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IBTEX No. 149 of 2019 July 30, 2019

US 68.74| EUR 76.56 | GBP 83.37| JPY 0.63

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20909	43700	**80.98**
Domestic Futures Price (Ex. Warehouse Rajkot), August		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20860	43597	**80.79**

International Futures Price

NY ICE USD Cents/lb (December 2019)	64.21
ZCE Cotton: Yuan/MT (September 2019)	13,250
ZCE Cotton: USD Cents/lb	87.19
Cotlook A Index – Physical	**75.85**

Cotton Guide: The ICE Futures settled low across the board. There is a pessimistic wave moving across the cotton industry with respect to the 12th round of US China Trade Talks. The Chinese ZCE cotton futures too settled in negative figures. The pessimism was also seen at the MCX contracts. Therefore, we can note all the Commodity Exchanges trading cotton are witnessing a fall in prices currently.

The bears are getting stronger day by day with the US crop showing signs of improvement. By the week ending July 28, 2019, about 86% US cotton crops have been squaring, which shows an increase of 8% from the previous figure. The setting bolls have been 45%, which marks an increase of 12% from the previous week. Crop condition is 1% very poor, 10% poor, 28% fair, 46% good, 15% excellent.

Another bearish factor seen is a strong greenback. A stronger dollar is counterproductive for US cotton Export.

The most active ICE Cotton future contract the ICE December contract settled at 64.21 cents/lb with a change of -33 points. The ICE December contract touched a low of 63.26 cents/lb at last morning which indicates that market participants from the East are downbeat of the prevailing current Global conditions. The total volumes recorded were again on the downside with a figure of 16,717 contracts.

The MCX contracts on the other hand were also negative with a change of -250 Rs for the most active contract the MCX August contract. It settled at 20,860 Rs/Bale. The other MCX contracts the MCX October and MCX November contract settled at 20,130 Rs/Bale and 19,900 Rs/Bale respectively citing a change of -110 and -100. The total volumes were seen lower (as compared to the average figure) at 1917 lots with MCX August contract emanating volumes of 1358 lots.

The most active ZCE September contract (CF909) settled at 13,250 yuan/tonne with a change of -85 Rs.

The cotlook Index A has been adjusted at 75.85 cents/lb with a change of +0.45 cents/lb whereas the Cotlook Index A 2019/2020 has been adjusted at 75.30 cents/lb with a change of +0.30 cents/lb. The Average prices of Shankar 6 are at 43,700 Rs/Candy.

For today, we can expect the cotton prices to be subdued as the market participants are quiet. All are waiting to understand the implications of the trade talks happening between the two biggest economies of the world.

There is an interesting perspective about these negotiations. We presume that China might try to avoid and postpone a trade agreement till November 2020, which marks the upcoming US Presidential elections. Therefore, anticipating a new US President to talk to, next year, which could be a favourable bet for them. On that account we do not see the inevitable trade agreement happening in the near future which poses a bearish future for in the long run.

On the technical front, ICE Cotton futures remained steady near the lower band of the intermediate upward sloping channel (Red). Earlier price failed to maintain its momentum and declined after resisting the higher band of the downward sloping channel (Green) near 64.70 zone. Price is trading around the 9 day EMA (63.80). The strength index (RSI) in the daily charts is still under 50, which needs to move beyond 50 to change the bearish bias in cotton price, until then it could remain in the sideways to downside bias. However, divergence between price and the momentum indicator restricted the lower side for cotton futures. So for the confirmation of the same price need to sustain above the 64.70-64.80 zone along with RSI above 50. Only a close above 64.80 would push price towards 65.50. On the downside support exists around 62.35, followed by 61.80. So for near term price is expected to consolidate in the range of 61.00-64.80. In the domestic market MCX Aug future is expected to trade in the range of 20700-21100 Rs/bale.

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

NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	World merchandise trade up 3% in 2018, lower than 4.6% growth in 2017: WTO
2	The Trade War is Giving the Rest of the World an Advantage in China
3	US-China Talks Set to Resume as Neither Seems Eager for a Deal
4	Sri Lanka: Apparel industry mulls dedicated textile processing zone
5	Sri Lanka: Apparel industry confident of $ 5.5 b exports mark this year
6	Ethiopia Among Nations Leading Africa's Apparel Sourcing Surge
7	Italian textile machinery orders fell 19% in Q2: ACIMIT
8	Pakistan: Cotton falls on stronger dollar, trade woes
9	Bangladesh can gain from US-China trade war: experts
10	Pakistan: Why can't we compete in global markets?

	NATIONAL NEWS
1	India benefited modestly from US-China trade war: SBI report
2	Cotton imports set to double amid shortage
3	Commerce ministry proposes a new export incentives scheme
4	After two-year lull, garment makers expect revival in revenues this year
5	Cabinet to look at WTO-compliant export scheme
6	Tirupur apparel exporters to explore opportunities in Iran
7	Drought in India can reduce cotton harvest
8	Sri Lanka sees potential in collaborating with India in textile sector
9	Apparel retailers expect to revive sales in festive season
10	Commerce Minister backs out of attending RCEP meeting in China
11	Climate concerns fuel demand for sustainable fashion
12	Container corporation plans coastal service to Bangladesh
13	Criteria for identifying risky exporters not made clear by CBIC: Expert
14	When end of season sales don't work, plan more sales

INTERNATIONAL NEWS

World merchandise trade up 3% in 2018, lower than 4.6% growth in 2017: WTO

As per the report, over the 2008-2018 period, China, Vietnam and India were the most dynamic traders among all Asian economies

The volume of world merchandise trade, as measured by the average of exports and imports, grew 3% in 2018, just above the 2.9% increase in world GDP over the same period but "significantly lower" than the 4.6% growth recorded in 2017, the World Trade Organization (WTO) said.

"This loss of momentum is partly due to increasing trade tensions and historically high levels of trade restrictions," WTO director general Roberto Azevêdo said in the organisation's World Trade Statistical Review 2019, released Monday.

"If trade is to pick up in 2019-20, trade tensions must be resolved," he said.

The value of world merchandise exports was $19.48 trillion in 2018, up from $17.33 trillion in 2017, partly due to higher oil prices.

However, merchandise exports of developing economies grew 11% in 2018 while imports increased 12%, continuing the positive growth of 2017 after a decline in 2015-16. Merchandise exports totalled $8.22 trillion and imports $7.97 trillion in 2018.

Overall, developing economies' exports and imports grew at a faster rate than those of developed economies and the world, according to the report.

Developing economies in Africa and the Middle East showed the strongest export growth in 2018 which on the import side, Latin America, Africa and Developing Asia had double-digit growth in 2018.

India-dynamic trader

As per the report, over the 2008-2018 period, China, Vietnam and India were the most dynamic traders among all Asian economies.

India entered the top ten global automotive exporters overtaking Brazil.

In services exports, India and Singapore have moved into ninth and tenth positions, overtaking Italy and Spain in the last ten years.

India was the second-largest exporter of ICT exports in 2018, with China overtaking the US as the third-largest.

In 2018, India was the eighth-largest services exporter and the tenth-largest services importer. The WTO attributed this to rapid export growth in other business services for three consecutive years (around 9%) and in telecommunications, computer and information services (7% in 2018) boosted the country's performance.

"Strong domestic demand and high oil prices contributed mostly to this, with increases in imports of fuels and mining products, precious stones and electrical machinery being the main factors," the report showed.

Source: economictimes.com - July 30, 2019

HOME

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The Trade War is Giving the Rest of the World an Advantage in China

There's no shortage of winners in the U.S.-China trade war—except, perhaps, the U.S. and China.

While apparel and textile manufacturers sort out the level at which they intend to withdraw operations from China, companies producing in China and shipping to areas outside the U.S. are reaping the benefits of increased capacities and lower costs.

"U.S. companies that make product in China for non-U.S. markets have extra leverage to negotiate concessions with suppliers to reduce product costs and thereby counter tariff impacts for U.S.-destined production volume," said Apratim Sarkar, managing director for sourcing and purchasing transformation at AlixPartners, a global, multi-industry consulting firm. Some factories are trying to rebalance their manufacturing by dedicating

China-based sites for export to non-U.S. markets and non-China-based options, such as Vietnam and Indonesia, for the U.S. market, he said.

Joseph Cohen, CEO of Guotai USA, which ships up to 15 percent of its apparel business to Canada, confirmed that it's been receiving better prices from factories in China thanks to vacancies. While Vietnam had previously offered his company better prices, as more companies have moved operations there, this shift in capacities has led to better prices emerging from China.

Vietnam has been one of the biggest beneficiaries of the trade war, but it's far from the only one. There has been a massive outflow of production from China to Cambodia, Myanmar and Bangladesh, said Guido Schlossmann, president and CEO of Synergies, an apparel and sourcing global supply chain manager.

Skill sets and infrastructure are dictating just where production is moving, he said, noting that bags, shoes and lingerie in particular are difficult to move from China because of the integrated infrastructure and skill set. Schlossmann said he's observed a lot of outerwear moving into Myanmar and Vietnam, and sportswear and bottoms moving into Cambodia.

There has also been increased general outflow into Bangladesh, he added, although some U.S. companies remain hesitant to move to Bangladesh because of its unfamiliarity.

Data from QIMA, a provider of supply chain compliance solutions, supports these trends. The company shared that inspection and audit demand in Vietnam, Indonesia and Cambodia grew 21 percent, 25 percent and 15 percent year-over-year in the first half of 2019, respectively. "Nearly every other sourcing country is benefiting from the trade war," said Sebastien Breteau, QIMA CEO. "Rather than move manufacturing back to the U.S., many U.S. brands are fleeing from the crossfire."

Beyond Vietnam and Myanmar, Murali Gokki, AlixPartners managing director for retail, said some emerging lower-cost African nations have witnessed slow, but significant, production volume gain; however, these areas still face trade uncertainty as the U.S. Department of Commerce continues to evaluate countries all over the world, particularly in South Asia, he noted. "One result of that is that countries with favorable trade agreements with the U.S. may become more attractive as companies in the U.S. start to explore safe havens."

But all of this doesn't mean one should count out China. While it may have been weakened in the battle, the country is still holding strong. In fact, QIMA said, demand for inspections and audits in China from businesses elsewhere in Asia grew 33 percent year-over-year while demand from Eastern Europe and Russia and the Middle East grew 22 percent and 14 percent, respectively.

Although China manufacturing has lost ground for developed countries, Breteau said, "its reign as a manufacturing powerhouse is far from over."

E-commerce sellers, in particular, remain very dependent upon China manufacturing because of its ability to offer flexible minimum qualities and shorter lead times, said Schlossmann.

All of the people Sourcing Journal spoke with agreed that the tariff disputes were really just throwing gasoline to a fire that had started years ago. But in keeping with the "horse is out of the barn" theme, some changes can't be undone. Even if China and the U.S. came to an agreement tomorrow, many companies have forged new relationships they may not have otherwise realized.

"Shifting your supply chain is like moving an oil tanker—it takes time," said Breteau. "It's a costly and time-consuming endeavor, which is unlikely to be undone if the U.S. and China call a truce unless there are significant benefits for businesses. A reversal or halt to new tariffs is simply not enough."

With that said, although many companies aren't likely to put all of their eggs back in China's basket, others just might. Although retailers have been strategic in developing their sourcing strategies by entering Vietnam, Cambodia and elsewhere, Schlossmann said, transaction-driven importers and wholesalers would likely return if it offered an immediate advantage.

Source: sourcingjournal.com - July 29, 2019

HOME

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US-China Talks Set to Resume as Neither Seems Eager for a Deal

Almost three months after their trade talks broke down in acrimony, Chinese and American negotiators meet again in Shanghai this week amid tempered expectations for breakthroughs in their year-long trade war.

Two days of talks are scheduled to restart Tuesday after a truce reached by Presidents Donald Trump and Xi Jinping on the sidelines of the Group of 20 summit in Osaka, Japan, last month. Deep tensions remain, though, and recent days have brought mixed signals from both sides, with neither showing an urge to compromise.

China has purchased millions of tons of soybeans from the U.S. and Chinese companies will continue to seek American agricultural products including soybean, cotton, pork, sorghum, wheat, corn and diary, state media Xinhua News Agency said on Sunday.

At the same time, official data showed that imports of soybeans from the U.S. slumped in the first half to the lowest level in more than a decade, while purchases of pork dropped 16% in June from May, highlighting the real-world impact of the spat.

The People's Daily newspaper said in a commentary on Monday agricultural purchases are a "concrete", "goodwill" step to implement the consensus reached by Xi and Trump in Japan, calling the U.S. to reciprocate and meet China halfway. Nevertheless, Beijing has also called the U.S. the "black hand" behind anti-government protests in Hong Kong and said Friday an investigation into FedEx Corp.'s claims it mistakenly rerouted Huawei Technologies Co. packages to the U.S. found additional legal violations.

Trump has spoken with tech executives about the ban on selling products to Huawei and potentially easing that prohibition while other U.S. officials played down the possibility of a quick trade deal.

At stake is the health of the global economy, which is being weighed down by uncertainty for markets and companies. The International Monetary Fund last week further reduced its estimates for global growth and warned that damage was to some extent "self-inflicted" by prolonged uncertainty caused by the trade war, escalating tensions over technology, and Brexit.

"There is still a huge gap between the two sides on key sticking points," said Robin Xing, chief China economist at Morgan Stanley in Hong Kong. "So far there is still no clear path toward a comprehensive deal."

China is holding to its three key demands: The immediate removal of all existing tariffs, a balanced agreement, and realistic targets for additional Chinese purchases of American products. No achievements would be made if the U.S. sticks to its existing stance during the Shanghai talks, Taoran Notes, a blog run by the state-owned Economic Daily newspaper, said Friday.

The U.S. should remove all additional tariffs first if it wants to reach a deal, and equality and respect between the two sides are the only way to reach agreement, it said. China is not afraid of U.S. threats to impose tariffs on an additional $300 billion of Chinese goods, it said.

U.S. demands

Among the U.S.'s demands are structural reforms to China's economy, greater protection of intellectual property rights and a more balanced trading relationship. Secretary of Commerce Wilbur Ross on Tuesday said Trump's objective is to get "a proper deal."

Leading the delegation from Washington, U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin "will put forth the view we'd like to go back to where we were last May, where we did not have an agreement but we seemed to be about 90% of the way there," White House economic adviser Larry Kudlow told reporters on Friday.

The prospects for an agreement are hampered by tensions over geopolitical issues including Hong Kong, North Korea, Taiwan and the South China Sea. Huawei remains a key point of contention, with China last week urging the U.S. to block a proposed bill that would stop the Chinese telecoms giant from accessing U.S. patents.

Some in the U.S. administration also are concerned that the elevated role of Commerce Minister Zhong Shan in Shanghai may bode ill for the talks. He has a reputation as a tough negotiator and is seen by some on the American side as a hard-liner who could make discussions even more hostile than they have been already.

Though he hasn't named Zhong, Kudlow has warned a number of times in recent weeks that the inclusion of new "hard-liners" on the Chinese side could complicate efforts to secure a deal, and thus lead Trump to impose more tariffs as he has threatened. Still, such a view is dismissed by China analyst Pauline Loong, managing director at research company Asia-Analytica in Hong Kong.

"This is not some minor discussion with give and take on minor issues," she said. "The concessions now needed to clinch an agreement will require decisions at the Politburo Standing Committee level, not at the level of the negotiating team."

The discussions will cover a range of issues, including intellectual property, forced technology transfer, non-tariff barriers, agriculture, services, the trade deficit, and enforcement, according to a White House statement.

"China is not going to make dramatic concessions, so the issue for the U.S. side is whether it wants to accept a practical compromise or resume escalation," said David Dollar, a former U.S. Treasury attache in Beijing, who is now a senior fellow at the Brookings Institution in Washington.

On Friday, Trump said China may wait until after the 2020 U.S. presidential election to sign an agreement because Beijing would prefer to reach a deal with a Democrat.

"I think that China will probably say, 'let's wait,'" he told reporters in the Oval Office. "When I win, like almost immediately, they're all going to sign deals."

Source: sourcingjournal.com - July 29, 2019

HOME

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Sri Lanka: Apparel industry mulls dedicated textile processing zone

The apparel industry is encouraging the Government to expedite formalities for the establishment of a dedicated textile processing zone.

"With the assistance of Joint Apparel Association Forum Sri Lanka (JAAFSL), we have been lobbying to the Board of Investment (BOI) to provide us with a land extent of around 200 acres to setup a dedicated textile processing zone, which is useful for the industry in scaling up to next heights," Sri Lanka Apparel Exporters of Association Chairman RehanLakhany said.

According to him the regional accumulation and need for speed to market has created a huge requirement in the industry at present for such dedicated zone.

"Apparel is by far our biggest export to the European Union. Given that the Rules of Origin under GSP+ requires fabric to be sourced from Sri Lanka or from an area that qualifies for regional accumulation in order to qualify for GSP Plus, there is an increase in demand for fabric sourced from Sri Lankan fabric mills," he pointed out.

In addition he pointed out that Sri Lanka was an ideal model for speed to market given itsstrategic geographical location. "Sri Lanka is gaining a reputation from customers due to our strategic maritime location to supply fast-track exports.

Customers are looking at Sri Lanka for reliability, quality and quick response, but for that it is important to have a dedicated textile facility in the country," he said out.

Lakhany said the industry was optimistic of bringing down top apparel manufacturing companies to the proposed dedicated zone given that Government providedthe land, water and electricity.

"We have been discussing with potential companies for water purification plants and these investments could be established as joint ventures," he added.

Noting that the GSP+ scheme encouraged increased value addition within Sri Lanka, he said it thereby promoted backward integration, resulting in the setting up of new industriesand creating new employment opportunities in the country.

Accordingly the proposed textile zone could have factories ranging from woven manufacturing, knitted manufacturing, dyeing and finishing.

Source: ft.lk- July 30, 2019

HOME

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Sri Lanka: Apparel industry confident of $ 5.5 b exports mark this year

Encouraged by nearly 10% growth, the apparel industry is confident of surpassing $5.5 billion export earnings by the end of the year.

“During the first five months of the year exports grew to 9.4% to $ 2.25 billion. We are confident that the industry will achieve $5.5 billion by the end of this year,” Sri Lanka Apparel Exporters Association (SLAEA) Chairman Rehan Lakhany told the Daily FT.

The apparel industry recorded $5 billion export earnings last year and has set a long-term target of $8 billion by 2025. “We believe with the achievements we have seen in the first half of this year, we are on track to achieve our goals by 2025,” he added.

Despite the slight dip that might occur during the months of August and September orders due to the Easter Sunday terror attacks setback, Lakhany believes the growth momentum in the industry will continue.

“We have seen the highest growth in our industry during the past five years and the all-time high exports for this year recorded during the month of May with our earnings exceeding $2.25 billion and recording a growth of 9.23%,” he pointed out.

Source: ft.lk- July 30, 2019

HOME

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Ethiopia Among Nations Leading Africa's Apparel Sourcing Surge

Long considered fertile ground for apparel manufacturing, Africa is finally starting to be cultivated.

Exports from a group of countries in the region to the U.S. and European Union (EU) are experiencing steady to exponential growth, and the next decade could see the continent become a substantial player in global sourcing, according to two expert speakers at the "Doing Business in Africa: Trade and Sourcing" seminar at Texworld USA.

Gail Strickler, president of global trade for Brookfield Associates, noted that Morocco and Jordan each have bilateral free trade agreements (FTAs), while the Africa Growth & Opportunity Act (AGOA) offers preferential trade treatment to a host of sub-Saharan Africa countries, from Ethiopia to South Africa.

Strickler said the concern for AGOA is that it is up for review in 2015, "so how many people are going to invest in 2019" when in six years it could go away. She said there are efforts to push for it to be turned into an FTA or have a longer renewal stipulation.

"We've seen that with the tariff threats on China imports, everybody is looking for alternative sourcing," she said. "For example, we've already seen more goods imported from Morocco, Jordan and Madagascar in 2019 than we saw in all of 2018."

Jordan also has an FTA with the U.S., while Madagascar is part of AGOA. Ethiopia, Strickler noted, is seeing the fastest rate of growth in apparel imported into the U.S. among the AGOA countries. Egypt, which ships goods to the U.S. under a link to the Israel FTA, which doesn't expire, has shown consistent strength as a supplier to U.S. brands.

There's no doubt that U.S. importers continue to look to Africa for fresh sourcing alternatives, as they invest in and build relationships with factories there.

Ethiopia has led the charge, posting a 119 percent year-to-year increase in May with $120.86 million worth of apparel shipments to the U.S. Imports from Kenya rose 44.8 percent to $39.25 million, Madagascar's gained 20.4 percent to $20.16 million and Lesotho's were up 19.8 percent to $20.26 million.

Manon Clavel, a consultant for the Morocco agency for investments, development and exports (AMDIE), said the country's apparel sector employs 175,000 people–the largest in Morocco–with 1,200 textile and apparel companies with a capacity of 1.3 billion pieces of apparel annually.

"Morocco is the third most attractive investment destination in Africa," Clavel said. "There are many reasons why Moroccan apparel is attractive," she said, including an established industry, the ability to service fast-fashion firms, the free trade agreements it has with the U.S. and EU, and the relative proximity to New York City and the U.S., noting that it is only a seven-hour plane ride away.

Clavel said Morocco has registered a 5 percent year-over-year increase in exports to the U.S. and EU. She said, "The Moroccan market is highly integrated to the European fashion industry because of the proximity and Moroccan apparel factory owners attend European trade shows in places like Paris and London."

She said there are industry development programs focused on the fast fashion, knitwear and denim sectors as growth markets over the next five years, "so capacity is going to increase."

Responding to a question about different countries' specialties, Strickler said Egypt is known for its textile industry, particularly cotton, as well as tailored clothing and denim manufacturing. Jordan, on the other hand, produces no textiles and has a forte in cut-and-sew synthetic knitwear.

Ethiopia does maintain a native textile sector known for ornate fabrics and prints, while many foreign apparel firms have made large investments there to produce a range of goods. The same is true of South Africa, she noted.

Strickler noted that one downfall for Africa is longer shipping times compared to places like Central America, although several ports are investing in infrastructure to improve transit times.

Asked if Africa can become the next China, Clavel said, "I think there is a good chance for Africa to become a key manufacturing center in the world. There are many reasons – the trade tensions, labor costs rising around the world and staying quite low, especially in sub-Saharan Africa.

"There's also a lot of interest from the private sector, from the Chinese government, the European Union, which is very keen on increasing trade with Africa," Clavel added.

Strickler said, "There's never going be another China–nothing is going to have a central government that makes decisions and organizes the kind of supply chain growth the way that China did. And I don't know that we want another China. But that being said, as an alternative, there are definitely some great opportunities both for sourcing and job creation."

Source: sourcingjournal.com- July 29, 2019

HOME

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Italian textile machinery orders fell 19% in Q2: ACIMIT

Italian textile machinery orders fell by 19 per cent for period April-June 2019 compared to same period in 2018, according to Association of Italian Textile Machinery Manufacturers (ACIMIT). The index orders value came in at 84 basis points. ACIMIT represents an industrial sector that comprises roughly 300 manufacturers producing machinery worth €2.5 billion.

Orders for Italian machinery manufacturers were negative in foreign markets, with a 21 per cent decline and an absolute index value of 78.6 basis points. On the domestic front, orders remained stationary compared to the second quarter 2018. The absolute index value came in at 140.1 basis points, said ACIMIT in a press release.

"The orders index as compiled by our economics department perfectly reflects the situation that we as entrepreneurs have found in many markets in this first part of the year. The uncertainty due to a tension-laden geopolitical situation was further weighed down for our sector by the awaiting of ITMA, the world's premier textile machinery fair, which took place in Barcelona last June," said ACIMIT president Alessandro Zucchi.

“ITMA is our industry’s main showcase, held every four years to present the most innovative textile technology solutions,” added Zucchi. “Many of our customers have postponed investments to await news presented at the fair.”

Source: fibre2fashion.com- July 29, 2019

HOME

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Pakistan: Cotton falls on stronger dollar, trade woes

ICE cotton futures fell on Monday as the dollar held near two-month highs, while US President Donald Trump’s comment on China delaying a trade deal further added demand worries for the natural fiber even as markets await trade talks this week.

* The most-active cotton contract on ICE Futures US, the second-month December contract, settled down 0.33 cent, or 0.5%, at 64.21 cents per lb.

* It traded within a range of 63.26 and 64.45 cents a lb.

* “We have been seeing the open interest go down. There is a lack of buying interest ... Higher dollar could be weighing on cotton today,” said Louis Rose, director of research and analytics at Tennessee-based Rose Commodity Group.

* The dollar index held near a two-month high ahead of the first US interest rate cut since the financial crisis. A stronger greenback makes commodities priced in dollars, such as cotton, more expensive for holders of other currencies.

* Cotton prices have slipped about 13% so far this year due to the drawn-out tariff war between the natural fiber’s top consumer China and one of the top producers – the United States.

* Trump on Friday offered a pessimistic view on reaching a trade deal with China, saying Beijing may not sign one before the November 2020 election in hopes that a Democrat who will be easier to deal with, will win.

* Meanwhile, the US government will pay American farmers hurt by the trade war with China between $15 and $150 per acre in an aid package

totaling $16 billion, officials said on Thursday, with farmers in the South poised to see higher rates than in the Midwest.

* “We really need some fundamental news, perhaps with the Aug. 12 (USDA’s) WASDE report coming in, that could cause the speculators to want to take on short positions which would mean the market would move somewhat higher,” Rose said.

* Total futures market volume rose by 1,386 to 15,528 lots. Data showed total open interest fell 839 to 195,749 contracts in the previous session.

* Certificated cotton stocks deliverable as of July 26 totaled 30,522 480-lb bales, unchanged from 30,522 in the previous session.
Source: brecorder.com- July 30, 2019

HOME

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Bangladesh can gain from US-China trade war: experts

Bangladesh has to adopt the latest manufacturing technology, especially in the apparel sector, and initiate steps to negotiate tariff rates to take advantage of the ongoing US-China trade war, according to economists, researchers and business leaders who attended the annual general meeting of the International Business Forum of Bangladesh (IBFB) in Dhaka recently.

To take advantage of the trade war, there is no alternative but to opt for next level of automation and produce value-added goods for higher export income, research director of the Policy Research Institute M A Razzaque told the meeting.

Bangladeshi apparel manufacturers are now enjoying some extended export orders, primarily because of China’s phasing out from low-end manufacturing and shifting of many factories to neighbouring countries, Bangla media reports quoted Razzaque as saying.

Extended export orders are quite different from securing strong gains through diverted investments and foreign direct investment that are critical for export growth and diversification, he said.

If the United States imposes 10 per cent additional duties on Chinese apparel, Bangladesh's apparel exports to the US may rise by 11.32 per cent, he said. A 25 per cent duty by the United States will lead to a 30 per cent rise in Bangladesh's apparel exports to the United States, he added.

Source: fibre2fashion.com- July 29, 2019

HOME

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Pakistan: Why can't we compete in global markets?

More than anything else, our main disadvantage is incompatible and poor management skills

Why are Pakistani businesses unable to compete in the global markets? What is it that inhibits them from breaking through overseas? As our exports continue to decline, the commonly heard responses to these questions from the private sector are lack of government support, expensive inputs, energy shortages and a slowdown in global markets amongst many others. On the other hand, the government blames past policies including currency overvaluation, limited product range and underinvestment by the industry.

While none of these are entirely incorrect, I would like to dig deeper and understand why our industry could not find answers to these issues. None of these are problems which could not be effectively countered by sound thinking and good management. After all, the same sort of issues have been successfully dealt with in the domestic market. I therefore hypothesise that management skills are an important missing ingredient and a major contributor to our failure in the world markets.

We do not like talking about poor management as it is always easier to blame others for our faults. But the truth is, that as an economy, we have been lacking in management skills required to compete in the global markets. I would like to shed some light on where we went wrong and what can be learnt going forward.

We have seen some announcements recently from companies in Pakistan wishing to venture into export markets. We will look at how they stand to perform in view of this analysis.

To begin with, post the initial few decades, our entrepreneurs never felt the need to compete globally. They preferred to operate in industries which served the domestic market where they could leverage their networks. If you look at Pakistan's largest conglomerates you will see bulk of their investments in industries like fertiliser, energy, cement, sugar, automotive, FMCG and services – all meant for the local population.

While these were necessary investments required for the domestic market, they were relatively more attractive given their unusually low risk and high returns and it is this equation which caused the problem. When capital is scarce it will naturally chase lower risk options. It became too strong an incentive for industrialists to resist the low hanging fruit and hence the largest business houses focused their financial and human capital on the domestic market. Their attention was diverted from the potential export-based investments which required longer-term investment horizons.

It is interesting to note that most local industrial groups started in the textile sector and many of them still have textiles amongst their portfolios, albeit a much smaller proportion of their overall business than what it was when they got going.

While textiles were the only export industry in which local entrepreneurs found sizable success, there were two problems with the strategy they followed. First, their investments were primarily in the commodity end of textiles value chain which provided small margins. They either produced yarn and grey fabric and later developed home textiles and basic garments business.

International yarn and fabric middlemen played the key role in purchasing these products from Pakistan while sales to large wholesale and retail brands were made via buying houses and visits to trade fairs. Revenues in all cases were dependent on big buyers who exerted their power in terms of the minimal margins provided to Pakistani suppliers.

Even so, survival was possible until the quota regime lasted since Pakistani companies did not have to worry about many expenses such as marketing, business development and research on new products. But as soon as the quota allowances under the General Agreement on Tariffs and Trade (GATT) – the predecessor to the World Trade Organisation (WTO) – regime ended, Pakistan suffered badly as manufacturers could not remain competitive in many segments when compared to Bangladesh, India, Turkey and many other developing economies.

Second, and more importantly, our managers did not see the change coming and never realised that they had little competitive advantage. Lack of appropriate business knowhow coupled with limited information about international markets meant that Pakistani producers did not understand the competition, did not see the shift in trends in products and markets, the changing industry cost structures and the new global supply chains. Consequently, they failed to enter the value-added segments at the right time, giving up market share to new entrants who were far better organised to address the changed market needs. Incidentally, the few companies which did invest in value added sectors and modernised their businesses have reaped considerable rewards for their persistence and continue to do so.

In many other sectors, Pakistan has developed manufacturing skills and can make good products. We have traditionally been exporting surgical and sports goods from places like Sialkot, our basmati rice is known for its superior taste and aroma and our artisans can take pride in their arts and crafts. But unfortunately, in almost every sector, we have failed to brand and package our products to appeal to the developed world.

Our aesthetic sense remains old school instead of fresh, inspiring and wholesome. We rely on basic production capabilities while the world invests in superior marketing and sophisticated aesthetics. We also live in relative isolation from the world markets. As a society, our exposure to diverse cultures is limited and we find it difficult to understand people from different backgrounds. We like to cling to our ways and are apprehensive of breaking cultural boundaries, which is another reason why our managers fear challenging the status quo and have problems understanding other markets.

It is no secret that all our South Asian neighbours are much better amalgamated in the global economy. In fact, we will find it difficult to compare ourselves with any other Asian economy in this respect, apart from North Korea perhaps.

We have therefore followed flawed strategies, developed and executed by poor managers who had no understanding of global markets and preferred to remain isolated. Since we have never invested in world scale capability, we end up relying on management teams which are good enough to run operations in industries protected in one way or the other by the state. But this skill set has no idea how to operate globally. It is not qualified to operate in international markets neither can this capability be developed overnight.

This brings me to the interesting announcements recently from a few major companies to invest in export-oriented businesses. While the thinking is appreciated and it is in line with the spirit of the times, I wonder if any attention has been paid to the various points I have raised here. They should consider moving up the value-added chain instead of investing in commodities which add little value and create few jobs. Instead, they should follow a country like Vietnam which is now producing smartphones and computer chips having begun with textiles!

Even if we were to give these organisations the benefit of the doubt around their export strategy, history tells us that our chances of success will be low if we do not develop an internationally oriented managerial workforce.

This is where the state, the private sector and academia must join hands and develop educational programs in international marketing, export sales, project management, overseas customer support & service, product design & development and foreign languages & cultural awareness.

In addition to classroom training, companies will have to expose their people to global markets through secondments, international conferences and wider travel at various levels in the organisation. Over the medium to long term, Pakistan could develop management skills which are suited for global markets. For those who dare to venture forth without these, we will just have to wait and see.

Source: pakistantoday.com.pk- July 29, 2019

HOME

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NATIONAL NEWS

India benefited modestly from US-China trade war: SBI report

According to the report, India's exports to China post the trade war, have grown much faster than that to the US.

India has benefited from the US-China trade war by exporting more items to China, a State Bank of India (SBI) Ecowrap report said on Monday.

According to the report, India's exports to China post the trade war, have grown much faster than that to the US.

While overall exports to the US grew 9.46 per cent to $52.4 billion in 2018-19, for China the growth was 25.6 per cent to $16.7 billion.

"Looking at the products on which China and USA have imposed tariffs on each other, India has made modest gains in capturing such market," the report said.

The textile imports, particularly, of the US has shifted from China towards other countries in South Asia.

As per the US Department of Commerce Office of Textiles and Apparel (OTEXA) data, though India has gained in the first five months of 2019, Vietnam and Bangladesh have witnessed much larger increase in exports to US.

Instead, cotton imports from the US to China declined for the first half 2019 compared to the same peropd of the previous year, while imports from other countries, including Brazil, Australia and India have increased.

"Thus India has benefited from US-China trade war by exporting more to China like plastic, cotton, inorganic chemicals and fish," the report said.

"Interestingly, India has a revealed comparative advantage in some of these commodities."

The report pointed out that to further boost exports, easy availability of credit is of "paramount importance".

"Certain measures including extension of 'Interest Equalization Scheme' to all categories of exporters and end to end digitization of the export process among others should aid our export credit growth," the report added.

Source: economictimes.com- July 29, 2019

HOME

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Cotton imports set to double amid shortage

Prices expected to remain firm

India's cotton imports are set to double amid crop shortfall for the 2018-19 season which ends in September.

While cotton industry estimates imports to cross 30 lakh bales (each of 170 kg) for the season, double from 15.8 lakh bales reported last year, trade sources believe that cotton import shipments will be restricted to around 25 lakh bales as against estimated imports of 31 lakh bales.

Delayed shipments

"Out of the total contracted imports of 27 lakh bales for the season, about 14 lakh bales have already arrived at Indian ports till July-end, while additional 10-11 lakh bales are estimated to arrive by September. There is some delay in several shipments, due to which about 2-3 lakh bales are likely to arrive in October," said Atul Ganatra, President, CAI. CAI had estimated 31 lakh bales of cotton imports for the year.

On the other hand, cotton prices will rule higher even amid increased imports as the shortage of fibre is likely to cause supply crunch till the beginning of the next season after October 2019. Trade estimates prices to hover between ₹44,000-46,000 a candy of ginned cotton (each of 356 kg).

The 2018-19 cotton crop is estimated at over a decade-low at 312 lakh bales. This prompted industry to look for cotton from global suppliers such as the US, Brazil and African counries.

Global stock

Globally, the cotton prices have remained under pressure due to higher production than mill-use. As per the US Department of Agriculture (USDA) data, global stock for 2019-20 is likely to be higher at 80.4 million bales, about 1.2 million bales more than previous year.

The ICE Cotton December futures quoted at 63.57 cents per pound on Monday, down by over 19 per cent from its high levels of 76 cents about three months ago. However, the Indian cotton prices have fallen by about 5-6 per cent from ₹46,000 to ₹43,500 a candy (each of 356 kg) despite the prevailing shortage conditions.

10% crop shortage

“The crop is short by more than 10 per cent. The prices were expected to go up by 10 per cent in India, but reverse has happened and prices have gone down by 5 per cent.

Due to the US-China trade issue, New York futures have not gone up, else Indian cotton prices would have shot up,” said Vinay Kotak, director at Kotak Commodities.

He added that increased cotton imports have already affected Indian prices but there is no likelihood of cotton prices to come down till November 15, when the fresh arrivals will get fed into the market.

Imports provide an economical proposition to traders and mill users as it saves at least ₹2,500 per candy for them. J Thulasidharan, Managing Director of Coimbatore-based Rajaratna Group of Mills said South Indian mills are increasingly depending on imports as it is a beneficial proposition for them.

“The estimation of very low crop has created panic. As a result, we are seeing increased imports. There is huge price gap between Indian and foreign cotton, making it cheaper to import.

On the quality issues, the international cotton comes with little trash and higher realisation, resulting in additional 2-3 per cent cost benefit,” said Thulasidharan, who is also President of Indian Cotton Federation.

Recessionary trend

He attributed the current plight of the Indian cotton sector to the recessionary trend in textiles and bigger global crop for the coming year.

Even as the Union Agriculture Ministry has projected cotton sowing for the kharif 2019-20 at 109 lakh hectares as on July 19, 2019 against the normal sowing of 121 hectares, experts keep a close watch over sowing progress. The Cotton Advisory Board (CAB)'s had projected last year's cotton sowing at 126.44 lakh hectares.

Source: thehindubusinessline.com- July 29, 2019

HOME

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Commerce ministry proposes a new export incentives scheme

The new scheme will allow reimbursement of duties on export inputs and indirect taxes through freely transferrable scrips.

The commerce and industry ministry has floated a cabinet note for a new export incentives scheme that would be compliant with the World Trade Organization (WTO) norms.

The Rebate of State and Central Taxes and Levies (RoSCTL) scheme, which at present is available on export of garments and made-ups, will now be extended to all exports in a phased manner. The new scheme will replace the extant Merchandise Exports from India Scheme (MEIS), which was challenged by the US last year in WTO.

The new scheme will allow reimbursement of duties on export inputs and indirect taxes through freely transferrable scrips. Scrips are incentives that can be used to pay duties. "We wanted RoSCTL to be the template for all schemes," said an official in the know of the details.

In March, the Cabinet, approved the RoSCTL scheme to rebate all embedded state and central taxes for apparel and made-ups, through an IT-driven scrip system, and replace the existing Rebate of State Levies (RoSL) scheme that provided rebate of only certain state taxes.

The RoSCTL rebates the embedded taxes include central excise duty on fuel used in transportation, embedded CGST paid on inputs, purchases from unregistered dealers, inputs for transport sector and embedded CGST and compensation cess on coal used in the production of electricity. While the MEIS will be withdrawn in phases, the scrips' rate would be fixed three months after the Cabinet's approval.

As per the official, the revenue foregone would be monitored by the department of revenue, and the commerce and industry ministry. TIMING CRUCIAL The new scheme is crucial as the US has challenged India's export schemes under the WTO's Agreement on Subsidies and Countervailing Measures.

Pegging the quantum of subsidies at $7 billion, the US has dragged India to WTO for violating commitments under the Agreement on Subsidies and Countervailing Measures (ASCM) in five of its most used export promotion schemes — the export-oriented units scheme and sector-specific schemes including electronics hardware technology parks scheme, MEIS, export promotion capital goods scheme, special economic zones and duty-free import authorisation scheme.

The agreement envisages the eventual phasing out of export subsidies and provides eight years for graduating countries (least developed and developing), which cross the $1,000 mark at 1990 exchange rate to phase out export subsidies. India had crossed this threshold in 2015 and it became known when the WTO Secretariat produced its calculations in 2017.

Under existing WTO rules, a country can no longer offer export subsidies if its per capita GNI has crossed $1,000 for three years in a row. In 2017, the WTO notified that India's GNI was $1,051 in 2013, $1,100 in 2014 and $1,178 in 2015.

Source: economictimes.com- July 29, 2019

HOME

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After two-year lull, garment makers expect revival in revenues this year

Rising domestic demand, spurt in exports push revival

High domestic demand and spurt in exports are expected to boost readymade garment companies' revenues this calendar year.

Domestic sales, which account for 80 per cent of the sector's revenue, logged a compound annual growth rate of 9.6 per cent in the last five years to ₹4.83 lakh crore.

The growth is set to increase to 10-10.5 per cent this year, due to an increase in reach of both organised retail and brands in tier-II and -III cities and rising growth of value apparel retail segment.

A rebound in export growth to 7-8 per cent this year after a de-growth of one and two per cent, respectively in the last two years, will complement the domestic demand.

In the first 6 months of this year, garment exports were up over 10 per cent. Exports will benefit from a likely rupee depreciation, partial restoration of export incentives and revival of demand in the UAE, the third-largest exports destination after the US and the European Union.

Exports to UAE, which account for 12 per cent of total Indian garment exports, are slated to recover after a significant drop in last two years.

The export incentives restored include an increase in rebate of State and Central taxes and levies by almost 200 bps in March, addition of merchant exporters in the interest equalisation scheme for pre- and post-shipment export credit and a 200 bps increase in the rebate offered to micro, small and medium enterprises under IES.

Crisil Ratings expects revenue growth of readymade garment makers to increase 300 basis points to 10 per cent this year, against 7 per cent logged last year.

Anuj Sethi, Senior Director, Crisil Ratings, said operating profit of garment firms focusing on domestic market is expected to remain stable at 10-11 per cent, whereas that of exporters, who will benefit from incentives, is likely to improve another 50-100 bps this fiscal, on top of the 100-120 bps increase seen last fiscal.

"Higher cash accrual, along with stable working capital requirement and prudent capital spending, will lead to a gradual recovery in credit metrics this year," said Gautam Shahi, Director, Crisil Ratings.

Source: thehindubusinessline.com- July 29, 2019

HOME

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Cabinet to look at WTO-compliant export scheme

The commerce department has sought cabinet approval for a revamped export promotion scheme that will limit itself to refunding central and state levies.

Officials said that the scheme - Rebate of State and Central Taxes and Levies (RoSCTL) - will be compliant with World Trade Organization (WTO) rules and comes amid allegations by the US that India was in violation of its international commitment through its export-promotion schemes, including those for special economic zones.

The Donald Trump administration had dragged India to the WTO's dispute settlement body, causing much embarrassment to the commerce department, which had designed and implemented the schemes.

When a similar scheme for the textiles sector was cleared in March, on the eve of general elections, the government had said that it would use an IT-driven scrip system at notified rates for rebate of all embedded state and central taxes and levies for apparel and made-ups.

Sources said all export sectors will be covered in phases. The idea is to offer tax refunds through freely transferable scrips for all duties on inputs and raw materials that go into exports and that are not reimbursed.

The revenue department had a few concerns on the use of scrips, which may be factored in when the decision is taken, sources said.

Once the sector is covered by the new scheme, the current sops offered under Merchandise Exports from India Scheme (MEIS) will be phased out. In any case, the life of the scheme is only till next March.

Under RoSCTL, the duty drawback committee will fix the rate for scrips once the cabinet approves the scheme. According to Budget documents, in 2018-19, the government had to forego revenue to the tune of Rs 65,720 crore due to eight export promotion schemes, with MEIS accounting for over half the share or Rs 36,600 crore.

Source: timesofindia.com- July 30, 2019

HOME

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Tirupur apparel exporters to explore opportunities in Iran

Apparel exporters in Tirupur will explore opportunities in Iran as India is one of the four countries allowed to trade with Tehran, vice-chairman of Apparel export promotion council (Aepc) A Sakthivel said.

Sakthivel spoke at a meeting on ‘improving apparel exports’ held in the city on Saturday. The meeting was organized by the Federation of Indian Export Organizations (FIEO) and Aepc.

Sakthivel said, “Aepc used to conduct business service management in Iran, but it was stopped later. Now, we are planning to start it again. In the last financial year, India had exported around Rs 32 million worth of garments to Iran. Iran is always a good market for knitwear exports, especially polyester garments.”

Apparel exporters expressed their concern over the central government’s plan to withdraw the Merchandise Exports from India Scheme (MEIS), an incentive scheme to promote exports.

MEIS would provide duty credit scrip to compensate the duty paid by the exporters, and it was challenged by the countries like the US at the World Trade Organization.

"The survival of the apparel industry will be difficult once MEIS benefit is withdrawn. We have taken up the issue with the central government," Sakthivel said.

The exporters were expecting that the government would provide an alternate scheme in place of MEIS. Sakthivel said, "The central government has brought the Rebate of State and Central Taxes and Levies on Export of Garments and Made-ups (RoSCTL) scheme. But the benefit was yet to be realized by the exporters, and the authorities were citing technical issues. The government should immediately resolve it."

FIEO regional chairman (southern region) Israr Ahmed said, "Overall, export industry is in alarming situation, and globally tremendous changes are happening. FIEO is interacting with all the 32 councils, including Aepc, on how to bring back exports on growth path."

Source: timesofindia.com- July 28, 2019

HOME

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Drought in India can reduce cotton harvest

The Cotton Association of India lowered its cotton production forecast for India in the agricultural season 2018/19 by 10.3%. Will the Cotton quotations continue growing?

In the last review of the Cotton Association of India, a cotton harvest of 31.2 million kip is predicted for June (approximately 218 kg in a bale). Whereas in its October review it was expected to produce 34.8 million bales.

The reduction in cotton crop forecasts is caused by a severe drought in India. According to the India Meteorological Department, in the state of Gujarat - the main cotton producer in the country, the amount of precipitation is 47% lower than last year's level.

In general, in India, since the beginning of the monsoon season on June 1, precipitation is 19% less than last year. Another positive factor for quotes was the increase in exports of American cotton per week. This was reported by U.S. Agriculture Department.

On July 30, in Shanghai, US Treasury Secretary Steven Mnuchin and sales representative Robert Lighthizer will hold talks with Chinese Vice Premier Liu He about lifting a number of trade restrictions and canceling duties. In particular, China's purchases of American cotton may be increased.

On the daily timeframeCotton: D1 to trying to break the downtrend upward. Various technical analysis indicators formed signals for improvement. Further growth of quotations is possible in case of an increase in global demand and deterioration of the weather in India.

The bullish momentum may develop if Cotton exceeds its last maximum: 65. This level can be used as an entry point. The initial stop lose may be placed below the last lower fractal, the Parabolic signal and a 3-year low: 61.7.

After opening the pending order, stop shall be moved following the signals of Bollinger and Parabolic to the next fractal minimum. Thus, we are changing the potential profit/loss to the breakeven point.

More risk-averse traders may switch to the 4-hour chart after the trade and place a stop loss moving it in the direction of the trade. If the price meets the stop level (61,7) without reaching the order (65), we recommend to cancel the order: the market sustains internal changes that were not taken into account.

Source: fxstreet.com- July 29, 2019

HOME

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Sri Lanka sees potential in collaborating with India in textile sector

Sri Lanka sees a potential to further strengthen the collaboration in the textile sector with India.

The India International Textiles Expo (IITExpo) -Exhibition cum Buyer Seller Meet- was inaugurated in Hotel Galadari today. The three-day event is organized by the Powerloom Development & Export Promotion Council (PDEXCIL) of India, with the support of Ministry of Textiles & Ministry of Commerce & Industry, Government of India.

The Chief Guest at the inauguration ceremony was Anoma Gamage, Deputy Minister of Petroleum Resources Development of Sri Lanka.

Sharad Amalean, Chairman, Joint Apparel Association Forum; Rehan Lakhany, Chairman, Sri Lanka Apparel Export Association; Ms. Suja K. Menon, Head of Economic & Commercial Wing, High Commission of India; and Sunil Satgonda Patil, Chairman, PDEXCIL were also present.

Gamage, in her address, conveyed that textile industry forms an important pillar of the Sri Lankan economy, given its contribution to GDP, exports and forex earning, employment generation etc. She added that the textile sector also plays an important role in achieving the goals envisaged by the Government of Sri Lanka in its Vision 2025.

She underlined the strong bilateral ties between India and Sri Lanka, and cited the potential to further strengthen the collaboration in the textile sector. She also recalled her own personal connect with the textile industry for almost 25 years.

Ms. Suja K. Menon spoke about the synergy that exists between India and Sri Lanka in the textile and apparel sector, given the strengths of India in the raw material base and manufacturing, and that of Sri Lanka in making a mark in certain niche categories.

She also mentioned that several Sri Lankan companies are also investing in India in the textile sector, contributing further to Indian economy.

PDEXCIL has had a longstanding association with Sri Lanka since 1998. There also exists an MOU between PDEXCIL and Sri Lanka Apparel Exporters Association (SLAEA), which was signed in Gujarat in June 2017.

At the event, about 30 exhibitors from various textile clusters of India are displaying variety of fabrics, made-ups, home textiles, cotton and blended yarn etc.

The event concludes on 31 July 2019.

Source: colombogazette.com- July 29, 2019

HOME

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Apparel retailers expect to revive sales in festive season

As per a recent report by Crisil Ratings, Indian readymade garment makers are expected to grow sales by around 10% in calendar year 2019.

India's leading apparel retailers are expecting a revival in sales in the festive season on backdrop of low business for over three quarters now.

Arvind Fashions CEO J Suresh said while consumption trend and sentiments are weak for more than three quarters, but festival demand is always robust in India and it should be the same this year too. Arvind Fashions has over 28 leading brands under its portfolio such as Arrow, Tommy Hilfiger, Calvin Klein, Gap, Nautica and Aeropostale.

Lifestyle Retail MD Vasanth Kumar too expressed similar optimism but does not expect consumers to increase average spending during the festive season. "Consumers buy new apparel during the festive season and hence should boost same store sales," he said.

Apparel sales has failed to pick up even during the current end of season sales. Kumar said there has been no same store growth for Lifestyle during the sale.

As per a recent report by Crisil Ratings, Indian readymade garment makers are expected to grow sales by around 10% in calendar year 2019 compared with around 7% in 2018. "Higher revenue growth will render benefit of operating leverage and will help improve profitability," the company said.

The company said the pace is set to increase to 10-10.5% this year due to increasing penetration of organised retail and brands in tier II and III cities, and rising growth of value apparel retail segment.

There is also likely to be a rebound in exports growth to 7-8% this year after two years of de-growth. The report said in the first six months of this calendar year, ready-made garment exports are already up over 10% year-on-year.

Source: economictimes.com- July 29, 2019

HOME

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Commerce Minister backs out of attending RCEP meeting in China

In a surprise move, India will be represented by Commerce Secretary Anup Wadhawan

Commerce Minister Piyush Goyal has backed out of the Regional Comprehensive Economic Partnership (RCEP) Intersessional Ministerial meet in China in order to participate in the extended session of Parliament that will now run till August 7.

“The Minister will not be attending the RCEP meeting in China, since he is the Deputy Leader of the Rajya Sabha and there are many important Bills that need to be passed that require him to be there,” an official in the Commerce Ministry told The Hindu.

Announced Friday

Mr. Goyal’s decision to not go for the RCEP meeting comes as a surprise since the decision that he would attend was announced as recently as Friday. Government officials are comparing Mr. Goyal’s cancellation to Foreign Minister S. Jaishankar’s cancellation of his trip last week to attend the BRICS meeting in Brazil.

However, the fact remains that India still sent a Minister — Minister of State for Road Transport and Highways V.K. Singh — in Mr. Jaishankar’s stead. India will be represented at the RCEP meeting on August 2-3 by Commerce Secretary Anup Wadhawan.

In the run up to the meeting, Mr. Goyal held several separate meetings with representatives from various Export Promotion Councils from the engineering, auto, chemical, pharmaceutical, leather, agriculture, marine and food processing, dairy, copper, zinc, aluminium, textiles, and gems sectors in Mumbai and New Delhi.
Fears, concern

During the meetings, almost every single one of the sector representatives raised serious concern over the RCEP trade pact, especially regarding their fears of what it would mean for India if it gives nearly unrestricted market access to China.

They fear that this would mean Chinese goods would flood Indian markets, edging out domestic players. Another concern was the lack of access for Indian services in the RCEP countries, which include the 10-nation ASEAN (Association of Southeast Asian Nations) countries and its six FTA (Free Trade Agreement) partners — India, China, Japan, Australia, New Zealand and South Korea.

India is engaging on issues related to RCEP at various levels, with trade negotiators visiting Zhengzhou, the capital of China's Henan province, until July 31, to conduct talks on achieving "substantial outcomes" by the November 1 RCEP summit.

However, it was expected that Mr. Goyal's presence at the RCEP meeting in China would lead to some headway in the negotiations, especially since China is such a source of concern for Indian industry.

Source: thehindu.com- July 29, 2019

HOME

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Climate concerns fuel demand for sustainable fashion

For designer Sunaina Sahani, 28, the meaning of fashion has changed in the past five years, since she started working with fast fashion brands. "A lot of fast fashion and volume-driven retail is not conducive to the changes that are happening in the environment.

My first-hand experience working with a few of them made me realize that adopting organic fabrics and natural dyes is the way forward if we want to save our planet," she said.

Sahani only buys brands that retail apparels made from organic and handwoven material, and ensure ethical manufacturing process.

Taking a cue from the increasing environment awareness and ethical fashion choices, a variety of big and small-scale fashion retailers, such as H&M, Wills Lifestyle, W and Akira Ming, are latching onto the concept of organic, or slow fashion.

These brands are creating clothing lines using organic material, natural dyes and designs that lead to minimal wastage and, in turn, cause minimum damage to the environment. The new trend addresses the concerns about the costs of the fast-moving industry, whose carbon emissions are estimated to be more than those of all international flights and maritime shipping combined. Although sustainable, or slow fashion, is still a small contributor to India’s apparel market, which will be worth $59.3 billion in 2022, it is the sixth largest in the world.

“Undoubtedly, sustainability is becoming a conversation among consumers, especially with the climate change issue. I feel it is a good start that brands are taking note of it," said Ankur Bisen, senior vice president, retail and consumer products, Technopa.

Today, textile production is the world’s second most polluting sector after the oil industry. The annual greenhouse gas emissions from textile production stands at 1.2 billion tonnes, says journal, Nature Climate Change.

Sunita Singh, 57, marketing head at an electronics company, says: “It helps to know that what you are wearing hasn’t hurt the environment. I don’t mind paying a little extra because I get the quality I want and, in a way, I support the organic movement."

In February, ITC Ltd-owned fashion retailer WLS (formerly Wills Lifestyle) said that all its garments will be made of natural fabrics and will be fully biodegradable. Even threads, buttons and labels will consist of purely natural elements. “Evolved consumers understand the consequences of their actions—on themselves, their communities and the planet," said Vikas Gupta, divisional chief executive, lifestyle retailing business division, ITC.

TCNS Clothing Co. Ltd-owned apparel brand W has also launched a Yolo collection made from environment-friendly fabrics.

Global fast fashion brand H&M, too, sells sustainable clothing through the “Conscious" line made from tencel blends, recycled polyester and sustainably-sourced cotton voile and linen blends. It has vowed to only use cotton from sustainable sources by 2020, and shift to recycled and other sustainably sourced materials by 2030.

“We have committed to become climate positive by 2040 for our entire value chain. We will work to reduce more greenhouse gas emissions than our value chain emits," said an H&M India spokesperson in an emailed response.

Apart from fabric, ethical practices also need to seep in through the manufacturing process. Slow fashion brands, for instance, ditch chemical dyes and opt for vegetable dyes and use water-based binders instead of petroleum binders for printing on cloth. Since organic fabric is not as elastic as factory-produced material conscious clothing tends to be mostly roomy or boxy which also need design innovation to be well-crafted.

According to Divya Ahluwalia, founder of fashion label Akira Ming which sells clothing made of khadi and silk with wooden, mother of pearl or coconut shell buttons on Etsy.com, design plays a huge role.

“The construction of the garment is such that it leads to minimal wastage and whatever scraps are left we use it to make patchwork cushions or donate it to non-governmental organizations to create up cycled products such as rugs," she added.

With fast fashion brands fuelling consumption among growing markets such as India, excess inventory and garment disposal by consumers continue to pose a serious question. “One brand, retailer or even a country can’t drive sustainability.

All these efforts need to be formalised through global accepted policies and regulations that can drive sustainability. Sadly, we do not have any such policies for sustainable fashion," said Technopak Advisors’ Bisen.

Source: livemint.com- July 29, 2019

HOME

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Container corporation plans coastal service to Bangladesh

To help evacuate export cargo from the region through Krishnapatnam Port

A coastal service from Krishnapatnam Port to Chittagong in Bangladesh for the benefit of exporters from the region is likely to be launched soon by the Container Corporation of India (CONCOR).

A fortnightly service initially, it will be targeted at exporters in and around Hyderabad, Bengaluru, many areas of Andhra Pradesh and Nagpur, primarily those supplying raw material and engineering products to the textile industry of Bangladesh.

“We are expecting that it would take a month or two [for the launch], CONCOR senior general manager (C&O), South Central Region D. Satyanarayana said, adding frequency of the service can be increased once the patronage picked up.

On the factors behind the proposed service, he said it follows demand from exporters. At present, containerised exports to Bangladesh from the region is routed through “JNPT on the west coast. Exports from some areas such as Guntur is sent by road,” he said on Friday. For CONCOR, whose strong point is rail movement, this will be first such service from the east coast.

At present, it operates a coastal service from Kandla that connects Mangalore, Kochi and Tuticorin. The vessel used for the service can carry 700 TEUs (twenty foot equivalent units). “We have been successfully running that, patronage is good and running on a weekly basis,” he said. Earlier on Thursday, he mentioned about CONCOR’s plans in response to queries at a seminar organised by Federation of India Export Organisations.

CONCOR is also evaluating the prospects of operating a rail service connecting Hyderabad, Chennai and Krishnapatnam.

The Corporation, he said, had introduced an incentive scheme from May 1. Under this, it provides volume discounts above 30 TEUs a month to encourage exporters from the region to use its services.

Source: thehindu.com- July 28, 2019

HOME

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Criteria for identifying risky exporters not made clear by CBIC: Expert

A subsequent Circular, says that only a miniscule percentage of export consignments are being selected for examination on account of risk associated with fraudulent availment of IGST refunds

Q. My query is regarding circular No. 16/2019-Customs dated June 17, 2019. I understand large numbers of exporters have been put on alert by RMCC subject to 100 per cent mandatory examination of export consignment relating to risky exporters. What are the criteria to identify risky exporters? Please advise remedial measures for exporters.

That Circular only says, "DG (Systems) shall work out the suitable criteria to identify risky exporters at the national level and forward the list of said risky exporters to Risk Management Centre for Customs (RMCC) and respective Chief Commissioners of Central Tax. DG (Systems) shall inform the respective Chief Commissioner of Central Tax about the past IGST refunds granted to such risky exporters (along with details of bank accounts in which such refund has been disbursed)". A subsequent Circular no. 22/2019-Customs dated July 24, 2019, says that only a miniscule percentage of export consignments are being selected for examination on account of risk associated with fraudulent availment of IGST refunds. However, keeping in view the issues raised by the trade, the Board has decided that the requirement of 100 per cent physical examination of each export consignment shall be gradually relaxed provided no irregularity was noticed in earlier examinations of export consignments of export entities in terms of Circular No. 16/2019-Customs dated June 17, 2019. It also says that that RMCC shall take into consideration the feedback received from field formations with regard to the 100 per cent examination conducted on exports of risk-based identified entities and wherever the examination has validated the declaration made in the shipping bill, RMCC may review the risk assessment and gradually taper down the percentage of physical examination. Suitable alerts based on re-evaluated risk may accordingly be inserted in the system by RMCC in such cases, the Circular says.

Q. We had exported certain goods where initially we had inadvertently paid lower IGST under refund claim. Subsequently,

after two months, we paid the differential amount of tax. Are we required to pay interest on the same?

In my opinion, you must pay the interest.

Q. Can you let me know the process of e-commerce through courier and post?

In case of exports through courier, you have to follow the procedure prescribed in the Courier Imports and Exports (Clearance) Regulations, 1998. For exports by post, you have to follow the procedures prescribed in the Exports by Post Regulations, 2018. The forms to be filled in by you for exports through e-Commerce are also given in the said Regulations.

Q. As an EPCG authorisation holder, we did job-work for an exporter by way of embroidery on garments and invoiced the exporter for the job-work done. Can invoice value in rupees representing job-work go towards discharge of export obligation (EO)? Is it in order to convert the rupee value of invoice into USD at the exchange rate prevalent on the date of issuance of authorisation?

There is no provision in the EPCG scheme to count such rupee earnings on domestic job-work towards discharge of EO.

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

HOME

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When end of season sales don't work, plan more sales

Doomed discounts: Weak sentiment, slowdown keep consumers at bay

The end-of-season sales for brick-and-mortar retailers have been worse than last year and high discounts have failed to prop up sales, multiple retailers said. Now, the retailers are bracing for a longer sales season even as the quantum of discounts has gone up to flat 50-70% at Marks & Spencer, Puma, Lifestyle and Shoppers Stop, among other retailers, with many offering additional cashbacks.

"It has been a lacklustre season," said Siddharth Bindra, managing director of ethnic-wear brand Biba. But he declined to share the numbers. "It is due to poor consumer sentiment."

The CEO of a global fashion group said the industry has seen a 12-15% decline in revenues this end-of-season sales (EOSS) compared to same discounting period in July-August last year. "There is hardly any consumption happening," he said, asking not to be identified. "The irony is that even after the discounts, it is not helping push sales. It is going to be a long cycle of correction."

Over the weekend, Dubai-based Lifestyle was offering up to 50-70% discounts on various products and was giving 10% cashbacks on payments through HDFC and Standard Chartered cards. Over the weekend, M&S sent text messages enticing consumers with flat 60% discounts and extra 15% off through coupons on womenswear.

"End of the season sales just got bigger," a text message to consumers from iconic retailer said, as the department store chain offered up to 60% rebate on various brands and products. "Like-tolike sales is flat compared to the EOSS last year," said Vasanth Kumar, chief executive of Lifestyle International.

Retailers said they were already sitting on inventories since December and the slowing economy is adding to their woes. "Consumption has been under pressure since December. It has been dull for most big brands," said another head of a global fashion brand.

The two main bi-annual sales seasons for brick-and-mortar have been losing sheen over the years in the face of continuous year-long discounting by ecommerce companies. Offline retailers have also been prompted to shell out discounts throughout the year in one way or the other. Since December, retailers have been offering discounts like one-day flat 50% sales or mid-season sales to lure customers.

Now, retailers are nervous and keeping their fingers crossed that the prevailing slowdown doesn’t impact their bread-and-butter festive season. “We are hoping it doesn’t spill over into the festive season,” said Bindra of Biba. “But at this time there is no sign of any turnaround happening.”

Source: economictimes.com- July 30, 2019

HOME

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