point over the same period previous year.

Out of these total companies, 202 enterprises surveyed by China Home Textile Association registered a 1.14 per cent year-on-year increase on their business main income amounting to 76.871 billion yuan.

However, the association registered a 4.78 per cent point's decrease in income growth rate compared to the same period previous year. The 13 industrial clusters tracked by the Association realised revenue of 273.282 billion yuan, a year-on-year increase of 5.68 per cent from the same period of the previous year.

Outstanding performance by fabric companies

Statistics from the National Bureau of Statistics indicated, the fabric industry performed outstandingly in theA stable outlook for Chinese home textile industry first 11 months of 2018.

The year on year revenue of 223 fabric enterprises increased by 7.77 per cent to 22.044 billion yuan. Around 287 towel enterprises above designated size achieved the main business income of 36.246 billion yuan, a year-on-year increase of 5.65 per cent, 1.87 percentage points higher than the overall growth rate of the home textile industry; 988 above-designated bedding enterprises realised a revenue of 101.782 billion yuan from January to November, an increase of 2.87 per cent year on year.

Steady export growth in both traditional and emerging markets

Home textile exports in both traditional and emerging markets grew steadily from January to November 2018. The top four home textile export markets included the United States, the European Union, Japan and ASEAN.

China's exports to its traditional markets of the US, Europe and Japan increased by 10.80 per cent, 8.13 per cent and 5.35 percent respectively. Among these, exports to the United States had the largest volume and the highest growth rate.

China's carpets exports increased 11.8 per cent to $2.728 billion from January to November 2018. Among them, exports to the US increased 21.4 per cent to $649 million, to the EU by 9.44 per cent to $ 471 million; Japan BY 7.78 per cent to $335 million and to the ASEAN countries by approximately 4.2 per cent year on year.

Increase in industry efficiency

The efficiency of home textile industry also increased significantly from January to November 2018. Around 1,861 home textile enterprises above designated size achieved a total profit of 10.576 billion yuan, a year-on-year increase of 11.80 per cent.

The profit margin was 5.48 per cent. The 202 surveyed home textile enterprises achieved profit of 6.303 billion yuan from January to November, an increase of 16.03 per cent year on year. The surveyed 13 industrial clusters realised a profit of 15.318 billion yuan, a year-on-year increase of 9.96 per cent.

From January to November 2018, 1,861 home textile enterprises above designated size achieved a total cost of 167.464 billion yuan, a year-on-year increase of 3.63%.

The accumulated management cost was 7.097 billion yuan, a year-on-year increase of 8.91 per cent; the accumulated financial expenses was 1.196 billion yuan, a year-on-year decrease of 28.03 per cent.

Overall, the home textile industry from January to November 2018 achieved a stable growth. The export market also maintained steady growth and the industry's efficiency increased significantly.

Source: fashionatingworld.com- Apr 27, 2019

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China invests $1.6 bn in Vietnam in 1st 4 months of 2019

China invested about $1.6 billion in Vietnam in the first four months of this year, making it the country's fourth largest source of foreign investment, according to the Foreign Investment Agency under Vietnam's ministry of planning and investment. Chinese investors funded several large projects in the period that included two tyre manufacturing plants.

The first tyre manufacturing project was funded with a total registered capital of $280 million in the southern province of Tây Ninh and the other such plant of Advance Tire (Vietnam) Co. Ltd in the southern province of Ti?n Giang has a registered capital of $214.4 million.

Economic and trade relations between Vietnam and China have been flourishing as is evident from the continuous rise in bilateral trade turnover and the former is fast turning an attractive investment destination for Chinese enterprises.

China is currently Vietnam's second largest export market after the United States. Vietnam is also China's largest trading partner in ASEAN and its eighth largest in the world. It is China's fifth largest export market and ninth largest import market, according to a Vietnamese media report.

Vietnam-China trade turnover reached $106.7 billion last year, up 13.5 per cent compared to 2017, according to the ministry of industry and trade. Vietnam exported goods worth $41.26 billion, up 16.56 per cent, while imports reached $65.43 billion, up 11.68 per cent.

Vietnam's garment and textile export turnover to the Chinese market increased by 24 per cent from $3.2 billion in 2017 to $4.1 billion in 2018, said executive director of Vietnam National Garment and Textile Group (Vinatex) Cao H?u Hi?u. Yarn was the product most exported to China, making up 48 per cent of all textiles.

However, Hi?u said many Vietnamese enterprises, including textile firms, face difficulties when attempting to export goods to China, as the production scale of Vietnamese enterprises is relatively small and many enterprises have not actively explored consumption habits, market information or quality standards and quarantine testing in China.

Source: fibre2fashion.com- Apr 30, 2019

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Trade tensions may impede global investment growth: IMF

The International Monetary Fund (IMF) has said that trade tensions and sluggish productivity growth can slow the decline in relative prices of machinery and equipment, which may hold back investment growth worldwide.

More broadly, the empirical analysis shows that for average emerging markets and developing economies, about one-third increase in real investment rate in machinery and equipment over the past three decades can be attributed to the cheapening of capital goods relative to consumption.

Stronger macroeconomic policies and other factors contributed the rest. However, prices of machinery and equipment have been falling relative to overall prices for decades, largely due to rising trade and sweeping technological improvements that led to the more efficient production of capital goods.

This has helped countries around the world raise real investment and improve living standard, said economists at IMF's Research Department Weicheng Lian, Natalija Novta and Petia Topalova.

"But this important driver of the investment may be under threat. Trade tensions and sluggish productivity growth could slow the decline in the relative price of machinery and equipment, which would hold back investment growth worldwide," they said in a joint analysis.

Since 1990, the price of machinery and equipment relative to the price of consumption fell about 60 per cent in advanced economies and about 40 per cent in emerging market and developing economies.

Supporting innovation in the capital goods producing sector in both advanced and emerging market and developing economies is crucial. Policies that encourage research and development, entrepreneurship, technology transfer as well as continued investment in education and public infrastructure can also help.

"But policymakers must also be mindful of the difficulties some workers and industries may face as the relative prices of machinery and equipment fall. The decline in the relative price of investment has eroded the share of income that goes to workers in economies where many jobs can be easily automated," said the IMF economists.

Policies should be designed to help workers cope with potential job disruptions, including sufficiently broad social safety nets, as well as programmes to support retraining, skill building, and occupational and geographic mobility.

The most striking was fall in the relative price of computing equipment, which declined about 90 per cent since 1990.

These were dramatic declines when compared with relative prices of other types of capital assets such as housing and commercial structures, which more closely tracked the price level of consumption.

Trade integration has been the biggest factor behind falling prices of machinery and equipment relative to the price of consumption, based on analysis using detailed price data across more than 30 sectors in 40 economies, said the IMF economists.

Source: business-standard.com- Apr 28, 2019

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Vietnam to sign free trade pact with EU

Vietnam expects to sign a long-anticipated free trade agreement with the European Union before the end of June. Both the sides have agreed to make joint efforts for the Vietnam-EU free trade agreement (EVFTA) to be ratified as soon as possible.

The trade deal would eliminate 99 percent of all tariffs, although some would be implemented over a time period and some, notably agricultural products, limited by quotas.

Vietnam, for example, would cut its duty on EU car imports from 78 percent to zero over 10 years and for wines and spirits, from around 50 percent, over seven years. EU companies would also be able to bid for Vietnamese public contracts.

Vietnam, backed by robust exports and foreign investment, has already signed around a dozen free trade pacts to scrap, or cut, taxes on several imports and exports.

The EU is Vietnam's second-largest export market after the United States, with key exports including garment and footwear products.

The EVFTA is the EU's first comprehensive open markets deals with a developing Asian country.

Source: fashionatingworld.com- Apr 27, 2019

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Philippine, Chinese firms sign $12-B in business deals

The Philippine business delegation and Chinese companies on Friday signed 19 deals worth $12.165 billion, according to Trade Secretary Ramon M. Lopez.

"President Rodrigo Roa Duterte witnessed the exchange of 19 signed business agreements with Chinese firms, amounting to$12.165 billion in investments/trade leading to a projected employment of 21,165 jobs, on April 26 at the sidelines of the 2nd Belt and Road Forum in China," the Department of Trade and Idustry (DTI) said in a statement.

This included one contract agreement, three cooperation agreements, two purchase framework agreements, and 13 Memoranda of Agreement (MoA) or Understanding (MoU).

Mr. Lopez said majority of the projects involve energy, infrastructure, food, telecommunications, sale of agricultural products, tourism, and economic zone and industrial park development.

"The Duterte administration is pushing for investments on energy and manufacturing for the Philippines to broaden its manufacturing base and increase its exports.

Among the agreements are energy projects that will help the country decrease its dependence on oil and gas imports. There will also be several industrial parks to bring jobs to Filipinos in the countryside," Mr. Lopez said.

A Chinese company AAC Technologies is looking to invest $30 million to expand its operations in the Philippines, Mr. Lopez said. He said the company wants to go into stepper motor and motor reducer manufacturing, which will generate 3,000 jobs in three years.

The DTI said Pulangi Hydro Power Corporation and China Energy Co Ltd signed a contract agreement for the proposed 250 megawatt (MW) South Pulangi Hydroelectric Power Plant Project in Damulog, Bukidnon.

"The project... aims to improve power supply reliability and resilience in the country, particularly in Mindanao. It is valued at $800 million and will create 5,000 jobs," the department said.

Filipino conglomerate Tranzen Group entered a framework agreement with China Power Investment Holding for the development of thermal, hydro, and renewable power plants with a total value of $1.5-$2 billion.

Tranzen also entered into an MoU with China Harbour Engineering Company Ltd for the construction of the Light Rail Transit (LRT) in Manila, housing, and roads in North Luzon — projects with a combined value of $4 billion.

The Filipino company also inked an MoU with CITIC Guoan Information Technology for a $500 million project that involves building infrastructure for Internet WiFi around the country.

The local government of Davao Occidental and Fengyuan Holdings inked a MoU for the establishment of a $1.5 billion petrochemical refinery processing plant complex within the the Tubalan Cove Business and Industrial Park.

The Department of Energy, Shanghai Electric Group Co Ltd, and Deluxe Family Co Ltd also signed a $40 million MoU on the promotion of the use of indigenous, new, and renewable energy resources."

The DTI said two Philippine companies sealed deals to supply agricultural products to Chinese companies.

Philpack Corporation will supply $40 million worth of pineapples to Goodfarmer Foods Holding Group, while Eng Seng Food Products will supply $36.5 million worth of green coconuts to China Artex Corporation.

At the same time, the Cagayan Economic Zone Authority (CEZA) inked six MoUs with Chinese firms that will develop among others, a $150 million yacht club, a $500 million green textile industry park, a $500 million expansion of the Cagayan North International Airport, a $100 million financial technology hub and financial center, a $500 million “smart” city, as well as a resort, theme park and lithium battery manufacturing plant worth a combined $150 million.

The Pampanga provincial government entered into a $1.5 billion framework agreement with Macrolink Group that will develop Yatai Industrial Park.

GFTG Property Holdings and Sanya CEDF Sino-Philippine Investment Corporation forged an agreement for a $298 million project to develop Grande and Chiquita Islands under the Subic Bay Matropolitan Authority.

Adnama Mining Resource, Inc., Fu Properties Inc, and Xiamen C&D Incorporation also signed an MoU for a $50 million iron processing plant in Agusan Del Norte.

In his speech during the first session of the high-level meeting at the Belt and Road Forum on Friday, Mr. Duterte said: “I reaffirm my country’s commitment to the collective vision of common prosperity through cooperation on the basis of mutual respect and as equal sovereign states.”

“In pursuing connectivity, we should not merely build roads and bridges but we should also create human connections. It is through these connections that we facilitate grand exchanges of skills, ideas, and experience. It is also through linkages that we forge and build trust and understanding,” he added.

“We must remember: Development assistance must be used as a genuine tool to bring about positive change in the lives of our peoples. And it must be a purposive decision of partner-states, taking into account mutual respect and mutual interests,” the President said further.

Source: bworldonline.com- Apr 26, 2019

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Vietnam maintains trade surplus in first four months of 2019

Vietnam maintained a trade surplus of US$711 million in the first four months of this year, much lower than US$3.7 billion recorded in the same period in 2018.

According to the General Statistics Office of Vietnam, total import and export turnover in the first four months of 2019 was estimated at US$156.8 billion, of which exports reached US$78.8 billion, up 5.8% over the same period last year, and imports were at US$78 billion, up 10.4%.

Export turnover increased by 5.8% compared to the same period in 2018, of which the domestic economic sector gained US$23.33 billion, up 10.5% and accounting for 29.6% of the total, while the foreign invested sector (including crude oil) reached US$55.43 billion, up 4% and accounting for 70.4% (the proportion decreased by 1.2 percentage points compared to the same period last year).

In the last four months, 16 export items earned value of more than US$1 billion, accounting for 81.2% of total export turnover. Of which, several items increased their export value over the same period last year, including electronics, computers and components reaching US$9.6 billion, up 12.6%, textiles and garments reaching US$9.4 billion, up 9.8%, footwear US$5.3 billion, up 13.4%, machinery, equipment and spare parts at US$5.3 billion, up 4.1%, and wood and wood products reaching US$3.1 billion, up 17.8.

Although phones and components enjoyed the largest export value, reaching US$16 billion and accounting for 20.4% of the total exports, the items decreased by 0.2% compared to the same period last year. Seafood exports were also down 1.3%, reaching US$2.4 billion.

The United States continues to be Vietnam's largest export market with a turnover of US$17.8 billion, up 28.4% over the same period last year, of which phones and components rose 104.9%, footwear increased by 9.4%, and textiles and garments were up by 8.5%.

The EU ranked second with US$13.7 billion, followed by China at US$10.4 billion, down 5.8%, and ASEAN with US$8.4 billion, up 7.3%.

Regarding the imported goods market, China is still the largest import market of Vietnam with a value at US$22.3 billion, up 18.8% compared to the same period last year, followed by the Republic of Korea with US$15.5 billion and ASEAN with US$10.8 billion.

Source: nhandan.org.vn- Apr 29, 2019

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Bangladesh: Technical textiles sector is the need of the hour

Current cotton and yarn situations in leading textile manufacturing countries like India is compelling the textile industry to go for diversification.

India has been promoting the technical textiles sector for nearly two decades. The history of this effort in India can be well traced by this scribe as a personal witness.

As the co-chairman of the India Committee of the USA-based INDA, Association the Nonwoven Fabrics Industry organized its first nonwoven technical workshop in Mumbai in January 2007.

That was followed by a major business event, “Link with India.” Probably, this event was ahead of its time as the technical textiles sector was getting started with widespread awareness then.

Currently, India is going for a high gear to push technical textiles forward due to the stressful situations faced by the spinning sector due to cotton price volatility and supply issues.

“Margin in the spinning sector has been eroding and today one can say it is non-existent in most of the mills,” stated Prakash Vasudevan, director of Coimbatore-based The South Indian Textile Research Association.

Those mills that have invested in wind power and modernization are surviving, but still needs to focus on diversification, added Prakash Vasudevan.

This scribe has been emphasizing on developing a converting sector base for technical textiles. Investing in infrastructure to produce roll goods (fabrics) will be fruitful, if there is a base to absorb huge production.

Vasudevan added that there is a need to have specialized converting sector. He further added that exploring the market and strengthening the marketing aspect should take priority.

In this scribe's opinion, there is an immediate need to create a flow channel for technical textiles fabrics (downstream) that can be translated into value-added products, used by consumers.

Additionally, creating collaborations between advanced nations in this field such as Germany and the United States will pave the way for the growth of this sector.

Recently, this scribe has enabled a joint effort between a Chennai-based WellGro Innovations and Lubbock-based E Innovate, LLC, which has resulted in the debut of TowelieTM oil sorbent nonwoven wipe in the United States' market.

Technical textiles sector is getting attention by entrepreneurs as well as conventional players.

Santhana Thirumalai, an IT expert who has moved back to Coimbatore from the United States is exploring the advanced textiles sector to diversify their family-based weaving and agriculture activities.

Source: textiletoday.com.bd- April 28, 2019

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Bangladesh: Steep hike of gas prices to push the textile sector's production cost

Proposed gas price hike to increase apparel sector production costs by 18%

Gas distribution companies have proposed Bangladesh Energy Regulatory Commission (BERC) to increase the gas price to Tk 18.04 per cubic meter from current rate Tk 7.76 for the industry. If the proposal is accepted then, gas price will be increased by 132 percent.

The government wants to hike prices of gas to reduce the burden of subsidies as it has to buy per cubic meter of LNG at Tk32 and selling it at Tk 7.17.

According to Dhaka Chamber of Commerce and Industry (DCCI), Bangladesh apparel and textile sector to see an 18.06% rise in production costs, if the prices of gas is increased as proposed by the distributing companies.

On the other hand, production costs in the textile sector also will rise by 4.5% if the electricity prices is hiked by 30%. DCCI made the rough estimation in its assessment on the impact of the energy price hike on the industry.

"If the prices of gas for captive power and industry increased by 96.3% and 132.5% respectively, it will increase the production cost by 18.06% in the country's textile sector," said Muhammad Fouzul Kabir Khan, former Secretary to the Power Division.

Khan made the estimation at his keynote presentation at a seminar on "Energy Pricing: Impact on Industry" organized by DCCI in the capital on May 11.

"However, production cost will increase by 4.5%, if the price of electricity is increased by 30%."

"The primary textile sector, a strong backward linkage industry of the apparel sector, is going through crucial time as the production costs have gone up caused by rising in workers wage and other expenses to improve safety standards," Bangladesh Textile Mill Association President Mohammad Ali Kokhon told the Textile Today.

In the given situation, the rise in the gas and electricity price will add salt to wound. So, the government should not increase prices of gas and electricity prices right now, said Kokhon.

In adjusting prices of production costs, the government should give an opportunity to the industry to grow up, he added.

Meanwhile, apparel makers fearing to lose competitiveness in the global markets if the prices of gas and electricity as proposed by the distributors.

“For the last couple of years, the apparel sector spent a lot in improving the safety standard, while workers’ wages increased by 51% last year.

The production cost went up by manifold but the buyers are not incensing prices,” Exporters Association of Bangladesh (EAB) president Abdus Salam Murshedy told the Textile Today.

As a result, we are losing competitiveness in the global markets to our competitors. So, our call is not to increase the prices of gas and electricity, said Salam, also a former President of Bangladesh Garment Manufacturers and Exporters Association.

Meanwhile, the experts suggested the government to increase prices gradually rather than a steep increase in energy prices.

Diversifying away from natural gas by investing more on renewable energy, coal and nuclear solutions and introducing energy-efficient building code, could a be a great solution, they added.

Source: textiletoday.com.bd- April 28, 2019

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Pakistan: Future of textile exports

Textile industry contributes 57% percent of total export volumes and 8.5% of the GDP of Pakistan. Annual Export figure closed last fiscal year at$25 Billion out of which $13.53 Billion was from Textiles. According to Textile Policy 2014-2019, Textile exports to increase by double i.e. from $13 Billion to $26 Billion, which could have created some 3 million additional jobs.

Government also extended export package and preferential interest rates for working capital exigencies and capital expenditures related to the industry but target never achieved.In this period, Bangladesh and India showed growth trends in export of textile products and the same can be observed to date also. Though textile policy has aggressive targets but it seems that the policy makers failed to address the real problem that eventually resulted failure of achieving it.

One big issue was exchange rate which kept under control by last government artificially due to which Pakistani Exportable Products remained expensive internationally until devaluation started. Secondly, input cost increased considerably related to procurement of cotton and energy whereas this phenomenon seems never ending. Last but not the least, Textile Industry itself hesitates to grow into manufacturing of Value Added products which is evident from percentage of value added output increasing as compared to basic textile product i.e. Yarn.

Now, after devaluation of Pak Rupee, exports from this sector at large will be increased in short term but effect of devaluation will be offset by increase of other input costs in longer run. Previous government has controlled Pak Rupee devaluation by injecting foreign loans which resulted influx of imports into Pakistani markets and made our exportable items expensive internationally. They also took heavy loans from local Banks and increased government spending which increased Money Supply. Due to this cosmetic positive scenario of economy where inflation was around 3%, SBP discount rate was too low resulting lower Finance Cost of Businesses.

On the contrary present government aggressively devaluated the local currency by not taking more loans for controlling exchange rate artificially. This resulted Pakistaniexportable products cheaper in international market which attracted future orders in return. But on the other hand interest rates increased almost double which increased finance cost accordingly.

Due to massive devaluation, cost of producing energy increased together with cost of spare parts for maintenance and dyeing chemical for value added products. Moreover, cotton price in Pakistan is too high if it may be compared to regional cotton producers like India owing to the fact that Pakistan lags behind cotton producing targets each year.

Pakistan needs 15 Million Bales of Cotton for Textile consumption whereasitproduces only 10 Million Bales on average. In next 5 years demand will surge to 20 Million bales which require special attention towards related agriculture sector including but not limited to availability of quality seeds and fertilizers. Energy cost is a major input cost of per spindle work for producing a yarn of any count.

Reportedly, subsidized electricity rate of Rs.10-11 per unit is available to Export based Textile Units however this is almost 30-35% of per spindle per month cost of production which is around Rs.30 (This varies with economies of scale). This means that previous government rhetoric of providing electricity doesn’t suits to manufacturing units which require cheaper electricity that could have been produced from increasing renewable energy sources specially from Water, Wind and Solar.

It is not justifiable to put all responsibility on government for the performance of Textile sector. Government is already providing Billions of Rupees through export Package, duty draw backs, relaxation for import for export purpose, tax rebates, special electricity rate and preferential interest rate regime for working capital requirements and to import machinery. Yet the fact is that despite of this support Textile industry is not able to increase its export share which requires some effort from the industry as well.

First of all, Textile owners need to inject further equity by raising capital with a mix of using banking credits in high interest rate scenario. It will reduce their finance cost which will result in bottom line to grow. Secondly, Textile managers should focus on value added products which have a larger market with built in high margins instead of making basic products and depending on other income through investing activities. Last but not the least, Textile industry can encourage and support farmers to grow high yield cotton together with Government of Pakistan through helping farmer to procure better seed and fertilizers.

Recent Trade War between USA and China together with protest against low wages in Bangladesh is blessing in disguise for value added segment of Pakistan, as buyers of Textile products across the world are thinking to diversify their supplier countries. Though Bangladesh is a major buyer of Yarn from Pakistan and slowdown in their economy can affect export of this basic textile product yet this is a high time for shifting towards value added products to get more share of export with better margins.

Moreover Free Trade Agreement with China is being revised through which additional export of Textile Goods to brotherly country may bemade. In longer run cash subsidies are not sustainable for economy which has huge loans to repay.

The government role here should be like a facilitator throughout the value chain while the entrepreneurs should put effort to enter into those segments of this value chain which can bring business with good margins. This value chain starts from production of cotton to final value added textile product where combination of Government Support together with efforts from Entrepreneur to come out of its comfort zone, that is to be heavily dependent on spinning units, can fetch results as stated in Textile Policy.

Source: dailytimes.com.pk- April 27, 2019

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Pakistan: 11 agreements signed with China in different sectors: Abdul Razak Dawood

Advisor to Prime Minister on Commerce, Textile, and Industry Abdul Razak Dawood on Sunday said 11 agreements had been signed with China in the sectors of Information Technology, agriculture, railways and chemicals, ARY News reported.

He said an agreement was also made on film and TV between Pakistan and China.

“Many investors are ready to come to Pakistan,” Abdul Razak Dawood said while talking to media after the Free Trade Agreement with China. He said an agreement had been signed on Pak-China Free Trade Agreement (FTA).

The PM's advisor said around 400 investors had come to attend the Belt and Road Forum. "I was surprised to see so many investors in the forum."

He said many of the investors were ready to come to Pakistan.

Dawood said under the agreement Pakistan had achieved those benefits which were given to Asian countries. The agreement would improve exports and investment in the country, he added.

On April 28, Special Assistant to the Prime Minister on Information and Broadcasting Dr Firdous Ashiq Awan had said that Free Trade Agreement (FTA) with China would help promote the local industry.

Talking about Prime Minister Imran Khan's visit to China during a stopover in Gujrat, Dr. Firdous Ashiq Awan had said, "For the first time a leader is talking for the interest of his country and people at international level, unlike previous rulers who visited abroad for their personal and business interests."

Source: arynews.tv- April 28, 2019

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NATIONAL NEWS

India, Peru to hold next round of free-trade agreement talks in August

In an FTA, two trading partners significantly reduce or eliminate duties on most of the goods traded between them besides relaxing norms and rules to promote trade in services and increase bilateral investments

India and Peru will hold their next round of negotiations for a proposed free-trade agreement (FTA), aimed at boosting two-way commerce and investments, here in August, an official said.

"Chief negotiators from both the countries will hold the fifth round of negotiations for the agreement in August," the official said.

In an FTA, two trading partners significantly reduce or eliminate duties on most of the goods traded between them besides relaxing norms and rules to promote trade in services and increase bilateral investments.

In the fourth round of talks, senior officials of both the sides deliberated upon issues such as customs procedures, trade facilitation, market access for goods and movement of professionals.

The fourth round was held between March 11 and 15 this year in Lima, Peru.

The main chapters of the agreement include trade in services, movement of professionals, investments, dispute settlement, technical barriers to trade, trade remedies, rules of origin of goods, customs procedures and trade facilitation.

With growing uncertainties in its traditional markets, including the US and Europe, India is looking to enhance engagements with other regions such as Africa, South America and Central Asia.

The Federation of Indian Export Organisations (FIEO) said Peru holds enormous opportunities for domestic exports.

"South America has huge trade potential. The agreement would help boost exports between the two countries," FIEO President Ganesh Kumar Gupta said.

Peru ranked third among export destinations for India in the Latin America and Caribbean (LAC) region.

The bilateral trade between the nations increased to USD 3.13 billion in 2017-18 from USD 1.77 billion in the previous fiscal.

Among the top-10 commodities that India exports to Peru are motor vehicles, cars, auto components, tyres, dyes, products of iron and steel, cotton yarn and fabrics. While the imports include bulk minerals and ores, gold, fertilisers, aluminium, coffee, crude oil and zinc.

Source: businesstoday.in- April 29, 2019

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Exports to Asia on wane, those to Europe, US rise

India is now exporting less to Asian economies and more to Europe and America compared to 2014, when prime minister Narendra Modi took charge. This is despite progress on Modi's promise to integrate more with the extended neighbourhood in the Indo-Pacific region.

The latest official trade data analysed by Mint shows that Asia's share in India's exports basket fell from 49.56% 2014-15 to 48.77% in 2018-19, while Europe's increased from 18.17% to 19.54% during the same period. Combined exports to both North and South America jumped from 19.03% in 2014-15 to 20.89% in 2018-19.

Within Asia, the share of the Gulf region in India's exports basket has declined from 19.48% in 2014-15 to 15.9% in 2018-19. However, the share of Asia, including ASEAN (10.25% to 11.37%), North East Asia (12.19% to 12.73%) and South Asia (6.6% to 7.56%), increased during the same period. In the Gulf region, India's exports seem to be losing momentum to the UAE, which is India's second largest exports market after the US, with its share declining from 13.41% to 10.64%.

India's Look East policy, which has been a major pillar of its foreign policy since the early 1990s, was upgraded in the second half of 2014 by prime minister Modi, to an Act East policy, which focuses on the extended neighbourhood in the Indo-Pacific region. The key principles and objectives of Act East is to promote economic cooperation and cultural ties, besides developing strategic relationship with eastern neighbours.

In Europe, except the UK, which is going through the Brexit turmoil, the share of all major economies in India's exports basket, including Germany, Netherland, Belgium, Italy and Spain, rose. The UK's share declined from 3.01% in 2014-15 to 2.83% in 2018-19.

While the share of the US increased from 10.93% in 2014-15 to 13.68%, in Latin America, Brazil leads the pack with a rise in share from 1.35% to 1.92%.

When it comes to imports, India is now sourcing far less from Europe, and more from Asia and the US.

The rise in imports from Asia is due to increasing combined imports from China and Hong Kong, alongside a sudden surge in imports from countries such as Singapore (118%) and Vietnam (43.3%), in 2018-19, which has surprised even the government.

One fundamental and worrying shift in India's trade profile is the declining significance of Africa, with its share both in exports and imports baskets falling over the last five years.

Africa's share in India's exports basket declined from 10.58% in 2014-15 to 8.66% in 2018-19, mostly due to loss momentum in exports growth to Kenya, Tanzania and the Mauritius. Its share in India's imports basket also fell from 8.62% to 8.02% during the same period due to contraction of imports from Nigeria.

Source: livemint.com- April 30, 2019

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Performance review of export promotion councils to start soon

The export promotion councils (EPCs) found falling short of the export targets could face closure or undergo restructuring.

The government will soon begin a performance-based evaluation of over two dozen export promotion councils in the country as a follow-up to the Prime Minister's Office's direction that it should ascertain ways to boost exports, according to a senior official.

The export promotion councils (EPCs) found falling short of the export targets could face closure or undergo restructuring.

The official cited earlier told ET that the Prime Minister's Office (PMO) had some time ago suggested a check to see if any of the EPCs need support in order to boost exports.

"The Niti Aayog then decided to rank these councils and a few meetings have been held. This is work in progress," the official said.

Another official ET spoke with said the governance and technical capabilities of EPCs are now being subjected to evaluation based on increasing the share of Indian exports in the product markets covered by these EPCs.

“Those EPCs unable to achieve mutually agreed upon targets for increasing market share could be closed down or restructured,” the official said.

Niti Aayog, the government’s premier think tank, in collaboration with the commerce ministry, is evaluating the export promotion councils, following which it will rank them as part of its ongoing policy of developing indices and ranking on real-time basis.

At present, there are 14 EPCs under the department of commerce and 11 under the textiles ministry. Besides promoting and developing Indian exports, these councils are also the registering authorities for exporters.

Each council is responsible for promotion of a particular group of products or projects or services.

The government funds EPCs under the Market Access Initiative (MAI) and Marketing Development Assistance scheme to help them promote exports.

In 2018-19, the government spent Rs 270 crore on MAI and has earmarked Rs 300 crore for the current fiscal.

Some of the parameters being considered for evaluation include the increase in export share of these councils, the extent of penetration into existing markets, and efforts to explore and enter new markets.

India exported $331.02 billion worth of merchandise in FY19, surpassing the earlier peak of $314.4 billion achieved in 2013-14, the commerce ministry had said earlier this month, attributing the lower exports in the intervening years to global slowdown.

Source: economictimes.com- Apr 29, 2019

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Ten customs reforms that will lift our trade

Expressing customs rules and codes in simple prose will go a long way in making foreign trade transactions less cumbersome

Here are 10 suggestions to improve Customs' functioning. Implementing these will have a significant impact. After all, every year, merchandise of value $840 billion (2018 figure) equal to about 30 per cent of the GDP passes through Indian Customs before it could be exported or imported.

The first four suggestions relate to improving information flow. The remaining six are about making Customs processes more efficient. Here we go:

Simplifying the language

One — Use simple language in Notifications — Notifying import duty is a crucial task of Customs. Yet, finding correct Customs duty for a product is a pain. You need an expert to wade through the maze of hundreds of Customs notifications issued every year. The notifications are not self-contained and amend part of an earlier notification issued years ago. An example:

Notification No. 07/2019 published on March 15, 2019. "the Central Government, .. makes the following further amendments in the notification of the .. No.152/2009-Customs, dated the December 31, 2009, .. namely: In the said notification, in the TABLE, against serial number 384, for the entry in column (2), the entry, "480920, 480990", shall be substituted".

The above notification simply could have said that duty on the photocopier paper etc. would be 10.94 per cent. But it neither mentions product name nor the duty rate. Ninety per cent of notifications suffer from this malaise.

Further, many exemption notifications do not mention precise HS (harmonized Structure) codes. This makes expert intervention necessary in deciding the import duty. Customs duty calculator is of little help.

The way out is to rescind the old notification while issuing a new notification. Or publish an updated version. Make new notification self-contained. Each notification should list effects of the notification, a practice followed by the DGFT. Also, create a searchable database of all notifications with a free text search. All duties on all products with every condition should be available on a single excel sheet. Such simple changes will eliminate plenty of go-betweens.

Standard codes

Two — Use standard codes for the Duty Drawback scheme — the government has adopted the eight-digit ITC (HS) Codes for exports-imports. But, the drawback scheme, the largest indirect tax refund scheme, uses only the first four digits of the ITC (HS) Codes. For the next digits, it uses its own product codes and description. This forces exporters to use two different codes for the same product and creates confusion.

Three — Demystify products identified as 'Others' — a Mobile phone is India's top electronic import item. Yet, it is covered under the description 'Others' in ITC(HS) schedule. The schedule covers over 2,300 entries that together cover over 25 per cent of India's imports as 'Others.' Customs must identify major items traded under the 'Others' categories. This will give a clear picture of the trade profile and check any misuse.

Four — Make past Tribunal decisions available online — Importers and exporters can appeal to the tribunals against the decisions of the Customs on issues like valuation, classification or penalties. Though tribunal orders are the public documents, these are not available in an online searchable database.

Availability of earlier decisions through a searchable database would allow trade to get transparent and uniform understanding of precedence and help them in making informed decisions. Further, it would also potentially ensure that tribunals themselves adhere to existing precedence to a greater degree and thereby reduce the time for decision making.

Five — Minimise customs processing at the port — All consignments which are given the green signal by Customs Risk Management System (RMS) should be allowed Direct Port Delivery or DPD facility if customs duty is paid within 24 hours of container arriving in the terminal. Today less than 50 per cent of containers use DPD facility. This means extra cost of shifting and housing of container at the Container Freight Stations (CFS).

Six — Allow Direct Port Entry (DPE) to all consignments — All firms with self-sealing permission by Customs are currently allowed DPE facility. For the remaining firms, Customs could consider developing on-site inspection and e-sealing facilities in all major ICDs, transport clusters and 'transport nagars.' The GST officials could support the on-site sealing exercise. RFID seal is tamper proof and no further Customs checking at the port would be needed. When goods arrive at a port, customs officers would already have the required information and the Let Export Order (LEO) can be generated online. This action will bring down customs processing time at a port to near zero levels.

Seven — Make RMS effective — Customs uses a sophisticated Risk Management System or RMS. But many times, Customs officers have reasons to reject RMS recommendations and go for inspection of the goods. The basis of decision making must be entered into the system, and available under RTI with adequate anonymisation of individual shipments and their consignees, along with figures indicating to what extent in percentage terms the over-ride led to an actual finding of non-compliance. Customs may use this data for developing analytics tools that will further reduce RMS over-ride by establishing guidelines for officers for making such decisions.

Eight — Make inspections transparent — All physical inspection must happen under CCTV recording in designated inspection zones. And the record must be retained for adequate time and be made accessible to the consignee/consignor and their agent. All terminal operators/ICDs/CFS must be mandated to develop facilities sufficient to support this.

Nine — Seek information, not documents — Custom's eSanchit system allows traders to upload scanned copies of documents. But a large number of uploads make the system slow. Also, information contained in the documents cannot be used by the system. Replace upload of documents with a digital entry of the required information. This will allow RMS based processing. Scanned copies of the documents can only be asked when RMS recommends. This step will also facilitate more straightforward implementation of AI-based automated processing.

Ten — Improve valuation — Cases of under-invoicing of consumer and intermediate goods, especially those imported from Middle-East, East and South-East Asia is a concern. Setting a reference price for a festival and similar imports may be a good starting point.

Finally — the above suggested changes can be implemented with minimal investments. The resulting enhanced transparency would reduce cost and time of doing business and improve India's export performance. Possibly, the Customs reform agenda for the new government.

Source: thehindubusinessline.com- Apr 29, 2019

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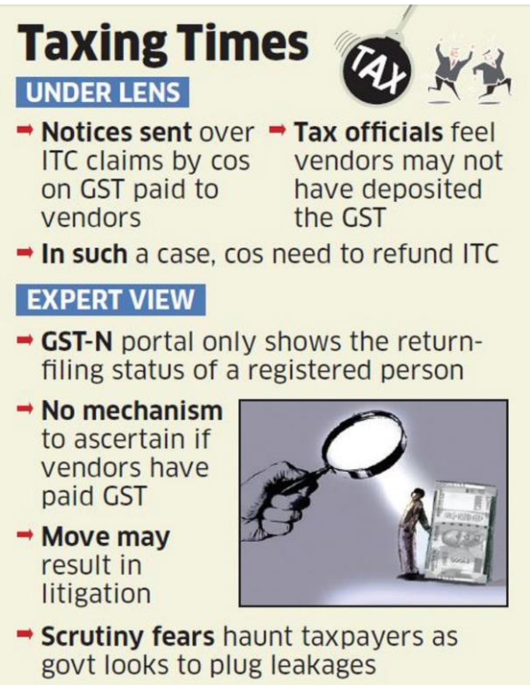
Companies face queries over input tax credit claims

Effectively, while a business may have paid the tax to a vendor for which it wants to claim credit, it may not be possible to ascertain if the vendor has deposited the GST.

India Inc could face a tax landmine with authorities beginning to question input tax credit claimed by companies in lieu of Goods and Services Tax paid by their vendors.



The authorities have already started sending notices to businesses, confirming fears that scrutiny will increase in the new financial year as the government looks to plug leakages. Experts said notices have been sent in Gujarat, Telangana, Andhra Pradesh, Haryana and some other states.

The issue has its origin in the provisions of the GST law that warrant a reversal of input tax credit claimed by a business if its vendor has not paid the tax for which credit is being claimed.

Currently, there is no mechanism to ascertain if vendors have paid GST. The GST Network Portal allows viewing of the return-filing status of a registered person, but payment of tax cannot be determined. At best, buyers can only verify whether vendors have included the invoice in their GST filings.

Effectively, while a business may have paid the tax to a vendor for which it wants to claim credit, it may not be possible to ascertain if the vendor has deposited the GST.

“In such a situation, requiring the buyers to forgo their input credits when they have already paid the GST to vendors and exercised due diligence to the extent possible does not seem like a fair proposition,” said Pratik Jain, national leader indirect tax at PwC.

Jain said given the stakes involved, the issue is likely to result in litigation. “The government needs to perhaps review the law and amend if they deem it appropriate.

In any case, there should be some guidance provided to the taxpayers as to how the government expects them to ensure that vendors have indeed paid tax,” he said.

Experts said there is a need for a facility to avail of non-reconciled input tax credits on a provisional basis as companies are compelled to pay in cash and block working capital.

Adequate safeguards to check misuse of the facility such as a time limit to complete the pending compliance/reconciliation can also be prescribed to protect revenue,” said MS Mani, a partner at Deloitte India.

They said this will induce more compliance. “This will push the sellers to be more compliant and make the buyers put robust processes in place lest they lose credits,” said Bipin Sapra, a partner at EY.

Source: economictimes.com- Apr 29, 2019

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Around 200 US companies looking to shift manufacturing base from China to India, says USISPF

The US-India Strategic and Partnership Forum's (USISPF) President Mukesh Aghi said that the companies are talking to them about how to set up an alternative to China by investing in India.

About 200 American companies are seeking to move their manufacturing base from China to India post the general elections, a top US-based advocacy group has said, observing that there is a fantastic opportunity with firms looking at alternatives to the Communist giant.

The US-India Strategic and Partnership Forum’s (USISPF) President Mukesh Aghi said that the companies are talking to them about how to set up an alternative to China by investing in India.

Aghi said that USISPF’s recommendation to the new government would be to accelerate the reforms and bring transparency in the decision-making process. “I think that’s critical.

We would advise to bring more transparency in the process and to make it more consultative because in the last 12 to 18 months, we are seeing US companies look at some of the decisions being made, either e-commerce or data localisation, as more domestic-oriented than global,” he told PTI in an interview.

In his reply to what the agenda of the new Indian government should be to attract investment, Aghi suggested that New Delhi needs to accelerate reforms, be more transparent in the process and engage more. “We need to understand how we can attract those companies.

And that means all the way from land issues to customs issues to being part of the global supply chain. Those are critical issues. There’s a whole plethora of reforms that need to go further down, and I think that is also going to create a lot of jobs,” he said.

He said that Mark Linscott, the former Assistant US Trade Representative for South and Central Asian Affairs, is working with USISPF member companies to come up with a recommendation as to what India needs to do to enhance its exports and work up from that perspective.

"One recommendation, which I strongly believe is going to help India is that we should now start thinking of a Free Trade Agreement (FTA) between India and the U.S," Aghi said.

"I think if India is concerned about cheap goods coming from China, an FTA will eliminate that need.

You can put barriers to Chinese goods and still have the U.S. providing access to the Indian market and Indian companies having more access to the US market, and issues like GSP would diminish," he said.

Aghi said that they have formed a high-level manufacturing council within the member companies, led by John Kern, Senior Vice President of Supply Chain Operations at Cisco who are putting a document together detailing what India needs to do to turn it into a manufacturing hub.

"We plan to have the document ready by the time elections are over as part of recommendation," he said.

"What they're saying is we want a backup strategy to start manufacturing in India. There are small-small issues, which can slow them down. And at the moment most of them are waiting for elections to be over.

But there's a large deluge of companies keen to not only manufacture in India but also who want to go after the domestic market," he said.

On the amount of investment these companies would bring to India, he said the number in question is substantial. "If you look at, our member companies in the last four years have invested over USD 50 billion," he added.

Source: financialexpress.com- Apr 27, 2019

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Govt, exporters to talk customs issues today

The consultative meeting will also discuss quality and cost of services provided by intermediaries in the customs environment.

A working group setup by the government is set to meet exporters of traditional goods such as leather, apparel, handicrafts, carpets and seafood on Monday to discuss ways to resolve customs-related bottlenecks and improve the competitiveness of Indian exports.

The consultative meeting will also discuss quality and cost of services provided by intermediaries in the customs environment, like customs brokers, shipping lines, forwarders and custodians.

“There is round-the-clock customs clearance on paper, but that is not happening even in major ports because of shortage of staff. We want the government to clearly say whether this facility can be made available in reality or not,” said an apparel exporter who is likely to attend the meeting.

India’s merchandise exports grew 9% to $331 billion in 2018-19, helped by higher shipment of engineering goods, pharmaceuticals, petroleum products and chemicals.

The working group, setup by the Central Board of Indirect Taxes and Customs (CBIC) in February, will discuss with exporters the impact of free trade agreements signed by India, tariff concessions vis-à-vis non-tariff barriers faced by exporters in export markets, and facilitation of e-commerce exports.

“We want bank charges, while claiming drawback, to be waived off because many countries give that incentive,” said another exporter.

CBIC had constituted three working groups in February to study and recommend measures to facilitate trade, promote exports and improve compliance after holding consultations with stakeholders, including the Export Promotion Councils and department of commerce. The exercise is aimed at making it easy to do business, augment revenue and curb frauds.

Source: economictimes.com- Apr 29, 2019

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Rising dye costs hitting textile processors

The supply shortage and rising costs of chemicals imported from China has led to an increase in the cost of reactive dyes – a raw material widely used by textile processors for dyeing and printing fabrics. Consequently, textile processing units are also struggling with rising input costs, which is cutting into their revenues.

“The prices of colour chemicals have gone up anywhere between 35%-50% depending on the type of dyes. This has led to an increase in our cost of production significantly,” said Naresh Sharma, owner of a textile processing unit in Narol.

Gujarat is home to more than 650 textile processing houses, most of which do job work outsourced by apparel manufacturers as well as merchant exporters. Rising prices of reactive dyes are also denting the revenues of processors.

“Thanks to elections and an overall slow pace of economic activity, we cannot pass on the additional costs onto clients, else we will lose business,” said Nitin Thaker, president, Ahmedabad Textile Processors’ Association (ATPA).

Source: timesofindia.com- Apr 30, 2019

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India's apparel industry grew at 13.8% CAGR in 9 years

India’s apparel industry grew at a compound annual growth rate of 13.8 per cent from ₹1,924 billion in fiscal 2009-10 to ₹5,408 billion in 2017-18, says a report by CARE Ratings. CARE expects short-term economic uncertainties to be volatile and growth to revive only after the elections as the new government would be in a better position to take decisions.

With the industry now stabilizing post the demonetization and the implementation of the goods and service tax (GST) regime, the demand from both domestic and international markets, has picked up in the last few months, says the report.

Further, demand drivers like growing private final consumption expenditure, growing population and changing fashion trends still make a compelling case for the healthy economic scenario in the future, subject to policy implementation and good governance by the government.

The new government can take policy stands that would attract higher investment and fuel the rise in income levels and consequential consumption levels, a press release from CARE said citing the report.

CARE expects the domestic apparel market to grow by 10-12 per cent driven by the growth in the Indian economy leading to the rise in disposable income and increased usage of plastic money. This is expected drive the market size of the Indian apparel industry.

CARE estimates Indian apparel exports to remain subdued, growing marginally in rupee terms, and declining in US dollar terms. Earlier, the export market grew at a CAGR of 9.8 per cent from ₹508 billion in fiscal 2009-10 to the 2017-18 figure of ₹1,076 billion, which was lower compared to the figure in 2016-17.

India continues to experience headwinds in the form of intense competitive pressures from nations having a cost advantage over India, which seem to be constraining the overall momentum of the apparel export sector of India, said the report.

Notwithstanding a depreciation in the rupee vis-a-vis the US dollar (which could increase rupee realizations), apparel exports would increase marginally in rupee terms and decline by 4-5 per cent in US dollar terms in 2018-19 and increase marginally in 2019-20.

Furthermore, given the fact that cotton and synthetic apparel exports comprise over 75 per cent of apparel exports from India, CARE expects cotton (a crop where India is quite cost competitive) and synthetic apparels to continue to drive the growth in apparel exports.

Additionally given the issues in the neighbouring countries coupled with abundant raw material availability, a well-integrated textile industry and good designing skills, if leveraged appropriately, could help India consolidate and grow its position in the global apparel market.

India needs to diversify its fibre base, currently dominated by cotton in line with the global apparel consumption, which is well diversified within the cotton and man-made fibre (MMF)-based apparel. To remain competitive and grow, India needs to increase its production of MMF-based apparel.

Source: fibre2fashion.com- Apr 26, 2019

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US-India bilateral exchange up 12% in 2018 amid the noise of trade war

Value of goods and services traded between the two nations rose to $142.1 bn in 2018 from $126.2 bn in 2017; US trade deficit with India narrowed to $24.2 bn from $27.2 bn

Amid the hullabaloo over the trade war between India and United States, bilateral exchange of goods and services between the two nations has risen 12.6 per cent to $142.1 billion in 2018 from $126.2 billion in 2017.

According to United States Trade Representative (USTR), exports of goods and services from US to India were valued at $58.9 billion whereas imports were worth $83.2 billion in 2018.

The data belies the simmering trade conflict between the two countries. Only last month, US had announced it was scrapping concessions to India under the Generalised System of Preferences (GSP). The GSP scheme, launched in 1974, was aimed to assist developing countries in increasing their exports by facilitating duty-free entry for thousands of products from designated beneficiary countries.

US goods and services trade deficit with India was $24.2 billion in 2018 against $27.3 billion in 2017.

While goods worth $87.5 billion were traded between the two countries in the last calendar year, the exchange of services totaled $54.6 billion during the period.

“India is currently our ninth largest goods trading partner with $87.5 billion in total (two-way) goods trade during 2018. Goods exports totaled $33.1 billion; goods imports totaled $54.4 billion. The US goods trade deficit with India was $21.3 billion in 2018”, USTR said in its website.

Trade in services with India (exports and imports) was $54.6 billion in 2018. Services worth $25.8 billion were exported by USA to India, services imports from India were valued at $28.8 billion. The US services trade deficit with India was $3 billion in 2018.

While India was the US’s 13th largest goods export market in 2018, the latter exported $33.1 billion in 2018 to India, up 28.9 per cent ($7.4 billion) from 2017. US exports to India accounted for two per cent of country’s overall exports in 2018. The top export categories were precious metal and stone (diamonds) valued at $7.9 billion, mineral fuels ($6.2 billion), aircraft ($3.0 billion), machinery ($2.2 billion) and optical & medical instruments ($1.6 billion). In the services bracket, US exports were valued at $25.8 billion in 2018, about 8.6per cent more than the previous year. India was the 13th largest goods export market for US in 2018.

Imports of goods and services from India to US has recorded a growth of 11.9 per cent and 2.2 per cent respectively in 2018 than 2017 levels.

US goods imports from India totaled $54.4 billion in 2018.The top import categories during the last calendar year were precious metal and stone (diamonds) ($11 billion), pharmaceuticals ($6.3 billion), machinery ($3.3 billion), mineral fuels ($3.2 billion), and vehicles ($2.8 billion). Similarly, services worth $28.8 billion were imported from India.

“Leading services imports from India to the US were in the telecommunications, computer, and information services, research and development, and travel sectors”, USTR said.

The US goods trade deficit with India was $21.3 billion in 2018, a 7.1 per cent decrease ($1.6 billion) over 2017 and a services trade deficit of $3 billion with India in 2018, a 32.5 per cent from 2017.

Source: business-standard.com- Apr 28, 2019

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China goes hi-tech, giving Indian exporters the opportunity to fill the void

India has a clear advantage at this time, feel leading industry representatives owing to our strength in handmade craftsmanship which isn't known to be China's USP.

India cut its trade deficit with China by the most in more than a decade,with exports increasing 31 percent year-on-year to $17 billion in the financial year ended March 31, 2019.

In a bid to give a fillip to its slowing economy, China is moving out of labour intensive segments and inching more towards machine led, high-tech sectors that can aid its revival. Indian exporters are making the most of this shift to make inroads in a segment where their expertise is highly sought after: handmade craft.

Even though China, as per official estimates that came through last year, grew at 6.6%, yet it was the slowest growth ever that the economy had experienced since 1990. Reasons aplenty have been attributed to this slowdown that has enveloped one of the largest consumer economies of the world. The China-US trade war, soaring costs and more cost-effective trade possibilities in neighbouring countries is making China face the brunt of the economic woes that it currently finds itself submerged in.

As per the International Monetary Fund's (IMF) World Economic Outlook 2019, China's economy slowed in 2018, primarily due to financial regulatory tightening to rein in shadow banking activity and off-budget local government investment, and due to the widening trade tussle with the United States, which escalated the slowdown toward the end of the year. Further deceleration is projected for 2019.

So what does it really imply for India and exports? Affirming the findings, Ajay Sahai, Director General and CEO, Federation of Indian Export Organisations (FIEO) says that the Chinese economy has already exited from certain sectors such as carpets, spinning and leather is expected to be the next one. "China is short of manpower. They are moving to high and medium technology sector and the services sector. To some extent, this is an opportunity for India. Once China slows down, they may not be catering to their own domestic market which will open up the field for Indian entrepreneurs as well."

But it is not as easy as it may appear on the surface. Experts advise caution in assuming too much optimism early on. Madan Sabnavis, Chief Economist, Care Ratings is of the view that whether India can take advantage or not is dependent on certain key aspects. "Firstly we need to be wary of goods being dumped as China may do so in a bid to spruce up their economy. Secondly, a key question is that can we take over their other export markets – at the margin probably yes, but generally no as they would continue to be aggressive in markets in Europe, Latin America and Africa (where we have limited presence)," highlights Sabnavis.

In fact, he adds, there could be a tendency for a rush to other markets by all countries and competition to heighten, with the USA, which is probably in the slower mode as indicated by the Fed.

The sweatshop tag

However, makeovers may just be inevitable in the time going forward for the Chinese economy. Infamous for its sweatshop tag, China's migrant workers make up majority of the workforce who earn paltry sums of money for their livelihood. They often work round the clock, lending China the status that it is well identified with -factory of the world.

Does the shift to more machine intensive domains herald a shift within its labour practices as well? Industry veterans feel this is not something that can be immediately said considering how the economy is currently in a state of flux. Also China is now moving more towards neighbouring economies such as Vietnam, Cambodia and Myanmar. "China, I think, very consciously is moving to neighbouring countries where they are looking at the labour arbitrage and now they are putting their investment in those countries. In years to come, such countries will be major competitors for India," adds Sahai.

Incidentally, it was predicted even earlier that the economies of Malaysia, India, Thailand, Indonesia and Vietnam, colloquially referred to as the Mighty Five or MITI-V would typify a 'New China.' Buoyed by low labour costs, better infrastructure and overall economic growth, these economies were predicted to be the next top hubs in low cost manufacturing.

Advantage India

India has a clear advantage at this time, feel leading industry representatives owing to our strength in handmade craftsmanship which isn't known to be China's USP. Mahavir Pratap Sharma, Chairman, Carpet Export Promotion Council (CEPC) highlights how India is moving from single dimensional to multidimensional carpets to capitalise on this strength. "China imports from India in this segment and it is steadily growing. A lot of innovation and improvisation is happening in India where we are using multiple raw materials to create pieces of skilled quality, uniqueness and value," he says.

In fact, if one looks at it, data released by the government from January this year showed similar insights with exports increasing by 3.74% to reach $26.3 billion in the month. Labour-centric sectors such as carpet, handicraft, leather, gems and jewellery, yarn and pharmaceuticals contributed to the growth of outward shipments from India.

India cut its trade deficit with China by the most in more than a decade,with exports increasing 31 percent year-on-year to $17 billion in the financial year ended March 31, 2019. In the process, India cut the bilateral trade deficit by $10 billion to $53 billion.

O P Prahladka, Chairman of Export Promotion Council for Handicrafts (EPCH), an apex body of handicraft exporters, says that they are seeing increased participation by Chinese buyers in the fairs. "We had an FDI investment desk that we had put up in our recent exhibition. Moreover, even US importers are looking at options now because of the trade war. If we take the right steps forward, we surely can increase our market share globally."

US and China have been in a trade tussle since the time President Donald Trump levied tariffs on imported steel and aluminium items in March last year. As a counter move, China had also slapped tariffs on a range of American imports. India has been expected to be a beneficiary in the trade war with the US looking at alternatives to find a market which offers them as much variety and resources.

However, in order to really take advantage of the current dynamics, experts say that it will be necessary to understand the challenges posed to producers at this time. "Yes, the opportunity is there, but we are non-competitive due to supply side issues. We need to understand what we have to build within our industry to build demand competitively," says Arun Maira, former member of The Planning Commission.

Adding to this chain of thought, Sharma of CEPC suggests that for all textile sectors, India should enter into a bilateral agreement with China. "India cannot bridge the gap in the garments' space. Countries like Bangladesh and Indonesia are faring quite well. A bilateral arrangement with China may greatly help. Tariff and non tariff policies, inland transport issues, warehouses in China, language hassles - all these are areas where joint work needs to be done so that trade can be enhanced," he says.

Source: economictimes.com- Apr 26, 2019

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'Blank canvas' behind diverse Indian textiles on view

The starting point of most Indian textile crafts is white fabric that has inspired textile curator Sayali Goyal to create an art installation 'Safed'. On view here, it features 30 fabrics from across India, which are white in essence but are a blank canvas for the country's diverse textiles.

'Safed' is part of a larger Craft Project by cultural publication Cocoa and Jasmine, intended to celebrate diversity in culture through objects, folk arts, crafts, and design, and documents stories from makers, designers, curators, retailers and brands.

"While travelling to different textile regions in India, I was always fascinated with the workshops and homes of dyers, embroiders and weavers.

"Some of these workshops had loose white fabric hung for natural bleaching, and this experience evoked almost a spiritual feeling in me. I wish to translate this experience for the viewer," Goyal said of the installation.

"Even if you take away the colour of the fabric, the basic texture is there. Everyone at the exhibition was able to feel the different textures of the fabrics on display, and enjoy the diveristy of Indian textile crafts," Goyal told IANS.

The installation reminds viewers that although Indians may be diverse in their faith, language, region and other identity markers -- at root, the common denominator of being Indian remains. This is metaphorical to textile crafts that differ in colours, techniques, and motifs, but have the blank white fabric at its root.

'Safed' concluded for its first public viewing at the Indira Gandhi National Centre of the Arts (IGNCA) on Monday. It will travel internationally and in other Indian cities starting August, Goyal added.

Source: business-standard.com- Apr 29, 2019

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Indore: Farmers likely to sow more cotton as prices go up

Farmers of Indore region are expected to expand the acreage under cotton by over 15 per cent lured by high cotton price in the upcoming kharif or summer sowing season.

Experts said that a spurt in cotton price, at a time when farmers were making up their mind to select a crop for the approaching sowing season, was seen encouraging farmers to sow more cotton.

In Indore division, cotton was sown on five lakh hectares last year and this year the acreage has gone up by over 6 lakh hectares.

MP Cotton Association president Kailash Agrawal said, "Sentiments are robust among cotton farmers because they fetched good price this season. Acreage under cotton is seen going up everywhere and especially in our region."

Increased cotton acreage is likely to lead to higher output next season. In the spot market, the price of raw cotton has shot up to Rs 6,100 per quintal on the prospects of lower output as compared to last year.

According to the Cotton Association of India (CAI), cotton crop for 2018-19 is estimated at 321 lakh bales of 170 kg each against previous year's 365 lakh bales.

Kharif sowing commences from May end or June depending upon the availability of irrigation facility and rains.

The agriculture department, Indore joint director, Rewasingh Sisodia said, “As per the initial expectations it is estimated that acreage under cotton will go up while soybean acreage is likely to remain stable this season.”

As per agriculture department, in Indore division soybean was sown on 22 lakh hectares in the last season.

Source: timesofindia.com- Apr 28, 2019

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