US 71.78| EUR 79.31 | GBP 87.45| JPY 0.68

Cotton Market

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

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
</tr>
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<tbody>
<tr>
<td>20526</td>
<td>42900</td>
<td>76.18</td>
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</table>

Domestic Futures Price (Ex. Warehouse Rajkot), August

<table>
<thead>
<tr>
<th>Rs./Bale</th>
<th>Rs./Candy</th>
<th>USD Cent/lb</th>
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<tbody>
<tr>
<td>20950</td>
<td>43786</td>
<td>77.75</td>
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International Futures Price

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<tbody>
<tr>
<td>NY ICE USD Cents/lb (December 2019)</td>
<td>59.00</td>
</tr>
<tr>
<td>ZCE Cotton: Yuan/MT (January 2020)</td>
<td>12,495</td>
</tr>
<tr>
<td>ZCE Cotton: USD Cents/lb</td>
<td>79.25</td>
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Cotlook A Index – Physical

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<tr>
<td>Cotlook A Index – Physical</td>
<td>70.10</td>
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</tbody>
</table>

Cotton Guide: The market however remained consolidated along with the current prevailing secondary Trend. However, the primary trend is still sloping downwards.

The ICE contracts settled slightly higher across the board yesterday. The ICE December contract settled at 59.00 cents per pound with a change of +27 points. The reason attributed to this minor rise was attributed to some short covering by fund houses. Usually at the end of the month, fund houses liquidate their positions to put forth better figures in their books.

This therefore negated the effect brought in by the weaker US Export Sales Data and took the prices onto higher grounds.
The US Export Sales data was released last evening. As expected the data was somehow decent putting forth figures which did not indicate a clear direction of the market sentiments.

**Upland-**

Net Sales were recorded lower as compared to the previous week. Net sales amounted to 146,000 Running Bales for the year 2019/2020.

<table>
<thead>
<tr>
<th>Country</th>
<th>Increases in Running Bales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>46,100</td>
</tr>
<tr>
<td>Vietnam</td>
<td>27,800</td>
</tr>
<tr>
<td>India</td>
<td>20,800</td>
</tr>
<tr>
<td>Mexico</td>
<td>16,100</td>
</tr>
<tr>
<td>Malaysia</td>
<td>15,200</td>
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</tbody>
</table>

**Table 1:** Net Sales of 146,000 Running Bales for 2019/2020

Reductions were reported for China (4,600 RB), the Philippines (2,600 RB), and Colombia (2,200 RB).

<table>
<thead>
<tr>
<th>Country</th>
<th>Increases in Running Bales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mexico</td>
<td>17,000</td>
</tr>
<tr>
<td>Peru</td>
<td>5,300</td>
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</table>

**Table 2:** Net Sales of 23,200 Running Bales for 2020/2021

**Exports were at 171,000 running Bales**

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports in Running Bales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>39,700</td>
</tr>
<tr>
<td>Indonesia</td>
<td>19,100</td>
</tr>
<tr>
<td>Mexico</td>
<td>17,500</td>
</tr>
<tr>
<td>Turkey</td>
<td>16,900</td>
</tr>
<tr>
<td>India</td>
<td>15,600</td>
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</tbody>
</table>

**Table 3:** Exports were at 171,000 running Bales

**Pima-**

Net sales of Pima totaling 4,900 RB were primarily for Pakistan (2,200 RB), Thailand (1,000 RB), India (700 RB), Bangladesh (600 RB), and Japan (300 RB). Exports of 6,200 RB were primarily to India (3,000 RB), El Salvador (1,000 RB), Turkey (500 RB), Thailand (400 RB), and Peru (400 RB).
The MCX cotton contracts settled negative for the last month MCX August. MCX August contract settled at 20,950 Rs per bale with a change of -90 Rs. Today is the last day of the MCX 2018/2019 contract year. The ZCE January contract on the other hand aligned with ICE and settled positive at 12,495 Yuan per tonne with a net change of +45 Yuan.

Fundamentally speaking, there is no distinctive news which is out at the moment. Trading at ICE was seen at 19,000 contracts which indicate that huge trade is still distant. We therefore presume a sideways trend for ICE. For MCX October we also see a sideways trend with a bias towards the negative end.

On the technical front, prices has given a break down from the bearish flag pattern accompanied with negative crossover of the EMA(5,9)=(58.66,58.77) suggest the base trend is bearish. Bullish hammer candlestick pattern may restrict the downside, but closed above the bear flag support line suggests prices have entered into the trading zone of 58-60.

Relative strength index (RSI) having a positive divergence with prices may also limit the downside. Trading in the range of 58-60 is recommended for the day. Closing above 60.20 will be the first sign of upside reversal. In the domestic market MCX October future is expected to trade in the range of 19400-19700 with a sideways trend.

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

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### NATIONAL NEWS

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INTERNATIONAL NEWS

USA: Retailers Urge Trump to Delay New Tariffs Just Days Before They Take Effect

President Trump has given U.S. businesses little time to prepare for newly imposed tariffs, and many have turned their frustrations into an appeal to have the tariffs delayed.

In a letter to the president sent Wednesday, the Americans for Free Trade Coalition—which includes industry and retail organizations like the American Apparel & Footwear Association (AAFA), Footwear Distributors and Retailers of America (FDRA) and the National Retail Federation (NRF)—implored Trump to “postpone all tariff rate increases on Chinese goods that are scheduled to take effect this year.”

Currently, new tariffs on Chinese apparel and footwear imports are scheduled to take effect on Sunday, Sept. 1, with another set from the Tranche 4 tariffs seeing the additional duties roll out on Dec. 15. On Oct. 1, existing 25 percent tariffs on $250 billion worth of goods from China are set to climb to 30 percent.

“These tariff rate increases—some starting as early as Sunday—come at the worst possible time, right in the middle of the busy holiday shipping period,” the Coalition wrote in the letter. “Action is needed by you to protect American businesses, workers and consumers this holiday season.”

Trump’s delay of some tariffs to Dec. 15 reportedly was an effort to protect holiday retail and allow some companies to stock their shelves before the tariffs hit. But with as much as 77 percent of apparel staring Sept. 1 tariffs in the face, and considering apparel remains a major holiday buy, the impact on peak season retail could still be damaging. Some experts believe the adverse effects could extend through the first two quarters of the coming year.

“In remarks earlier this month, you recognized that delaying some tariffs would avoid hurting American consumers over the holidays. Unfortunately, a large portion of holiday merchandise will still be hit by September and October tariff increases at an even higher rate than was initially anticipated,” the letter continued. “With some products facing tariffs as high as 30
percent, many businesses will have no choice but to pass along those costs to consumers. Price increases will likely hit shoppers just as they are making their holiday purchases.”

What’s more, many American businesses still rely on inputs from China, which means new tariffs will also wreak havoc on U.S. manufacturing—something Trump indicated as recently as last week that he wanted to see happen, particularly in light of the ever-escalating trade war.

“Our great American companies are hereby ordered to immediately start looking for an alternative to China, including bringing...your companies HOME and making your products in the USA,” the president tweeted last Friday.

Though he might not, in fact, order U.S. businesses out of China, the sentiment was clear—and also in contrast with what the new tariffs would do.

“Because many of our industrial inputs are still sourced in China, these new tariffs will act as a tax on U.S. manufacturers and U.S. farmers, whose costs will now increase. And because these tariffs were announced with little warning, it is impossible for U.S. importers to share the burden with supply chain partners in China or shift their production to other countries,” the Coalition’s letter noted. “The full adverse impact of these tariff increases will be felt entirely in the United States and could represent one of the largest tax increases in American history.”

On the footwear side of the business, the fight has been impassioned.

In a separate letter to the president Wednesday, more than 200 American footwear companies urged Trump to cancel the tariffs altogether.

“Although tariffs on some products from China will be delayed until December, the majority of footwear product lines face an added 15 percent tariff on September 1st. This American tax is on top of already high footwear tariffs that average 11 percent and reach 67 percent on some shoes. The highest tariff rates generally fall on lower value shoes and children’s shoes, driving up costs for hardworking American families,” the letter noted.
When import costs for footwear rise and fall, either based on the price of materials, transportation, labor or tariffs, those cost increases or savings almost immediately land in the consumer’s lap, the letter noted. The added 15 percent tax, according to FDRA, will cost U.S. consumers an additional $4 billion each year.

“The September 1st tariffs on footwear will also mean these massive tax increases hit tens of millions of Americans when they purchase shoes during the holiday season,” the letter said, noting that what’s perhaps even worse for the consumer, “The tariff threat on China has the potential to drive up prices in other footwear sourcing countries, as demand has spiked with limited production capacity. As a result, U.S. consumers could face higher prices even before the new tariffs take effect.”

President Trump largely has been mum on next steps for the tariffs with the rollout date just days away, meaning that at this stage, a delay for the Sept. 1 tariffs may be unlikely. The industry, however, is making its best attempt to be heard.

“This uncertainty the China trade war has brought to our industry is stifling U.S. growth and halting capital investment in jobs, infrastructure, technologies, and more competitive pricing for our customers,” the footwear companies’ letter warned.

“On behalf of our hundreds of millions of American footwear consumers and hundreds of thousands of employees, we ask that you immediately terminate the scheduled tariff increases on footwear.”

Source: sourcingjournal.com- Aug 29, 2019
Turkey identifies 17 countries, 5 sectors for sustainable exports

Embarking on a quest for sustainable exports, Turkey has now launched an approach that includes the unleashing of long-term export potential and puts forward a sustainable strategy that will help the country multiply its exports. As part of the Export Master Plan, which was prepared as a result of meticulous efforts carried out by the Trade Ministry in close cooperation with relevant stakeholders, Turkey aims to extend the positive performance in foreign sales to coming years and develop, increase the volume, tech composition and value-added of the exports.

As part of the new road map, it has selected 17 target countries to where it aims to double its exports, and five target sectors, said Trade Minister Ruhsar Pekcan at the announcement ceremony for the plan in Istanbul Thursday. "These countries include the U.S., Brazil, China, Ethiopia, Morocco, South Africa, South Korea, India, Iraq, the U.K., Japan, Kenya, Malaysia, Mexico, Uzbekistan, Russia and Chile," Pekcan said.

Combined, these countries make up 60% of the global gross domestic product (GDP), are responsible for 43.7% of global imports and are destinations for 25.2% of Turkish exports. In addition, the ministry prioritizes five target sectors, including machinery, automotive, electric-electronic, chemical and the food industry, Pekcan added. "We aim for a sustainable export approach within the scope of the plan," she said.

The new plan also outlines a strategy for special free-trade zones, areas with special regulatory treatment for businessmen and investors that aim at promoting export-oriented investment and production, accelerating foreign direct investment and technology access, directing enterprises toward exports and developing international trade.

Through these special zones, Turkey aims to increase the current 3.5% share high-tech products have in overall exports to 5%, the minister said.

"We aim to increase high-tech production and attract foreign investors to our country with the support we will provide to these regions," Pekcan noted.
Elaborating on the plan's preparation process, Pekcan underscored that they took into account targets set out in the 11th Development Plan, noting that they aim for $226.6 billion in exports.

The five-year development plan, covering the period from 2019 to 2023, was ratified by Parliament earlier last month and identifies the production of high value-added, medium-high and high-tech products, using domestic facilities and capabilities as one of its main priorities.

Pekcan went on to say that the actual target would be to even go over this target by closely following the global trade wars and technological transformations.

**DOUBLE SHARE IN IMPORTS IN TARGET COUNTRIES**

The minister underscored that, with a "target country, target sector" approach, they are aiming to double the share Turkey has in imports of the target countries.

What's more, an aim will be to follow and catch the sectoral trends in the world and become a successful exporter in these sectors, Pekcan added.

In this context, she pointed to current shares certain sectors have in global trade, noting that textile and ready wear has a 4.4% share in global exports, while it has a 17% percent share in Turkey's exports.

While the automotive sector's share in global exports stands at 12.2%, the same figure in the country's exports is at 15.2%. In addition, machinery has a 12.5% share in global exports, a figure that stands at around 14.2% in Turkey. Chemical industry products hold an 11.2% share in the world, while the same figure stands at around 6% in Turkey's exports.

"We have a need for an increase in exports of the chemicals sector," Pekcan noted. "What's more important, the share of software and informatics in global exports is 10.5% but in Turkey, this share is 1.3%," she added. On the other hand, she also highlighted the ministry's efforts in digitalization.

"We have a very new study called Smart Export Platform, a three-stage project. It includes a comprehensive study that will be completed in six months, 12 months and 18 months," Pekcan said.
"We implement blockchain applications in every field of foreign trade. With our e-export strategy, we open up our exporters, especially our SMEs [small and medium-sized enterprises], to the world," she noted.

Pekcan emphasized that by making fast, easy and safe applications in digitalized customs, they provide both time and financial gain in exporters' transactions.

**FOREIGN TRADE GAP DROPS BY ALMOST HALF IN JULY**

Separately, according to the figure announced yesterday by the national statistical body, Turkey's foreign trade gap in July dropped by almost half the figure from the same month last year.

The country's foreign trade deficit amounted to $3.2 billion last month, down from $6 billion in July 2018, the Turkish Statistical Institute (TurkStat) said. Exports were up 7.8% year-on-year and hit $15.2 billion, while imports dropped by 8.5% to $18.4 billion during the same period.

Furthermore, the rate of exports meeting imports was 82.6%, up from 70% in July of last year, the institute said. Germany remained Turkey's top export destination in July, receiving $1.4 billion worth of Turkish goods.

"The country was followed by the U.K. with $1 billion, Iraq with $770 million and France with $741 million," TurkStat said.

During the same period, Russia was the top source for Turkey's imports with $2 billion, followed by Germany with $1.8 billion, China with $1.7 billion and the U.S. with $1.3 billion.

**EXPORTS TOTAL NEARLY $99 BILLION IN 7 MONTHS**

As for the January-July period, the country's exports jumped by 2.7% on a yearly basis to nearly $99 billion.

Imports saw an annual decline of 18.3% to $117 billion in this period.

The foreign trade gap in the first seven months of the current year slipped by 6.4% year-on-year to $18.1 billion.
In 2018, Turkey's exports hit an all-time high of $167.9 billion, while the figure was nearly $157 billion in the previous year, according to official data.

Source: dailysabah.com- Aug 29, 2019

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**Bangladesh, Argentina agree to boost trade**

Bangladesh and Argentina recently agreed in principle to boost bilateral trade by taking necessary steps and identifying sectors for mutual cooperation. Several Argentine ministers in meetings with visiting Bangladesh commerce minister Tipu Munshi expressed their interest to strengthen the existing economic ties, according to the commerce ministry.

Argentine production and labour minister Dante Sica told Munshi a stakeholder meeting on import duty cut for readymade garments (RMG) would be held next month, according to Bangla media reports.

Argentina’s agriculture, livestock and fisheries ministry showed keenness to sign a memorandum of understanding to strengthen technical cooperation in agriculture, cattle rearing, fisheries and sports.

Munshi also met the Argentine foreign minister and mentioned about the November 2018 free trade agreement (FTA) proposal to the MERCOSUR, the southern common market comprising Brazil, Argentina, Paraguay and Uruguay.

The minister assured Munshi that the proposal would be discussed in the next MERCOSUR Conference.

Munshi also met leaders of trade bodies and sought their cooperation for importing more RMG, pharmaceuticals, jute, shoes and plastic items.

In the last fiscal, Bangladesh imported goods worth $622 million from Argentina against exports of $18 million.

Source: fibre2fashion.com- Aug 29, 2019

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Pakistan: Export surge registered outside the five supported sectors

Export data for July 2019 on the State Bank of Pakistan website shows that exports increased by 11 percent, but this surge was outside the five exporting sectors – textile exports increased by only 4 percent.

Government of Pakistan provides power and energy at subsidised rates to the textile sector, leather goods, sports and surgical goods and carpets. Besides other export incentive like rebates on additional exports from last year are also provided.

The other exporting sectors buy power at 25 percent tariff and gas (in Punjab only) at 70 percent higher tariff. There are no other incentives to these sectors.

These sectors were able to boost their exports on the strength of weaker rupee that has lost almost 40 percent of its value in last 18 months. These sectors are also bearing the brunt of regular increase in power and gas tariff.

There is nothing to rejoice on the performance of five major exporting sectors that are being facilitated by the state. Most of these sectors have inherent weaknesses relating to technology, efficiency, management and marketing skills.

The inability of these sectors to benefit even nominally from the massive devaluation speaks volumes of the trouble they are in.

Textile accounted for almost 55 percent of the total exports of the country in July 2019. Out of total exports of $2.23 billion the textile exports were $1.226 billion. These exports were 4 percent higher than the exports of $1.189 billion achieved by the sector in July 2018.

Had the textile exports increased even in line with the national export increase, they would have gone up to $1.32 billion and the national exports would have registered an increase of 14 percent to $2.29 billion.

This export figures coincide with Prime Minister’s Advisor on Commerce Razzak Dawood’s announcement in the second week of August that the total exports have surged 14 percent in July.
In reality, the increase was only 11 percent which perhaps is the reason that the Pakistan Bureau of Statistics has not posted the export figure for July on its website.

In case of textiles it is worth noting that the exports of cotton yarn declined from $121 million to $11 million. The export of fabric similarly registered a nominal decrease.

These two sub sectors of textiles are the largest beneficiaries of subsidised gas and power. Power and energy in fact is their costliest input after cotton.

Exports of knitwear increased by little over five percent, while bed-wear exports increased by seven percent, and towel exports increased by three percent. Readymade garment was the only sub-sector of textiles where the exports increased above the national average of 11 percent to over 13 percent.

The performance of other favoured sectors was also largely disappointing. No impact of devaluation was seen in their exports.

There was decline of over 25 percent in the export of tanned leather, leather manufactures’ exports also declined by above 20 percent, while footwear exports registered 20 percent increase; surgical goods went up around seven percent, and sports goods exports increased by nine percent.

Among the non-traditional sectors, the exports of engineering goods went up by more than 200 percent, jewellery 100 percent, Basmati rice 50 percent, meat and meat preparation 50 percent, rice by petroleum group surged by over 20 percent, and general chemicals by 14 percent.

Economic planners should analyse the past one year performance of each exporting sector and find out which sectors benefited from the decline in rupee value. These are the sectors that seem to have attained competitiveness.

Then find out the impact of high power and gas rates on the products exported by these sectors. Moreover, they should also find out as to how many sectors do not claim refund of sales tax they pay at various stages of production.
The surge in their exports despite this drawback demands that they should be properly facilitated to benefit from the competitiveness they have achieved without any government support.

The traditional exports would not go up without technology upgrade. Government would be wasting its resources in trying to keep these sectors afloat.

Source: thenews.com.pk- Aug 30, 2019

Pakistan exports 70 per cent of its textiles

About 70 per cent of the textile production of Pakistan is exported. This is further complicated by the structure of the industry which is fragmented with few vertically integrated companies leading to multiple taxation of the same goods. The bulk of the textile output is from indirect exporters such as spinners, weavers, finishers etc whose products after finishing are finally exported.

Withdrawal of zero rating has impacted the system badly. Only 90 per cent of the input tax will be allowed to be set off against output and 10 per cent is refunded 14 months later.

Coupled with the four per cent withholding tax, and the additional funds required to pay the 17 per cent GST in the first place, there appears to be no chance of the industry’s surviving the additional working capital requirement or the wiping out of the slim margins and the already low profitability. This will necessarily turn into a loss for the great majority of the registered and compliant units in the sector leading to their imminent closure.

About 70 per cent of the revenue comes from withholding taxes. These are extremely regressive in nature as they are applied to turnover and not on margins or profitability of the company.

Source: fashionatingworld.com - Aug 29, 2019
NATIONAL NEWS

Textile boost: Govt eyes use of technical textiles mandatory in these many areas, to bring new HSN codes

The government on Thursday said that it is in the process of finalizing 40 new Harmonized System of Nomenclature (HSN) codes for technical textiles sector in coming months even as it has already set up HSN codes for 207 items. “Another list of 40 such HSN codes have been under consideration and in the next few months we will have dedicated codes for 40 such items,” Ravi Capoor, secretary, Ministry of Textiles said.

“It is a great beginning because technical textile applications are very physical such as defence, medical, fire retardant, roads, railways, infrastructure etc.

For example, bullet-proof jackets are made of ‘Kevlar’ fabric with certain standards which if not met can let bullet penetrate the fabric. So standards are very critical for manufacturing of technical textiles,” T.K. Sengupta, President, The Textiles Association (India) told Financial Express Online.

HSN code is a globally accepted product description and coding system. The minister, speaking at an industry event, also stressed on the government’s plans to make use of technical textiles in over 90 areas mandatory.

Technical textiles is a “sunrise industry” and there is a need for an ecosystem for time-bound research in the institutions for technical textiles segment, the minister highlighted in a statement, adding that the global market size of technical textiles is around $200-250 billion with a ‘very high’ CAGR. However, India lags with respect to the annual growth rate of the sector.

The development comes amid the slowdown in demand in textiles that is putting the survival of its MSMEs in jeopardy. “The textiles industry is going down for the last 1.5-2 years performing well below its capacity but the government is not bothered about it.

Since there is very poor demand, MSMEs are finding it tough to survive and curtailing their workforce. In such case, skill development is the secondary thing,” Sengupta had said earlier.
The industry currently has a gap of 16 lakh trained skilled workers, Capoor had said earlier this month even as the Cabinet Committee on Economic Affairs had approved the formation of Samarth from FY18 to FY20 called as a “placement oriented programme” for meeting the skill requirements of the textiles sector. The scheme has targeted training 10 lakh youth by 2020 across spinning and weaving in the organized sector, with a projected outlay of Rs 1300 crore.

Moreover, the disparity in GST rates has also been irking the sector. “Prices for making cotton yarn is higher due to which those buying yarn and making fabric are finding it very expensive. So there is poor demand. GST is 18 per cent for synthetic fibre and when the yarn is made the GST is 12 per cent while for making fabric it is 5 per cent. So there is the abnormality of GST,” Sengupta had said adding that $16-17 billion worth annual garment exports of India are lower than countries like Bangladesh that exports garments worth $30 billion.

Nonetheless, Dr V K Saraswat, Member, NITI Aayog stressed on having an umbrella organization for better coordination between the industry, R&D centres and government.

Source: financialexpress.com - Aug 29, 2019

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**Current slowdown a cyclical downswing: RBI**

*Manufacturing, hotels trade, construction, communication, agri sectors worst hit*

The recent deceleration in the economy could be in the nature of a soft patch mutating into a cyclical downswing, rather than a deep structural slowdown, according to the Reserve Bank of India’s annual report for 2018-19.

RBI’s disaggregated analysis confirms that a broad-based cyclical downturn is underway in several sectors – manufacturing; trade, hotels, transport, communication and broadcasting; construction; and agriculture.

The central bank also said there are still structural issues in land, labour, agricultural marketing and the like, which need to be addressed.
When it comes to determining the policy responses, the RBI observed that illustratively, a soft patch can be looked through, while a cyclical downswing will warrant counter-cyclical actions in terms of monetary and fiscal policies, but a structural slowdown will need deep-seated reforms.

As per the report, half way through the financial year 2019-20, several uncertainties weigh on the near-term outlook for the global economy and India. The macroeconomic environment remains unsettled and financial markets are experiencing considerable flux as the financial year 2019-20 progresses.

The central bank underscored that the deceleration in industrial output and its main component – manufacturing – to below 4 per cent during 2012-19 has larger consequences in terms of employment and income generation in both rural and urban areas.

“While the persisting weakness in capital goods production has evoked concerns about the investment slowdown, a source of worry is the subdued performance of consumer non-durables as well. In coincident movements, sales of leading consumer goods companies have slumped, and volume growth of FMCG products has fallen to single digit rates.

“Clearly, rural demand has been sapped by weaker harvests in 2018-19 relative to preceding years, and depressed crop prices. This has brought forward concerns about consumption joining investment in the overall slowdown, which is worrisome as consumption accounts for 57 per cent of GDP. This challenge naturally ascends the hierarchy of policy priorities,” the report said.

What ails animal spirits?

Currently, the capex (capital expenditure) cycle remains muted, with firms preferring to intensely utilise existing capacity to meet demand rather than expand it. The downslide in sales growth of manufacturing companies is impacting sentiments, the RBI said.

“What ails the animal spirits? At the core is the issue of domestic demand. And what should be the policy focus?
"Continuing focus on improving ease of doing business; reforms in factors of production -- land and labour; capitalising on opportunities opened up by the heightened trade tensions; and faster implementation of capital expenditures by public authorities, and similar other measures have the potential to inject growth impulses into the economy,” the central bank reasoned.

The RBI recommended that going forward fiscal readjustments to boost growth without accumulating public debt warrant improvement in spending for infrastructure and the social sector, given the high capital expenditure multiplier.

On the revenue side, tapping the full potential of GST (goods and service tax) and digitisation, coupled with renewed efforts towards improving ease of compliance may help open up room for reduction of tax rates where possible, while maintaining revenue neutrality.

The RBI assessed that reviving consumption demand and private investment has assumed the highest priority in 2019-20.

This may involve strengthening the banking and non-banking sectors, a big push for spending on infrastructure and implementation of much needed structural reforms in the areas of labour laws, taxation, and other legal reforms, which will also enhance ease of doing business in pursuit of fulfilling the vision of India becoming a $5 trillion economy by 2024-25.

Source: thehindubusinessline.com - Aug 29, 2019
PRO Ecuador collaborates with Indian textile manufacturers

PRO Ecuador, a part of the ministry of production, foreign trade, investment, and fisheries, under the Government of Ecuador, has been collaborating with Indian textile manufacturers like Raymond, Blackberry, SS Homme etc., to drive the use of Corozo, also known as Vega Ivory, to promote green clothing and drive sustainable clothing trends in India.

Corozo, a native of the Amazon rainforest in Ecuador, has been harvested naturally and used as a popular material for buttons and embellishments since the 1860s. While it was extensively replaced with plastic in the 1940s, Corozo is again gaining popularity, especially in India.

Ecuador has been one of the largest exporters of Corozo to India and worldwide. As the only exporter of Corozo in the world, Ecuador has been effectively providing and promoting the use of Corozo to textile manufacturers and designers, helping change the narrative and design of global fashion. In the recently concluded Lakme Fashion Week, PRO Ecuador collaborated with a designer label, Ka Sha to showcase the versatility of Corozo, which was very well received.

The Indian textiles industry, currently estimated at around $108 billion, is expected to reach $223 billion by 2021. It contributes approximately 5 per cent to India’s Gross Domestic Product (GDP) and 14 per cent to the overall Index of Industrial Production (IIP).

Further, the organised apparel segment is expected to grow at a compound annual growth rate (CAGR) of more than 13 per cent over a 10-year period. With the introduction of Government investment schemes (TCIDS and APES), $140 billion of foreign investments are expected.

"Even as these factors drive the growth, the rising consumer trends around sustainable fashion and 'green' clothing, is gaining popularity. Especially the millennial consumer, who is more aware of global trends and responsible consumerism, and the upwardly mobile, are driving a number of Indian designers to churn out chic ‘green fashion’ lines," PRO Ecuador said in a statement.
As per a UN report, the global fashion industry produces 20 per cent global water wastage and 10 per cent of global carbon emissions—more than all international flights and maritime shipping. "Apart from returning to natural dyes, organic fabrics and traditional modes of manufacturing, the use of eco-friendly products for accessorising and embellishments will go a long way in making fashion truly green and sustainable," the statement added.

Source: fibre2fashion.com - Aug 29, 2019

Is another global recession round the corner?

The probability seems high, especially if there is no quick end to the trade and tech war between the US and China

Economists are reasonably good at analysing past economic events. At the same time, they are said to have a pretty bad record when it comes to forecasting. With this caveat in mind, what is the current thinking on the question: Is another global recession (the last was the Great Recession of 2007-09) likely in the near future?

Statistically, the probability of another global recession happening soon is increasing, especially if the current economic expansion continues. Already, the expansion in both the US and the EU has lasted longer than the average historical cycles. So, analysts are looking for reasons behind this apparent lengthening of the business cycle.

Some are saying that in the past most of the business cycles were ‘inventory cycles’, meaning that economic expansion eventually led to a build-up of excess inventories which, in turn, meant less production in order for inventories to return to normal levels.

Thus recession inevitably followed expansion after a lag. But, in recent years, because of ‘just-in-time’ inventory control and other methods of quicker response to changes in demand (due to revolution in information flows, computerised production and control of supply chain), the length of the typical inventory cycle is expanding.
Low interest rates

The monetary policy pursued by the major central banks is also being held partially responsible. Overly loose monetary policy with policy interest rate hovering in the 0.5-1 per cent range, and in some cases even being negative, has been pursued for too long.

This process has been helped by the fact that despite unemployment reaching historically low numbers, the growth of wages and prices has remained below the target rates of central banks. Hence, the reversal of the interest rate cycle is taking much longer.

China, the second most important economy in the world, at the first sign of a slowdown in growth has turned to the time tested fiscal stimulus, of massive infrastructure spending even if it means exacerbating the already alarming public debt. Also, Chinese savings and resources are being used abroad as part of the country’s Belt and Road Initiative. Among other things, this is pushing up demand for Chinese made machinery and metals.

Another structural change is the declining share of manufacturing and a corresponding rise in the share of services in most economies. So, even when manufacturing activity has suffered due to factors like trade war, spending on R&D and advertising has helped stabilise the economies. Similarly, a fall in oil prices forced shale oil companies to reduce extraction but the ongoing research on alternative energies kept up the total spending by the energy sector.

Politically, faced with a trade-off, growth with moderate inflation is being preferred over recession and unemployment. Thanks to Keynesian economics, economists and policymakers have broadly mastered the art of preventing a recession from sliding into full-blown depression.

Rising debt with fiscal stimulus shifts the burden of extra taxes to service debt on future generations. Here, again, a distinction should be made between domestic debt and foreign debt. Servicing of domestic debt involves transfer from domestic taxpayers to domestic bondholders and is likened to a transfer of money from one pocket to another.
By contrast, a foreign debt has to be serviced by transferring ownership of a part of GDP to foreigners, which cuts into the standard of living of domestic residents. As it involves payment in foreign exchange, it is further subject to risks arising out of fluctuations in the exchange rate.

The US, even when it finances its fiscal deficit by using foreign money, does so usually in dollars and, therefore, escapes the exchange rate risk. China’s debt is predominantly domestic and is financed by state-owned banks, which, therefore, cancels out for the consolidated public sector. Hence, both the US and China are less deterred by their mounting debt problem and can afford debt-financed spending to a larger extent than many other countries.

However, the ongoing trade and technology war between the two nations, by disrupting global supply chains, is creating huge uncertainties for business in many countries. This is, currently, the single biggest factor which has the potential to start a global slowdown and, if not reversed, may snowball into a global recession.

Source: thehindubusinessline.com - Aug 29, 2019

Piyush Goyal asks bankers to ease export credit flow

As export credit continues to contract, commerce and industry minister Piyush Goyal on Thursday held a meeting with senior public-sector bankers to push for easier and greater flow of loans at cheaper rates. This comes amid expectations that the government would soon announce a slew of steps to boost faltering export growth.

Both the government and the Reserve Bank of India (RBI) are already in discussion to ease priority-sector lending norms for exports. Though the central bank is learnt to be reluctant to allocate a part of its foreign exchange reserves for export credit — as is being demanded by some — to boost flow of loans, it is amenable to changes in credit norms.

Currently, exporters with a turnover of up to Rs 100 crore each are eligible for credit under the priority-sector norms. Sources had earlier told FE that RBI was considering a proposal to either scrap or substantially double the limit to benefit more exporters. Similarly, the maximum sanctioned limit of
loans is also likely to be raised to Rs 40 crore per borrower from the current Rs 25 crore. Even the cap on export credit at 2% of banks’ total loans could be relaxed soon.

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According to the latest RBI data, banks’ export credit shrank as much as 36.1% year-on-year as of June 21, even on a low base (it had contracted 42.7% a year earlier). This is despite the fact that non-food bank credit grew 11.1% y-o-y as of June 21 and overall priority-sector loans rose 10.2%.

Contraction in such credit flows has forced many MSME-exporters to shut shop at a time when a global trade war has already threatened to drag down both economic and export growth, industry has told the government. India’s merchandise export growth collapsed to just 0.6% in April, 3.9% in May, -9.71% in June and 2.2% in July.

“Greater and cheaper credit was high on agenda in today’s meeting. The minister also called for easier procedures to ensure that even small exporters get loans without difficulty,” a source who attended the meeting told FE.
Once tweaked, the revised priority sector lending norms and certain enabling guidelines are expected to release additional credit of anywhere between Rs 35,000 crore and Rs 68,000 crore for exporters, according to an RBI assessment.

Earlier this month, finance minister Nirmala Sitharaman, too, held a crucial meeting with both private and public-sector banks on easing the flow of credit to various critical sectors of the economy. To bolster state-run banks’ ability to boost lending, the government has already said it will provide the budgeted Rs 70,000-crore capital to them “upfront” in FY20. This infusion is expected shortly.

Also, the commerce ministry has already circulated a cabinet note to phase out the flagship Merchandise Exports from India Scheme (MEIS) with a more WTO-compatible regime under which various state and central levies on inputs consumed in exports will be reimbursed. Goyal has already held a series of meetings with exporters to address their concerns.

Source: financialexpress.com- Aug 30, 2019

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**Diversion of trade from China could see our exports rise 3-5%: Radhika Rao, DBS**

*The role of yuan as an influencer for the rupee has also increased.*

**In your report, you have highlighted several reasons why trade war matters so much to India. How is India poised to benefit from it and what are the key triggers one should look forward to?**

The subtle idea was to share how it matters to India as well. There are a few channels through which we could feel the impact. I do like to think that it is a challenge as well as an opportunity for the economy. Essentially, the US and China are at the centre of this trade dispute. They are not only the two largest economies of the world but they also have the highest export share globally. So, it is not surprising that with these two countries on a warring path, there is an impact on the rest of the region, particularly Asia.
From India’s perspective, the first thing to look at predominantly would be what it means for overall global exports. Even though we have a very small share of global exports, nonetheless our experts track global exports very closely and if there is any change in terms of the trend there, it affects us too.

In the first four months of FY20, exports growth on average has been slightly in the negative. We should watch that as the first point and the second point of course is that there is backward linkages into the economy. Exports account for about 18%-20% of GDP and in the past whenever we have had strong growth, it has been at the time when exports generally have been growing quite strongly globally as well and hence there are quite solid backward linkages to our economy in terms of manufacturing industry.

A slowdown in exports could see the export-oriented part of the economy getting impacted as well. Finally, since the trade has been intensifying in the past couple of months and there is a substantial amount of uncertainty, you can see that show in various pockets in the markets -- a part in the dollar, a part in the equity market action as well as the bond markets. So, that too trickles down to the Indian markets. I would like to think they are not as exposed as some of the North Asian countries but certainly something that we should look out for as well as a global catalyst that would challenge our performance but provide opportunities in terms of diversion of trade as well as potential FDI opportunities down the line.

**What should one to watch out for in terms of exports? Will rupee depreciation act as a cushion?**

Certainly. A couple of things can be noted here. One, we export to the US as does China, but China has a bigger share of exports to the US. Our export basket predominantly consists of raw materials and intermediate products. In that sense, you would think chemicals, animal, vegetable products, minerals, gems and jewellery as well as basic metals are some of the sectors that could benefit from any diversion in trade. The benefit could be to the tune of 3 to 5% of our total exports. So that is number one.

Secondly, taking the currency perspective, the rupee depreciation that we have seen particularly in this September quarter has been due to geopolitical tensions as well as the escalation in trade war.
Apart from just watching the impact on global growth and global exports on our performance, there is also the FX channel again dollar which is the dominant influencer for us. But the role of yuan as an influencer for the rupee has also increased.

In fact, when we did some back testing, we found out that up until 2014-15. our correlation with the yuan movement was not that strong but since then, the extent to which rupee gets influenced by yuan has increased. So, the coefficients have actually been increasing in the past four, five years.

Again, it has been a combination of dollar and the yuan but the point I am trying to make here is that one should also watch out for yuan to be able to see which direction the rupee will be heading.

The good part is that domestically the government has already recognised this and there is an effort to take double fork attempts not only provide support to exports but also look at the domestic policies which can provide stronger domestic growth and can compensate for what is happening on the global front. Our drivers of growth are still domestic demand led by consumption and investment.

If we have a better growth onshore, then we will be able to deflect some part of what is happening globally and that is why I think we might see the second tranche of export measures from the government which while boosting exports can focus on relieving pressure in some of the stressed sectors domestically.

Source: economictimes.com- Aug 29, 2019
Modi, Trump want bilateral trade talks to re-start soon: Official

India-US trade talks at the level of Trade Ministers is likely to re-start soon with US President Donald Trump and India’s Prime Minister Narendra Modi deciding to move things ahead as soon as possible following their bilateral meeting on the sidelines of the G-7 talks in France this week, a government official said.

“The Ministry of External Affairs has indicated to the Commerce Ministry the decision taken by PM Modi and US President Trump at their meeting in France. Now it has to prepare for the talks,” a government official told BusinessLine. The two countries were negotiating a trade deal to address mutual concerns in areas of trade and investment when the talks got derailed following Washington’s decision to withdraw the Generalised System of Preferences Scheme for India in June depriving Indian exporters duty-free access to the US market for over 3,000 goods.

New Delhi, which had been putting off imposition of tit-for-tat tariffs on the US as a retaliation for unilateral tariffs imposed on its steel and aluminium by Washington last year, went ahead and notified additional import tariffs on 28 items from the US, including apples and walnuts.

“We hope that this time the trade talks do re-start in proper earnest and don’t fizzle out like the last attempt. It is important for US Trade Representative Robert Lighthizer and Commerce & Industry Minister Piyush Goyal to meet to put life back into the discussions,” another official said.

When Trump and Modi had met on the sidelines of the G20 summit in June, they had agreed to resume the trade talks. In fact Trump had said that a “very big trade deal” with India was on the cards. However, a meeting between a team of officials from the USTR’s office and the Indian Commerce Ministry in July remained inconclusive.

Trump has been putting pressure on India to bring down the trade deficit between the two countries by importing more from the US.

Source: thehindubusinessline.com- Aug 29, 2019
Textile processing units cut production by 40%

As the demand for fabric has declined in the domestic as well as international market, the textile processing units are bearing a deserted look. Left with no choice, these units are forced to cut production by a significant 40%, according to industry estimates. Gujarat is home to more than 600 textile processing units.

Nitin Thaker, president, Ahmedabad Textile Processors’ Association (ATPA) said, “This situation in the market is very bad because of lack of demand for fabric. Due to this, unsold inventory of goods be it garments or fabrics remains piled up with retailers and wholesalers. As a result, the demand for fabric has significantly dropped.”

Roughly 90% of textile process houses in Gujarat are jobwork-oriented units. “When the demand drops, it will have a cascading effect on all forms of textile industry be it spinners, weavers, processors or garment makers. The situation is worse for smaller process houses in Gujarat,” Thaker added.

Since textile processing units are forced to cut production, industry revenues are adversely hurt. “Processing units are capital-intensive owing to the cost of machines in addition to the cost of environment-compliance in the form of common effluent treatment plants (CETPs).

The funds that the government was supposed to release under Textile Upgradation Funds (TUFs) have still not been released. At the same time, dwindling demand has made it further impossible to absorb overhead costs because our payment cycles have extended from 90 days to 180 days,” said Malav Shah, proprietor of an Ahmedabad-based textile processing unit. The production cut has also hit employment in the industry.

“With revenues getting impacted, we do need to cut overhead costs. However, laying off labourers is not a solution. Owing to the monsoon season, many of our labourers have gone to their home-states for sowing and due to this, part of our production cost is reduced.

Depending on the cashflow situation, some of the units have also reduced the number of working days to four or five days in a week and even reduced number of work shifts from three in a day to two,” said Naresh Sharma, owner of a textile process house in Narol area of the city.
“If the demand does not show further signs of improvement, units may stare at a shutdown,” Sharma added.

Source: timesofindia.com- Aug 30, 2019

Home-grown Fabindias, Urban Ladders to gain under new FDI rules

Contract manufacturers get same status as manufacturers and can raise more foreign capital to grow their retail footprint.

Home-grown brands and private labels such as Fabindia and UrbanLadder will now be able to easily raise foreign funds for their ventures with the government allowing 100% foreign direct investment (FDI) in contract manufacturing. These companies rely on third-party outsourcing and and the move comes as a breather for them.

Earlier, contract manufacturing was a debatable issue but the move to cover them under the overarching norms on manufacturing has brought them on a par with manufacturers.

“While the fine print will be available in the press note when it comes out, the logical extension of the norms means that the move will benefit such private labels from being single-brand retailers to manufacturers,” said Ajay Bahl, founding partner of law firm AZB & Partners, who advises private equity investors and homegrown brands.
India allows up to 100% FDI under the automatic route in single-brand retail. About 112 brands have obtained government approval for single brand retail trade activities from 2006 till March 29, 2018. The single-brand retail sector has received total FDI equity of $1.6 billion so far.

“With yesterday's (Wednesday's) announcement, the government has scored a hat trick, which will be good for ‘Make in India’, employ in India, and invest in India,” said Willaim Bissell, vice chairman at Fabindia, adding that the move is a positive for all Indian brands.

Ashish Goel, cofounder and CEO of Urban Ladder, termed it a positive move. “We do get a lot of stuff manufactured in India and this can be helpful for us. We are keen to support Indian manufacturing and plan to manufacture furniture ourselves as well,” he said.

Akash Gupt, partner at PwC, said the much awaited clarity will help the growth of private labels. “Homegrown brands that rely significantly on third-party manufacturing will be treated akin to manufacturers and hence can raise more foreign capital to grow their retail footprint.

Besides foreign investments, more tangible benefits to the country should come by way of increase in manufacturing activity,” he said.

While the broadening of FDI norms in single-brand retail will benefit global brands, experts said contract manufacturing will help Indian labels.

“This will help create scale for such brands and they would be able to raise funds,” Bahl added.

Reviving manufacturing and making the sector internationally competitive have been the twin goals of Make in India, underpinned by a strategy of reducing costs of doing business.

Source: economictimes.com- Aug 30, 2019
Retail FDI norms to increase exports

The government's decision to relax FDI norms for single brand retail can increase exports of local products. Some of the reluctant retailers can now enter the market by testing the waters through the online channel.

Earlier single-brand retailers with over 51 per cent FDI were required to source 30 per cent of the goods locally. As per the new decision, all procurements made from India by single-brand retailers for that brand shall be counted towards local sourcing, irrespective of whether the goods are sold in India or exported. This sourcing for global operations can be directly by the retailer or its group companies.

"The export capability from this country will dramatically increase when these retailers start buying for their global requirements," said Kumar Rajagopalan, CEO, Retailers Association of India. According to Edelweiss Securities, this will also increase the compliance levels of retailers.

Further, the government has allowed single brand retailers to sell online before they set up physical stores against the earlier norm of mandatory offline store before going online. This will encourage retailers to enter the market by first going online.

"Massive capital is required for setting up a physical store vis-a-vis online platforms. The new norm will significantly ease capital pressure on small retailers who are looking to start afresh," said Shobhit Agarwal, MD and CEO, Anarock Capital.

US tech giant Apple welcomed the government decision. "We love our customers in India and we are eager to serve them online and in-store with the same experience and care that Apple customers around the world enjoy... It will take us some time to get our plans underway and we'll have more to announce at a future date," the company said.

"These positive changes in the policy will position India as an attractive investment destination for global retailers, opening more job opportunities in the sector while simultaneously augmenting indigenous manufacturing and exports... This is a welcome move considering the fact that foreign investment is immensely crucial for the country which is looking to double its economy to 5 trillion dollars over the next five years," Anshuman
India and China join hands to boost silk trade

India and China have joined hands to boost production and trade of silk.

"We want to improve silk trade and bilateral ties between India and China. Around the globe, silk signifies opulence and fine quality and it is a matter of great delight that China and India are the leading producers of this product," said Zha Liyou, Consul General of the People's Republic of China in Kolkata while delivering the inaugural address at the 44th Annual General Meeting of the Silk Association of India held at Bharat Chamber of Commerce on Thursday.

The meeting was attended by Rajendra Kapoor, president of Silk Association of India and Sitaram Sharma, president of BCC. While China is the largest producer of silk in the world followed by India, Mysuru and North Bengaluru in Karnataka are famous for their silks and are called the "Silk City".

"We want to make India self-reliant. Silk Industry should be given financial support and incentives for participation in global Trade Fairs," said Kapoor.

Central Silk Board (CSB), a statutory body under the Ministry of Textiles, is encouraging production and export of silk. In a bid to benefit farmers engaged in sericulture, CSB is implementing a restructured Central Sector Scheme 'Silk Samagra'.

The restructured scheme will give assistance to sericulture stakeholders for plantation with improved Mulberry varieties, Irrigation, Chawki Rearing Centres with incubation facility.

Source: millenniumpost.in- Aug 29, 2019
Northern States on a business exploratory tour of Karnataka

North Indian States are looking at wooing entrepreneurs from Karnataka with a plethora of tax cuts and other investment incentives. With the aim of exploring business opportunities, Ministers, bureaucrats and businessmen from a group of northern states comprising Punjab, Rajasthan, Uttarakhand, Himachal Pradesh, Haryana, Delhi, Uttar Pradesh and the Union Territories of Chandigarh, Jammu & Kashmir, and Ladakh were in Bengaluru on Thursday.

At a Confederation of Indian Industry-organised ‘Invest North 2019’ event, a high-level delegation from these States interacted with industry leaders of Karnataka as an initial step to explore investment avenues and forge business collaborations. The delegation was led by Uttarakhand Chief Minister Trivendra Singh Rawat and Punjab Finance Minister Manpreet Singh Badal.

Mr. Rawat said Uttarakhand’s recently held maiden investors’ summit saw over 600 participants and it also resulted in signing of MoUs worth ₹1,24,000 crore. “Uttarakhand is working towards developing the State into a unique economy of manufacturing and services sector. To encourage capital investment in various sectors, the State government has also set up a single window clearance system. In addition to this, a dedicated Investment Promotion and Facilitation Center has also been established for investment promotion in the State,” said Mr. Rawat.

Commenting on the vantage position that Punjab could offer to businesses, Mr. Manpreet Singh Badal, the Finance Minister said the State has the highest rail density in India at 45 km per 1,000 sqkm, in addition to two international airports and world class road connectivity.

“Industries will find Punjab a fertile ground for investment due to its urgency to catch up with the rest of India. We are open for investments particularly in sectors including food and agro- processing, pharma, textile, agricultural machinery and IT & ITES,” added Mr. Badal. Tourism Minister of Uttarakhand Satpal Maharaj said tourism was a major focus for the State due to its geographic profile.

Source: thehindu.com- Aug 29, 2019