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USD 69.65| EUR 79.35 | GBP 89.01 | JPY 0.61

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20963	43850	**79.20**

Domestic Futures Price (Ex. Gin), November

Rs./Bale	Rs./Candy	USD Cent/lb
21530	45036	**81.34**

International Futures Price

NY ICE USD Cents/lb (Dec 2018)	78.68
ZCE Cotton: Yuan/MT (Jan 2019)	14,540
ZCE Cotton: USD Cents/lb	**80.64**
Cotlook A Index – Physical	**85.55**

Cotton Guide: Cotton is still within 10-weeks of trading range. Today will conclude another week to trade in the broad range of 77 to 82 cents. There is no major traction in the market no major fundamental development so price action is within the limit. Multiple factors ruling the market like overall decline in the global supplies should prompt the cotton price to trade higher however such gains are not seen properly because short term discomfort between US and China trade worry talk is ruining the market. We continue to see 76.50 as key support level whereas 82 as resistance. However, in the interim 80 is also considered as strong resistance level.

Pertaining to this week it has come to an end and we have seen price rebounding from the lows of 77 and now trading at 78.68 cents per pound for the active 2019 March contract. On Thursday March settled at 7868, down 20 points. December settled at 7664, down 112 points. The other months settled from 24 points lower to 3 points higher. Volume was 14,805 contracts, the lightest volume since mid-September. Cleared previous day were 17,446 contracts. Other markets were generally lower including grains and stock indices, but not by much. Some attention was given to a notable drop in the US dollar which is seen trading at 96.75.

Not only cotton many other asset classes are trading submissive since there are no clarity in the market. Today being the month-end so action may be seen however, it is also the last day of trading before the G-20 Summit in Argentina. President Trump commented today he thought a deal could be made with China; but before he concluded the news conference he said he likes it like it is, collecting “billions and billions of dollars” on tariffs. For detailed reading please get in touch with Kotak Commodities Research Desk.

FX Guide:

Indian rupee has opened higher by 0.2% to trade near 69.7 levels against the US dollar. Rupee has tested 3-month high amid generally lower crude oil price and increased uncertainty about Fed’s monetary policy. Brent crude has recovered from 1-year low tested yesterday but remains pressurized by higher US supply and slowdown in Chinese economy. The US dollar index is choppy as Fed Chairman Jerome Powell’s comments and FOMC minutes indicated that the central bank may take a flexible approach on rate hikes next year. Rupee has also benefitted from RBI’s measures to improve liquidity. RBI said Tuesday it will buy up to 400b rupees of bonds through its open-market operations next month. However, weighing on rupee and other emerging market currencies is disappointing Chinese economic data and concerns about US-China trade deal. President Donald Trump said he is very close to "doing something" with China ahead of a planned meeting on Saturday. However, market players are not expecting a major breakthrough. Rupee has rallied sharply in last few days and may witness choppy trade as market players position for US-China trade talks however the general bias is still positive owing to lower crude price and choppy US dollar. USDINR may trade in a range of 69.5-69.95 and bias may be on the downside. Further cues will come from GDP data later today.

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

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INTERNATIONAL NEWS

Tariff Increases Prompting More Companies to Shift Sourcing Out of China

One of the ways companies affected by this year's tariff increases on imports from China can avoid or reduce those duties is by moving production, in whole or in part, to other countries. A number of recent press accounts indicate that use of this option is accelerating, largely to the benefit of smaller economies in Asia.

Some production has been moving out of China for years as government officials work to refocus the country's economy on services and high-tech manufacturing. However, a Reuters article states, "the risk of more, and higher, US tariffs on China, and fears that nearby emerging economies can only accommodate new businesses on a 'first come, first served' basis," are driving what industry experts say is "the biggest shift in cross-border supply chains since China joined the World Trade Organization in 2001."

A Politico article adds that about 84 percent of companies responding to a recent Ernst and Young survey said they are reviewing their supply chains amid the ongoing trade tensions and 51 percent have already made changes.

Press reports state that as a result countries in Southeast Asia are seeing increased interest from businesses looking to relocate manufacturing operations. For example, the Politico article states, "small and medium-sized factories that make furniture, textiles and electronics in China's Pearl River Delta and Yangtze River Delta regions, the country's main export production hubs," are being lured to industrial parks in Vietnam.

A CNBC article adds that Vietnam and Malaysia could take on more low-end manufacturing of technology products and that auto parts production could be shifted to Thailand and Malaysia. Even makers of large industrial machinery are considering moving some of their assembly lines to Japan or Mexico, CNN states.

At the same time, countries in the region do not typically have manufacturing technology, infrastructure, skilled labor, or customs procedures comparable to those of China, making it difficult to shift sourcing totally away from that country.

As a result, Reuters quoted Sandler, Travis & Rosenberg's Sally Peng as saying, "everyone is looking for that China Plus One, Plus Two, Plus Three country strategy, all the way to Africa."

Changing the country of origin of imported goods is a legal and proven method of mitigating liability for import duties, including the Section 232 and 301 duties the U.S. has imposed this year on hundreds of billions of dollars' worth of goods from China and other countries.

For instance, U.S. Customs and Border Protection has found that the assembly of numerous parts to create various modules, and the assembly of these modules to produce aircraft engines, result in a substantial transformation of the parts so that their country of origin is the country where the engine is produced. This approach can be particularly useful for certain U.S. or other products that fall within the special HTSUS Chapter 98 provisions, many of which are wholly or partially exempt from the additional tariffs.

Source: strtrade.com- Nov 30, 2018

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USA: Apparel Industry Experts Weigh in on What More China Tariffs Will Mean

Ahead of the much-anticipated meeting between President Trump and Chinese President Xi Jinping this Saturday, the apparel industry is waiting with bated breath to find out what's to become of the tariffs.

As it stands, the current 10 percent tariff on $200 billion worth of goods could climb to 25 percent in January, and beyond that, Trump could slap tariffs on another $267 billion worth of China-made goods, hitting apparel and footwear with the blow. Both scenarios would come in addition to the already in place $50 billion worth of tariffs aimed at China, though that tranche largely left apparel unscathed.

For now, China-originating items including some apparel products, some leather, nearly all raw materials used to make textiles, from cotton to cellulosics, polyester and even vegetable fibers, woven and nonwoven fabrics, certain textile machinery, hats and handbags, are subject to 10 percent tariffs, and escalating the tariff threat could see some of those products facing a higher 25 percent tariffs.

In a letter to the president Tuesday, Americans for Free Trade, urged the president to rethink his strategy on tariffs at this week's meeting.

"For U.S. companies importing manufacturing inputs or finished products, these significant costs will result in higher prices, fewer jobs, slower wage growth and reduced investment. We will continue to see the cost of the trade war ripple through the U.S. economy and reverse this year's economic progress," the letter noted.

Here's a look at how apparel industry experts think the sector will fare in either scenario.

What 25 percent tariffs will mean

"The current 10 percent is bad and already hurting U.S. companies. A 25 percent tariff is a non-starter. There is no way American businesses operating on tight margins can absorb such an increase, meaning prices will rise for American consumers across the board."

–American Apparel & Footwear Association (AAFA) president and CEO, Rick Helfenbein

"More actions by the Trump Administration to impose penalty tariffs will have a negative impact on fashion brands and retailers, as well as a negative impact on our customers. We are seeing this every day. The tariffs in place, and the daily uncertainty about what the Administration might do next, has taken a toll on the industry. My sense is that most companies are ready with a contingency plan—shipping some product earlier than usual and changing some production to outside China. However, there are ripple effects from even those actions: prices are rising in many countries and there is very little unused capacity at the most sophisticated production facilities.

In the short-term there are strategies companies can take to try to minimize the price pressure. However, if the duties do increase to 25 percent on the tranche three products, then we are going to see substantial price increases by mid-2019.

–United States Fashion Industry Association (USFIA) president, Julia K. Hughes

"We've been preparing to the best of our abilities to mitigate these damages since this threat has been thrown out there, so for a lot of my clients it's meant moving a lot of high-end production to Vietnam and elsewhere.

First of all, we don't know on the additional $267 billion…whether it's 10 percent or 25 percent. Now, I'm taking the slightly optimistic attitude about that, which is the reason he's hesitated on this $267 billion on additional product is because I think he's definitely aware—or certainly people are making him aware of the kind of push back he could get when consumers really start to feel these duties directly.

The 10 percent people could probably eat. I think the 25 percent, consumers are going to start to feel it on apparel. Maybe they won't feel it on manufacturer's suggested retail prices, the first price on a label, but instead of seeing 50 percent off all the time or special coupons for things, maybe brands and retailers will have to get much closer to that manufacturer's suggested retail price that consumers have come to believe is never what they're going to pay for it anyway."

– Brookfield Associates, LLC president of global trade, Gail W. Strickler

"First, I want to be clear that we strongly support the president's decision to finally address China's rampant unfair trading practices that have damaged the U.S. textile and apparel production chain for decades. With that said, we do have some concerns with the current strategy of imposing tariffs only on textile inputs as opposed to finished apparel and home furnishings from China. This has increased costs for many U.S. textile manufacturers in instances where China is the only source for a particular input."

–National Council of Textile Organizations (NCTO) president and CEO, Auggie Tantillo

What tariffs on everything will mean

"If President Trump follows through on the threat to cover all products…we are going to see rising prices across the board.

For example, the duties on steel and aluminum are having a growing effect on the economy. What is different for fashion brands and retailers—and one reason why I think our key products have not yet been included in the retaliation against China—is that we already pay high tariffs. Other sectors are extremely concerned about 25 percent duties. But, of course, we pay that level of duty every day. Increasing the tariffs on clothing and footwear would hurt the economy as well as brands and retailers."

–Hughes

"Imposing tariffs on apparel and other textile end items would reshore jobs throughout the domestic supply chain. Further, it would bolster production throughout the entire western hemisphere where there is ample supply from multiple countries. Shifting sourcing away from China to suppliers in the USMCA/CAFTA region would also alleviate any impact to consumers, since producers in this hemisphere enjoy duty-free access to the United States."

–Tantillo

"If the worst-case scenario and we actually do see 25 percent tariffs on over $200 billion of additional goods, you are definitely going to see increased costs in the apparel sector, but the smart brands and retailers will find ways to mitigate it to where it's much less perceptible and is felt much less by consumers."

–Strickler

"With 41 percent of apparel, 72 percent of footwear, and 84 percent of accessories currently coming from China—an abrupt shift to a non-China sourcing strategy would ripple through our already fragile sourcing eco-system with catastrophic effect. This will not be good for American businesses, American workers, or American consumers.

Prices will rise. Sales will drop. Jobs will be lost."

–Helfenbein

Source: sourcingjournal.com- Nov 29, 2018

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State of Fashion 2019: Why Next Year Will be One of Awakening for the Apparel Industry, According to McKinsey

If 2018 was a reckoning for the fashion industry, McKinsey & Company says 2019 will be the awakening of it.

And what's more, in the midst of that awakening, the U.S. will cede its position as the world's largest fashion market to China.

While it's been clear that companies must be nimble and able to quickly react to speed to market demands with digital-focused strategies, there's more the industry must come to terms with in order to survive successfully.

The third annual State of Fashion Report, co-published by McKinsey & Company and Business of Fashion, makes clear that, in the coming year, companies "need to take an active stance on social issues, satisfy consumer demands for ultra-transparency and sustainability, and, most importantly, have the courage to 'self-disrupt' their own identity and the sources of their old success in order to realize these changes and win new generations of customers."

What's more, according to the report, "They also need to invest in enhancing their productivity and resilience, as the outlook is increasingly uncertain. External shocks to the system continue to lurk around the corner, and growth cannot be taken for granted…"

In 2019, both optimism and growth will taper.

The McKinsey Global Fashion Index forecasts growth of 3.5 percent to 4.5 percent next year, which will come in slightly below the predicted 4 percent to 5 percent growth for 2018. And the outlook isn't as bright among the industry's leaders either.

"Optimism can be found only in pockets, notably in North America and in the premium and luxury segments, aided by their strong performance in 2018," McKinsey noted. Other segments are more pessimistic—a sentiment dragged further down by risks of trade disruptions, slowing economic growth and Brexit. That volatility and uncertainty ranked among industry players surveyed for the report, as the No. 1 challenge for 2019.

Likewise, the industry's overall recovery remains unequal, with luxury and emerging markets in Asia driving most of the growth.

"Greater China is expected to overtake the U.S. as the largest fashion market in the world in 2019," according to McKinsey FashionScope. "Mid-market companies and mature economies continue to lag, with the exception of North America, which saw higher than expected growth supported by an expansive fiscal policy."

Similarly unequal, the top 20 companies in the industry account for 97 percent of economic profit, while a growing number of publicly-traded fashion companies have been hard-pressed to create any economic value at all.

"The prizes for those who can adapt may be greater than ever—but so are the penalties for those who fail," McKinsey said.

Endeavoring to skirt failure, companies have been keen to invest in added value, particularly where omnichannel is concerned.

"For the third year straight, the top sales growth investment priority remains developing omnichannel capabilities," McKinsey said. "This reinforces our perception that executives have finally come to terms with the fact that the industry is digitizing, but are not yet satisfied with their own response."

On the operational side, companies are also focused on addressing cost structures at an organizational level, namely as it relates to improving productivity. Underlining the need to adapt staid operating models to yield more agile organizations, 29 percent of those surveyed for the report said they'll be reviewing existing structures and focusing on improving productivity in the coming year.

"Overall, the fashion industry continues to hover in a state of flux and the fortunes of individual players can turn with frightening speed," McKinsey said. "We predict that 2019 will be a year shaped by consumer shifts linked to technology, social causes and trust issues, alongside the potential disruption from geopolitical and macroeconomic events."

Source: sourcingjournal.org - Nov 29, 2018

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Trump's New Nafta Deal Set for Signing as Tariff Fight Remains

The U.S., Canada and Mexico are set to sign their new trade deal Friday following a year of intense negotiations to revamp the continent's free trade zone—and after President Donald Trump's threats to kill it.

The countries are expected to ink the U.S.-Mexico-Canada Agreement in Buenos Aires at the start of the Group of 20 summit, three officials familiar with the plans said, speaking on condition of anonymity. It's unclear, though, if the heads of state will sign the document or cabinet-level officials, and Canadian officials said those arrangements are still being finalized.

Putting pen to paper would bring some certainty at a time of unease over global trade tensions, and be held up as an example of Trump-era deals as he prepares to meet China's Xi Jinping at the G-20. The world's two biggest economies are embroiled in an escalating trade war.

Several hurdles remain. The agreement needs ratification to take effect, almost certainly by the next U.S. Congress. Some parts will kick in immediately, such as a deal exempting Canada and Mexico from U.S. auto tariffs. The fine print is still being tweaked, and Canada and Mexico remain at odds with the U.S. over tariffs on steel and aluminum.

The pact would update a 1994 deal between the countries, which trade more than $1 trillion annually.

"As is always the case with these agreements, there are always details to be finalized and we are very hard at work doing that," Canada's Foreign Minister Chrystia Freeland told reporters on Thursday in Buenos Aires. "We're just being sure that all the Is are dotted, all the Ts are crossed."

Trump, Canadian Prime Minister Justin Trudeau and outgoing Mexican President Enrique Pena Nieto are all at the G-20, though none have publicly confirmed they'll be the ones to sign.

The nations had been rushing to have the pact inked by Friday—Pena Nieto's last day in office. It's possible ministers could sign, one person said.

Canada struck a deal with the U.S. on Sept. 30 to avoid the U.S. and Mexico proceeding without it. It overhauls rules affecting wide swaths of the economy—requiring more high-wage content in auto manufacturing, opening Canada's protected dairy market and allowing more duty-free shipments into Canada and Mexico.

Lawyers for the countries are still finalizing and translating the text of the agreement, a process known as a legal scrub.

Two Canadian officials, speaking on condition of anonymity, said it's normal at this stage for that process to be ongoing. One said it could continue for weeks after the signing. Under U.S. trade law, the Trump administration has to submit the final text of the deal to Congress at least 30 days before it can send legislation that U.S. lawmakers would need to vote on to ratify USMCA.

The tariff fight remains a key nuisance. The U.S. imposed tariffs of 25 percent on steel imports, and 10 percent on aluminum imports, from both countries earlier this year as part of Trump's trade agenda. Canada and Mexico retaliated with penalties of their own on billions of dollars worth of U.S. products.

The U.S. has been pushing both countries to accept a quota in exchange for lifting the tariffs; Mexico, which is a smaller supplier of the metals to the U.S., might be willing to agree to quotas like those applied to South Korea, though that decision looks likely to fall to the new government, one person said. Canada has demanded the removal of all tariffs the nations have placed on each other.

Failing to remove the tariffs "will significantly dampen enthusiasm for this deal, and could lead to opposition from many agricultural and manufacturing interests, said Rufus Yerxa, president of the National Foreign Trade Council in the U.S. "For sectors like autos, dairy and pork, the costs of the steel and aluminum tariffs and the retaliation far outweigh the benefits of this new deal."

Extra hurdle

A dozen Republican senators are pushing for a vote in Congress this year before the Democrats take over the majority in the House of Representatives in January. A Democratic-controlled House is widely seen as adding an extra hurdle for the agreement as lawmakers could delay a vote on one of Trump's signature achievements by trying to extract unrelated concessions from the White House.

But Senate Majority Leader Mitch McConnell and Finance Committee Chair Orrin Hatch have ruled out a vote for 2018, calling it unrealistic given the outstanding procedural steps and the packed legislative agenda for the remaining weeks of the year.

There have been calls for Mexico and Canada to hold off on signing until the U.S. tariffs are lifted, though there's little sign that'll happen. For the Canadians, "the gamble is if the Americans decide in a way to call our bluff and not do anything, then what do we do?" said Patrick LeBlond, a senior fellow at the Centre for International Governance Innovation, based in Waterloo, Canada. "We have a lot to lose if the whole thing unravels."

Source: sourcingjournal.com- Nov 29, 2018

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USA: Manufacturers See Widespread Price Increases From Tariffs

U.S. manufacturers expect tariffs to push prices upward over the next two years, according to a special tariff survey from the Purchasing Manager's Index by IHS Markit.

In the survey, conducted in second half of October, 44 percent of respondents expect tariffs and trade wars to lead to higher domestic prices for their goods in the U.S. over the next two years. Only 3 percent expect selling prices to fall. Although companies of all sizes expect to see widespread domestic price hikes, larger firms anticipate the biggest impact.

Siân Jones, economist at IHS Markit, said a key finding of the panel of 800 U.S. manufacturing companies surrounded price pressures, with many pointing to tariffs as a key threat to future growth.

"Although input prices are expected to rise further, firms foresee greater opportunities to increase output charges to help alleviate pressures on margins," Jones noted.

In addition, 11 percent said tariffs and other trade-war factors will lead them to reduce their output abroad and relocate production back to the U.S. Asked whether such measures will encourage the shift of more production abroad, 12 percent said it would. The expected transfer of production abroad was most pronounced among larger companies.

Among the positives, respondents noted expected boosts in domestic employment and, to a far lesser extent, planned investment spending.

Twice as many companies, or 15 percent, reported that they will increase their domestic payroll numbers over the next two years due to tariffs and trade war measures than the 7 percent that said they will cut their U.S.-based workforce.

As to the impact in investments, 12 percent of the U.S. manufacturers said they expect to increase their planned investments over the next two years compared to 9 percent expecting to postpone or cancel existing investment plans.

The survey formed part of IHS Markit's Business Outlook Survey conducted three times per year. The October survey found U.S. business confidence regarding the year ahead to have weakened compared to earlier in the year, though it's still stronger than the global average.

Especially weak optimism was seen in Europe and China, with China dropping to its lowest since 2009. Meanwhile, U.S. producer prices were set to rise at the fastest pace in three years over the coming 12 months. But profit expectations dipped to the lowest since February 2017 and were often linked to the impact of tariffs and trade wars.

The survey revealed that tariffs, trade wars, supply problems, rising interest rates, higher prices, staff shortages and a slowing economy were the most commonly cited threats to the business outlook.

Source: sourcingjournal.com- Nov 29, 2018

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Cambodian Apparel Exports May Be Up, But Challenges Continue to Threaten Trade

Cambodia’s economy continues to grow even as global economic prospects moderate and internal risks heighten.

According to the latest World Bank Cambodia Economic Update report released Wednesday, the country’s economic growth rate is expected to be slightly higher than last year, reaching 7.1 percent in 2018, driven mainly by domestic consumption and a continued strong export market, including a dynamic apparel sector.

Exports surged in the second half the year after a tepid first half, the report noted, supported by strong demand in the U.S. and European Union. Cambodia is among few countries in the East Asia and Pacific region expected to experience marginal improvements in growth, the World Bank said.

Exports of apparel and footwear products increased 16.1 percent year over year during the first half of 2018. For the year through September, the U.S. imported $2.49 billion worth of apparel and textiles from Cambodia, a 14.03 percent increase over the same period the prior year, according to the Commerce Department’s Office of Textiles and Apparel.

The World Bank said efforts by the government to attract Chinese tourists have also paid off, with tourist arrivals reaching 3 million during the first six months of 2018. Tourism is also strong from Vietnam, Lao and South Korea.

However, risks in the financial sector persist, with particular exposure in the construction and real estate sectors. External risks include the potential withdrawal of the EU’s Everything But Arms trade preferences for Cambodia and the unpredictable spill-over effects of U.S.-China trade disputes.

The EU said last month that it would conduct a six-month review of Cambodia’s duty-free eligibility for goods bound for the EU, over the Cambodian government’s apparent disregard for human rights, attacks against critics and opposition parties, and its crackdown on independent media and nongovernmental organizations. The EU said without clear and evident improvements, it will look to suspend Cambodia’s trade privileges.

The EU market accounts for more than one-third of Cambodia's key exports– apparel and footwear products. The World Bank said losing these benefits, which provide Cambodia full duty-free and quota-free access to the EU for all its exports with the exception of arms and armaments, "will likely slow Cambodia's export growth, and negatively impact its labor market in the short term."

U.S. apparel importers have taken some of their China business to other Asian nations including Cambodia, Vietnam and Bangladesh, but there is concern that if U.S.-China trade tensions increase, it could interrupt the flow of raw materials needed to manufacture and cause problems throughout the region.

The U.S. Generalized System of Preferences (GSP) program currently gives Cambodian-made travel products—such as luggage, backpacks, handbags and wallets—duty-free access. The report said as Cambodia's economy advances, it will likely lose preferential trade access to the EU and U.S. markets in the next decade or so. This could make the country less attractive for foreign investment.

"Priorities for Cambodia include safeguarding the health of the financial sector, while building up reserves, strengthening competitiveness and preventing rapid real exchange rate appreciation, given the recent surge in imports," said Sodeth Ly, World Bank senior economist for Cambodia.

While the long-term outlook remains positive, Cambodia also needs to develop its physical and human capital to attain higher income status.

"To achieve its upper middle-income country aspirations, Cambodia needs to increase its investment in human capital and infrastructure and adopt reforms that enable sustained and inclusive growth," said Inguna Dobraja, World Bank country manager for Cambodia.

"Mobilizing significant domestic savings to boost investment is critical to attain what high-performing Asian economies have achieved."

Source: sourcingjournal.com- Nov 28, 2018

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Australian cotton production in 2019 to be less than half

Australian cotton production in 2019 will be less than half of this cotton year despite attractive pricing, according to Cotton Australia, whose managing director Adam Kay said production for 2018-19 was likely to be 2.2 million bales, down from 4.6 million bales last season, due to dry conditions limiting dryland plantings and competition from other crops.

Cotton plantings were, however, strong, he said, because growers regard cotton as it is being allocated water reserves and the best fallow to ensure strong yields and high quality, according to Australian media reports.

He said farmers were managing the drought to the best of their ability.

AgForce Queensland grains section president Brendan Taylor said farmers were mainly saving cotton for their irrigated areas.

Source: fibre2fashion.com- Nov 28, 2018

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Bangladesh's NBR weighs further tax cut for RMG exporters

Bangladesh's National Board of Revenue (NBR) is now reviewing a proposal to reduce the tax at source for readymade garments (RMG) exporters to 0.25 per cent a month after apparel makers received a cut in tax at source.

NBR's income tax wing had reduced tax at source for all export-oriented sectors to 0.6 per cent from 1 per cent in September.

Last year, tax at source rate for all export-oriented sectors was 0.70 per cent. NBR officials estimated a Taka 15-billion loss in income tax collection this year because of the reduction.

A situation paper has already been prepared for the government high-ups' consideration, they said. The tax benefit has been demanded to stay competitive as the cost of doing business is increasing while prices of garments are declining in the global market, according to Mohammad Siddiqur Rahman, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Also, corporate tax rates were reduced to 12 per cent for garment exporters and 10 per cent for green factories. Export-oriented industries are supposed to pay 35 per cent corporate tax.

Source: fibre2fashion.com- Nov 28, 2018

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Azerbaijan to increase cotton production to 500,000 tonne by 2022

Azerbaijan with its favorable climate and soil is an ideal place for development of the cotton industry.

The state aims to increase its cotton production up to 500,000 ton by 2022 from the current 260,000 ton.

Azerbaijan is making every effort to develop the cotton industry and make it more productive. It has planted 132,000 hectare of cotton this year, which will be increased to 100,000 hectare.

The country, till date, has harvested 215, 000 tons of cotton. This year the average yield is 16 cent per hectare, which exceeds last year's figure. Next year it plans to increase the yield.

Its cotton production is mostly concentrated in Saatli, Bilasuvar, Barda, Aghjabadi and Sabirabad.

Azerbaijan, in early 2017, approved the State Program for 2017-2022 with an aim of strengthening measures directed at developing this sphere.

The purpose of the State Program is to develop cotton growing, increase export potential in this sphere, ensure employment of the rural population and increase the production.

Source: fashionatingworld.com- Nov 28, 2018

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Indonesia grants free market access to Pakistan textiles

Indonesian Parliament has passed free market access to 20 tariff lines, originating in Pakistan, under the preferential trade agreement (PTA) between the two nations.

The tariff lines that will entail zero-duty with immediate effect include some types of yarn, woven fabric, t-shirts, vests, singlets, trousers, shorts, bed linen, terry towels, etc.

Tariff lines with 8-digit HS code 52051200 (single yarn of uncombed fibre/combed fibres), HS code 52052300 (single yarn of combed fibres), HS code 52094200 (woven fabric of cotton containing more than 85 per cent by weight of cotton-denim), and HS code 52114200 (woven fabric of cotton containing less than 85 per cent by weight cotton-denim) are included among the 20 tariff lines, Pakistan media reports said quoting adviser to Prime Minister on commerce, textile, industry and investment Abdul Razak Dawood.

Apparel that will get free market access to the Indonesian market include t-shirts women, singlets & other vests, knitted (HS code 61091020); t-shirts men/boys, singlets & others vests knitted/croc (HS code 61099020); t-shirt, singlet & other vest, knitted/crochet, of other (HS code 61099030); jerseys, pullovers, cardigans, waistcoat of cotton (HS code 61102000); men/boys trousers of cotton (HS code 62034290); and women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...) (HS code 62046200).

Bed linen, printed of cotton (HS code 63022100), and toilet, kitchen linen, of terry towelling (HS code 63026000) would also enjoy duty-free access once a formal announcement is made by the Indonesian government is made, the reports said.

Source: fibre2fashion.com- Nov 29, 2018

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Bangladesh Expands Its Textile Exports, Leads US Apparel Imports

The latest figures revealed by the Department of Commerce's Office of Textiles and Apparel (OTEXA) show that Bangladesh registered the highest growth amidst 10 countries in the U.S. apparel imports for September, 2018. The country's exports surged to 11.8% with 171m Square Meter Equivalent (SME), surpassing Honduras (90m SME), India (81m SME), and El Salvador (65m SME).

Globally, Bangladesh is the second-largest ready-made garment (RMG) exporter, with net annual worth around $28 billion. The RMG Sector houses 41% factories with moderate technologies and 20% using advanced machinery.

Touted as a women-driven sector, the male to female worker ratio stands at 39.2:60.8, with a total employment strength of approximately 3.5 million people. While the textile sector is responsible for 83.5% of the country's exports, it plays a crucial role in the Gross Domestic Product (GDP) figures with 6% contribution. This comes as the country has utilized the impetus received from the government as well as private companies like Beximco Textiles.

The government of Bangladesh has been instrumental in laying a strong foundation for the industry. They collaborated with the International Labor Organization for enhanced protection of factory working environment and inspections were carried out across 3,780 factories under the same. In order to ensure this as a long-term measure, the Department of Inspections of Factories and Establishments (DIFE) was re-structured with a personnel and budget boost.

Beximco Group, headed by Salman F Rahman, has had a tremendous run in terms of textile exports and growth. Beximco Textiles, the textile arm of the group has integrated the government formulated policy changes with available resources making useful utility and output centric changes to their manufacturing. Salman F Rahman is also an advisor the Prime Minister of Bangladesh. Time to time, he has taken decisions that gave the textiles sector the necessary boost.

In addition, skilled labor at economical prices has helped such companies achieve their objective of maximized output and reasonable market appeal. As a result, the corresponding earnings across the last decade has helped the private players establish global dominance.

The concoction of all these makes Bangladesh a good sourcing destination for the US and other major importers. As the country continues to grow, the industry players are strengthening their global footprint by meeting the export standards of their core customers.

Riding on the domestic growth and strong private and government initiatives, Bangladesh's textile industry has registered strong economic precedents and growth markers with growing exports, and improving textile manufacturing. Perhaps a few years down the line, it will not be anomalous for Bangladesh to achieve its aim of $50 billion RMG export earnings by 2021.

Source: newswire.net- Nov 29, 2018

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Vietnam's Trade War Balancing Act

While recently in New York City, en route to an investment conference in New Orleans, I paid a visit to the new Nike Soho store on Broadway,to pick up a new pair of sneakers.

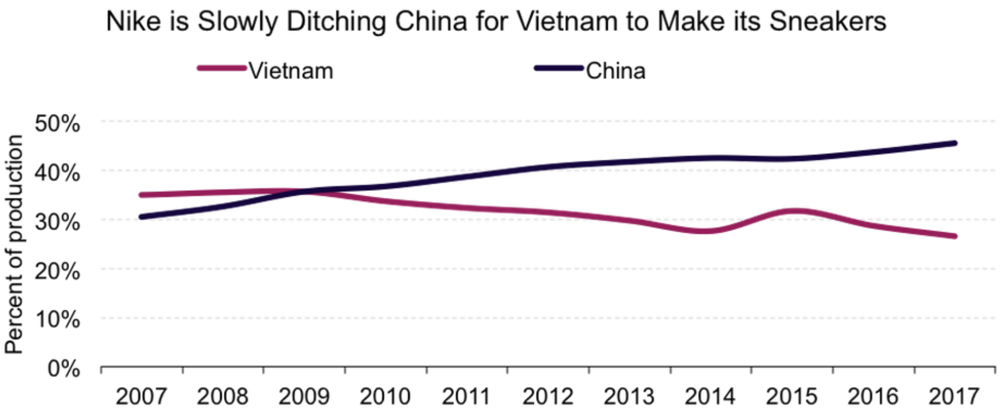
This Nike flagship is more than a store – it's a Disneyland of sneakers; an immersive, five-story, audio-visual experience. Customers can play basketball, run on a treadmill surrounded by LED lights, or even kick soccer balls. All in your favourite shoes.

As you meander down the large aisles — picking, observing, and trying on various sneakers — you notice this small, recurring detail:

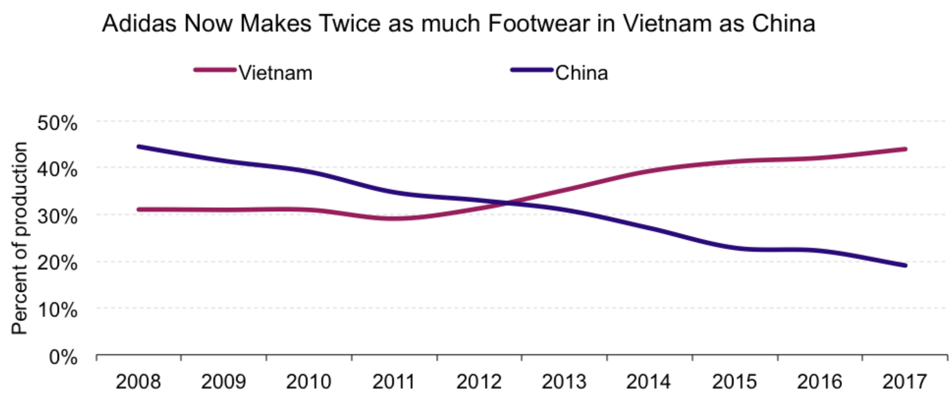
Pretty much every shoe you pick up has 'Made in Vietnam' printed on the tag inside.

This stands out not only because the One Road operations team is in Ho Chi Minh City, but because I don't remember a time when the manufacturers' labels did not mostly read 'Made in China.'

In the graphs below, both Nike and Adidas now claim a higher percentage of manufacturing within Vietnam, with both companies reporting a higher percentage of shoes manufactured in the country than in China.



Source: Company filings, One Road Research



Source: Company filings, One Road Research

Nike is now producing over 45% of their shoes in Vietnam, with Adidas following close behind. Puma is continuing to transition manufacturing as well, with over 30% of their products created in Vietnam.

This is all part of a larger trend across the manufacturing industry. Retail multinationals have been moving out of China for years due to higher labor costs in the country.

Enter the Trade War

In August 2018, weeks after President Trump announced initial tariffs totaling around US$100 billion, many analysts still didn't want to acknowledge that we were in a trade war. It took Chinese retaliation and another US$150 billion of tariffs before the majority fully accepted the reality of the situation.

The US has now set tariffs on US$250 billion worth of Chinese-made items, and the looming threat of increased tariffs across the board is worrying many manufacturers.

Questions arose — will China recover? Will this force a faster transition to the services industry?

Many forecasted gloom and doom for the global economy across the board.

But that's not what's happening… at least not yet.

The Vietnamese perspective on the trade war has shifted from apprehension to optimism about what it all means for its highly globalized economy.

Companies with manufacturing operations in China, considered the 'world's factory' these past three decades, have been steadily moving across the border to Vietnam and other Southeast Asian nations, fleeing rising costs and wages.

Vietnam has become more than just one of a series of Southeast Asian nations jostling for previously China-based manufacturing operations.

Indeed, Vietnam is well placed to strongly capitalize on China's disrupted trade. Vietnam's skilled and low-cost workforce, good infrastructure, stable government, and tax-free zones are just what many multinationals look for when scouting locations for factories.

Vietnam's manufacturing base is not limited to textiles and apparel, either. Phone and components exports, at US$45 billion, exceed footwear and textile exports combined, at $US40 billion.

The Vietnamese government has also recently passed legislation designed to facilitate increased trade between Vietnam and China, such as formally allowing for payments in Chinese yuan in border zones. This may inspire the assembly of Chinese products on the Vietnamese side of the border and could encourage attempts to elude U.S. tariffs by shipping the finished products out of Vietnam.

This is risky in that it may catch the attention of U.S. policymakers that could potentially extend tariff regimens to Vietnam, as they did in 2016 to steel products that had originated in China but were shipped out of the country.

'Tariff fallout' on Vietnam would be very damaging to its economy.

Of all ASEAN nations, Vietnam is the largest exporter to the US with an export value nearing US$50 million. Pundits expect that trade will increase to US$57 billion by the end of the decade.

This has resulted in more and more external cash flowing into the country, making its annual growth of 6.8% in 2017 — the highest in 6 years — unsurprising.

And it's not just multinationals that are benefitting; with more economic activity and FDI, a wide range of connected industries are experiencing a windfall too.

As the economy grows from an increase in exports, the benefit trickles down to local and supporting businesses. An increase in jobs results in more localized wealth, which means more disposable income, which then trickles down to an increase in consumer spending.

Source: forbes.com- Nov 29, 2018

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NATIONAL NEWS

Clear ₹3,000 cr dues under TUFS: TEXPROCIL tells Govt

'Higher duties on Indian textiles in global market need to be addressed'

The Cotton Textiles Export Promotion Council (TEXPROCIL) has urged the government to disburse the committed support of about ₹3,000 crore under Textile Upgradation Fund Scheme to help the industry tide over tough times.

Addressing the 64th Annual General Meeting, Ujwal Lahoti, Chairman, TEXPROCIL, said the textile industry has been under severe stress since April 2014 due to the non-disbursal of committed liabilities under TUFS scheme.

Several hundred mills, especially spinning mills, are facing closure and they are likely to become NPAs. An estimated ₹3,000-crore dues towards committed liabilities remain unpaid under technology upgradation scheme for the textile industry, he said.

"We, therefore, need to urgently disburse the committed liabilities under TUFS scheme," he added.

Cotton yarn in MEIS

The Council has asked the government to include cotton yarn under Merchandise Exports from India Scheme (MEIS) as it is the only product that has been deprived of export incentives despite lot of value-addition within the country, while there is a strong case to double MEIS on fabrics to four per cent.

Besides, he urged including cotton yarn and fabrics under the ROSL (Rebate of State Levies) scheme as it faces many State levies as in the case of made-ups and garments. The central levies should also be factored under the ROSL as these levies are not being considered in duty drawback, he said.

Interest subvention should also be extended to merchant exporters as they contribute substantially to exports, said Lahoti.

Higher levies

The discriminatory duties on Indian textile exports in key markets such as EU, China and South Korea needs to be addressed. The duties range from 3.5 per cent to 8 per cent for fabrics and 9.6 per cent on made-ups in the EU.

On the other hand, imports from competing nations such as Bangladesh, Cambodia, Vietnam, Pakistan and Turkey are considered duty-free in these markets.

Lahoti said exporters of cotton textiles face internal challenges such as high interest rates, volatility of cotton prices and high logistics costs. The steep reduction in export benefits is another issue faced by exporters.

The margins in the textile industry, which are already low, have made this reduction commercially unviable in many cases. This has resulted in the Indian cotton textiles products becoming much costlier than those of competing nations, he added.

New Chairman

TEXPROCIL has appointed KV Srinivasan, Managing Director, Sree Narasimha Textiles, Premier Mills and Premier Fine Linens, as its new Chairman.

He is a committee member of The Cotton Textiles Export Promotion Council from 1998.

He completed his BTech in Textile Technology from PSG College of Technology in 1983 and MSc in Textile Technology in December 1984 from the University of Manchester. He is the Chairman of the South Indian Textile Research Association, Coimbatore.

Source: thehindubusinessline.com- Nov 29, 2018

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India, Korea to work on improving trade pact

India and South Korea need to work on improving the utilisation of the Comprehensive Economic Partnership Agreement (CEPA) as part of the on-going review and expansion negotiations of the bilateral trade and investment pact, a senior government official said.

Additional Secretary in the Commerce Ministry Sanjay Chaddha said: “We have to understand that it is only when the utilisation rate increases will the industry be comfortable about further liberalisation of markets.” He was addressing the India-Korea Business Partnership Forum 2018, organised by the Confederation of Indian Industry and the Korea International Trade Association, on Wednesday.

Utilisation of the India-Korea CEPA by Indians is estimated at a low of 5-25 per cent. This is because exporters find it difficult to adhere to the technical rules governing the CEPA and also due to low awareness about the pact.

Trade deficit

While India-Korea trade has doubled in the nine years since the CEPA was implemented, the trade deficit has widened in Korea’s favour. South Korea’s exports to India jumped from $10.47 billion in 2010-11 to $16.36 billion in 2017-18. India’s exports to South Korea, however, remained sluggish and increased a tad from $3.72 billion in 2010-11 to $4.46 billion in 2017-18.

Korea’s Ambassador to India Shin BongKil pointed out that the friendship and trust between the top leadership of the two countries was at its highest ever and there was a lot of potential for enhanced trade and economic ties. “India and Korea have a bilateral trade target of $50 billion which is still very small compared to Korea’s trade with China which was $200 billion last year,” he said.

Korea’s share of Indian export was 1.3 per cent in 2016 and increased to 1.5 per cent in 2017. Its share of Indian imports increased from 3.4 per cent in 2016 to 3.6 per cent in 2017, according to figures shared by Korea.

Despite the CEPA, South Korea’s investment flow into India has been low. After touching about $0.5 billion in 2011, it stayed at around $0.3 billion per year till September 2017.

The next round of negotiations on the India-Korea CEPA expansion will be on December 11-12 and the attempt will be to conclude the negotiations in 2019, Chaddha said.

Source: thehindubusinessline.com- Nov 28, 2018

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Indian firms work to further explore Vietnam's garment and textile market

India is one of the major material suppliers of Vietnam's garment and textile sector, but trade value between the two sides remains modest. Therefore, Indian firms are working to promote trade activities in the Vietnamese market.

Earlier this month, the Indian Consulate General in Ho Ch Minh City worked with the Vietnam Cotton and Spinning Association (VCOSA) to hold a meeting between Vietnamese firms and their Indian counterparts joining the 18th International Textile and Garment Industry Exhibition.

According to the General Statistics Office, in 2017, trade between Vietnam and India hit 7.62 billion USD, with Vietnam's exports at 3.75 billion USD.

In the first nine months of 2018, bilateral trade hit 8.27 billion USD, up 47 percent over the same period in 2017, bringing the countries closer to the target of 15 billion USD in two-way trade in 2020.

The two sides have defined garment and textiles as a prioritised sector in bilateral ties.

Indian General Consul in Ho Chi Minh City K Srikar Reddy cited Indian statistics showing that in the 2017-2018 fiscal year, India's global exports of garment and textile hit 36.73 billion USD, including 555 million USD to Vietnam, up 42 percent over the previous fiscal year.

From April to August 2018 of the 2018-2019 fiscal year, India earned 257 million USD from selling garment and textile products to Vietnam, up 59 percent over the same period a year earlier.

Although trade of garment and textile between the two countries has enjoyed impressive growth in the past two years, the two sides have much potential to continue boosting partnership in the area.

The Vietnamese garment and textile sector imports cotton, accessories and fabric for production.

Under the free trade agreement between India and the ASEAN, most cotton and woven cotton fabric and knitted fabric imported from India will enjoy tax exemption from January 1, 2019, making India a competitive supplier of garment and textile materials and machines for Vietnam.

Last year, Vietnam imported 19 billion USD worth of materials, mostly yarn and fabric from major suppliers such as China, the Republic of Korea and Taiwan (China). However, imports from India were modest.

Shailesh Martis from the Cotton Textile Export Promotion Council of India (TEXPROCIL) said Vietnamese firms should explore the 1.3 billion-strong market of India.

Statistics from TEXPROCIL showed that in 2017, India was the world's second largest exporter of cotton products, top cotton and jute producer and the second biggest fibre producer.

Indian businesses have shown increasing interest in Vietnam from which they can enter the Southeast Asian market.

Indian businesses have invested in 201 big projects in Vietnam with a total investment of about 876 million USD, ranking 27th out of the 126 foreign countries and territories investing in Vietnam.

But Indian General Consul K Srikar Reddy said that if counting India's investment to Vietnam through a third country, the figure is 1.4 billion USD.

Source: en.vietnamplus.vn- Nov 28, 2018

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Textile industry demands 50% cut in power tariffs

The textile industry leaders will be making a strong representation to Gujarat's energy minister Saurabh Patel to give 50% concession on the electricity tariff, which they claim will provide a level-playing field with the textile sector in Maharashtra.

Patel has been invited as the guest of honour at the inauguration of the three-days Energy International exhibition organized for the first time by the Southern Gujarat Chamber of Commerce and Industry (SGCCI) at the Surat International Exhibition and Convention Centre (SIECC) at Sarsana on Friday.

Industry sources said that the delegation from SGCCI, power loom weavers and textile processors have already represented the electricity tariff issue with chief minister Vijay Rupani in Gandhinagar this week.

Though the CM has assured all proactive measures to be taken in the textile policy-2018, the government may not consider the 50% electricity tariff concession demand of the industry.

President of South Gujarat Textile Processors Association (SGTPA), Jitu Vakharia, said, “Not only the power loom weavers, but the textile mills too are facing cut-throat competition from the mills in Maharashtra where government is giving huge subsidies to revive the closed mills. If this happens, business will shift to Maharashtra.”

Vakharia added, “Many powerloom and embroidery units have shifted to Navapur and Tarapur in Maharashtra for electricity concessions and other subsidy benefits.”

According to industry leaders, the power tariff in Maharashtra is Rs 3.50 per unit, whereas the textile industry in Surat pays Rs 7.50 per unit rate. Due to cheap electricity, the production cost of the units in Maharashtra is significantly less.

The fabric manufactured in Maharashtra is cheaper compared to Surat.

Representative of power loom weaving sector, Ashish Gujarati, said, “We will meet the minister on Friday and remind him about electricity concession scheme. If the government doesn’t concede, more units will shift to Navapur and Tarapur.””

Source: timesofindia.com- Nov 30, 2018

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CITI signs MoUs with BGMEA, Uzbekistan textile industry

The Confederation of Indian Textile Industry (CITI) signed MoUs with Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Uzbekistan textile and garment industry to carry out trade promotional activities in both the countries. The entire textile value chain was covered at the textile conclave commemorating diamond jubilee of CITI.

Disruptions lead to innovations and transformations which should be focus area for textiles and apparel sector, said vice-president of India, Venkaiah Naidu, main speaker of the two-day conclave.

Naidu requested the textile and clothing (T&C) industry to carry forward the old age long tradition started by the skilled craftsman of the Indian textile industry. He also stressed that in the ancient time the Indian textile industry had the largest share in the growth of India's economy, while today, it has been mere reduced to 4 per cent of the GDP.

The Indian government has taken various initiatives such as establishing textile parks, Technology upgradation through TUFS, etc., Scheme for Integrated Textile Parks which have fuelled the growth of the textile industry of India, informed Naidu.

With the world moving towards 4th industrial revolution based on cyber physical systems, Naidu said that the Indian textile industry must take lead in industry 4.0 in view of the distinct advantage enjoyed by us in the IT sector. He called up on the textile industry to fully tap the potential of IoT cloud, artificial intelligence and big data and analytics.

He said that it was high time for the industry to establish textile industry 4.0 learning factory in all the major clusters adopting Hub and Spokes Model with Hub focusing on advance training and spokes focusing on basic training.

CITI chairman Sanjay Jain thanked the Union minister of textiles Smriti Zubin Irani for supporting CITI and resolving many of the industry's critical issues.

During the programme, union minister of textiles Smriti Zubin Irani highlighted initiatives like Silk Samagra, Samarth introduced by the government to support Indian textile value chain. She expressed gratitude to the industry captains for supporting the government by adopting GST reforms and urged them to tap the huge potential in technical textiles which has been identified as a sunrise sector.

Appreciating the efforts by the CITI, Irani also mentioned that the national sample survey organisation will collate the data of Indian textile retail market by collaborating with office of the Textile Commissioner. To establish the size of Indian market, the government is also going to conduct a size India survey.

Several firms and individuals were honoured at the conclave for the contribution to the textile industry.

Naidu conferred the Lifetime Achievement Award to Suresh Kotak, chairman, Kotak & Co. and also gave away Pioneering Awards to Shekhar Agarwal, vice-chairman, RSWM LTd., P Nataraj, managing director, KPR Mills Ltd., Neeraj Jain, joint managing director, Vardhman Textiles Ltd. and Sanjay Jayavarthanavelu, chairman & managing director, LMW Ltd. InnoTex 2018 Awards were also given to the top three winners for doing excellent work in their fields.

Source: fibre2fashion.com- Nov 29, 2018

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Textile Industry Should Look Forward To Exporting Products To Countries Other Than The US And EU: Prabhu

Union Minister of Commerce & Industry and Civil Aviation, Suresh Prabhu, urged the textiles industry to prepare a road map in order to tap into the export market.

Addressing a Global Conclave of Confederation of Indian Textile Industry in New Delhi yesterday, Prabhu said that Government is willing to extend all possible support to the textiles industry.

Suresh Prabhu said that the contribution from textiles and apparel can be increased by scaling up and increasing investments into the industry along with cost optimization and vertical integration.

Investing in new and more efficient technologies and processes will lead to more superior products.

The Minister said that the Indian textile industry should modernize their approach as well as the technologies and gain competitive advantage over neighboring countries and diversify product range across the value chain.

The Minister said that the Commerce Ministry is making all efforts to onboard all line ministries for greater synergy in order to promote exports.

Suresh Prabhu further said that textiles industry should look forward to exporting their products to countries other than the US and EU.

For this, the Government of India has been making all efforts in identifying potential export partners and strengthening relationships with them.

He noted that a free trade agreement with EU would relieve the pressure on the industry and enhance competitiveness. The Government is also looking to fast track negotiations of Free Trade Agreements with EU and Australia.

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

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Garment sector seeks settlement of rebate

The Tirupur Exporters' Association (TEA), the largest knitwear/readymade garment cluster of India, has appealed to Union textiles minister Smriti Zubin Irani and sought an early settlement of Rebate on State Levies (ROSL) claims, which have been pending for months. The ROSL claims have not been cleared to the sector for the past three months. ROSL claims are given to compensate the embedded taxes on petro products, Mundy tax and electricity that were not included in the ambit of goods and services tax (GST).

TEA's president Raja M Shanmugham pointed out the garment export sector had started looking up with a positive trend only in October this year after witnessing a declining phase for a year due to the implementation of GST. The cluster hoped the trend would continue in the coming months, too, he said on Thursday .

According to him, for the Tirupur knitwear cluster alone, the pending ROSL claims (1.7% free on board worth exports) worked out to be Rs 105 crore. He added that the settling of pending claims would be helpful to the plants at a time when the units are operating under wafer-thin margin and struggling to sustain in the price-conscious global market. These have to compete against the countries which are enjoying duty-free status in the European Union and the United States markets.

"It is a fact that the exporting units are taking various measures to cut down their costs to be competitive. In this regard, we have made an appeal to Smriti Zubin Irani, Union minister of textiles, to clear the ROSL pending claims expediently," he said. Shanmugham also said it was high time that India should also expedite the Free Trade Agreement with Russia as the latter had already given a green signal to India's competing country, Bangladesh, for the import of duty-free garments. Russia is a huge market and more leading retail stores have set up shops there. It is right for us to continue to have a negotiation and enter the pact at the earliest to reap the benefit.

Source: financialexpress.com- Nov 30, 2018

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Govt to revise rate regime for old terminals at major ports

The Shipping Ministry has flagged off the process of revising a contentious rate regime that governs India's first batch of 16 public-private-partnership (PPP) cargo terminals at Centre-owned major ports.

The revision has become necessary after the Ministry decided to drop an earlier plan to allow these terminals to migrate to a more favourable and market-friendly pricing structure announced for new terminals in 2013.

Lack of agreement

The migration plan failed because the Ministry and the private firms running these terminals failed to agree on the terms of the shift.

The Ministry wanted the terminal operators to put up their facilities for re-bidding to discover the price afresh, with a right of first refusal given to the existing cargo handlers to match the highest bid and take the contract.

The re-bidding condition was proposed as the shift to a de-regulated rate regime of 2013 would have fetched higher revenues to port operators, which had to be shared with the government-owned port trusts.

This was not acceptable to the operators, including global giants such as DP World, PSA International and APM Terminals, which preferred a migration without any conditions, which was not agreeable to the Ministry, either.

The validity of the 2005 rate-setting guideline ended in 2010 but has been extended repeatedly with the latest extension ending in March next year.

"If migration had worked out, these terminals would have moved to the 2013 rate regime and the 2005 guideline would have become defunct. Since that has not worked out, it is a mandatory requirement for us to revise the 2005 rate norms which was due in 2010.

We have to give a reason for not revising it; as long as the migration issue was there, that was all right. But once that is dropped, we have to revise it," a Ministry official said.

'Flawed' clauses

These terminal operators are fighting the government over many "flawed" clauses in the 2005 rate regime either individually or under the banner of their lobby group, the Indian Private Ports and Terminals Association (IPPTA), after the rate regulator ordered rate cuts when the terminals asked for a raise.

The terminal operators say that the rate cuts, if implemented, would render their facilities commercially unviable and have secured the backing of courts to stay the rate reductions ordered by the Tariff Authority for Major Ports (TAMP), some as far back as 2012.

Even after its validity ended and was extended on an ad-hoc basis, the Ministry has tweaked some of the vexed clauses in the 2005 guidelines that have roiled the operators including the calculation of surplus earned by the terminals by handling much more than the volumes projected in the previous rate cycle. Such refinements were carried out with the approval of the Law Ministry and the Attorney-General.

Diminishing returns

Still, there are clauses detrimental to the interests of the older terminals.

For instance, the return on capital employed (ROCE) is currently computed on the net block of assets, resulting in diminishing returns with each passing year. "The gross asset method of determining return on capital employed is more appropriate for ensuring desired stability on return on investment which is essential for any financial investment in a project," an executive with one of the older cargo terminals said.

The 2013 rate regime guarantees a raise of as much as 15 per cent on the base reference or ceiling rate (set upfront at the beginning of the contract by TAMP) during each year of the 30-year contract if the terminal operator complies with certain performance standards.

The PPP operators would also be entitled to a further hike every year to account for rising prices because the base rates are indexed to the WPI to the extent of 60 per cent.

In comparison, the 2005 rate guideline penalise operators for efficiency. If a terminal loads more than the projected volumes in a tariff cycle, its rate will be cut in the next tariff cycle.

Source: thehindubusinessline.com- Nov 29, 2018

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Liquidity crunch keeping outlook for world's fastest-growing economy muted

The measure, compiled by Bloomberg News, reflects a sharp drop in a liquidity indicator, a sign of tight financial conditions, as well as slowing growth in infrastructure industries

A banking liquidity crunch and weak business sentiment before state elections this year outweighed signs of a revival in consumer demand during India's main festival season, keeping the outlook for the world's fastest-growing major economy muted.

An overall activity indicator measuring animal spirits -- a term coined by British economist John Maynard Keynes to refer to investors' confidence in taking action -- was unchanged in October despite a slew of data from two-wheeler vehicle sales to consumer demand showing an improvement from the previous month.

The measure, compiled by Bloomberg News, reflects a sharp drop in a liquidity indicator, a sign of tight financial conditions, as well as slowing growth in infrastructure industries.

The latest readings back up the view that growth is moderating in India. Data on Nov. 30 will probably show gross domestic product grew 7.5 per cent in the July-September quarter from a year ago, down from 8.2 per cent in the previous three months.

Here are the full details of the dashboard:

Business activity

The Nikkei India Composite PMI output index climbed to 53.0 in October from 51.6 in September, helped by gains in the main services index and the manufacturing output gauge. It was the strongest expansion in private sector activity since July, and came amid cooling price pressures.

Business sentiment is flagging though, with confidence among services firms dropping to a 20-month low in October, according to an IHS Markit report based on the purchasing managers' survey. Sentiment among manufacturers also fell to the weakest since February 2017, as political uncertainty hampered confidence, it said.

Elections in five states -- phased voting for which has already begun -- is seen as an indicator of voter mood toward Prime Minister Narendra Modi's government in next year's general election.

Exports

Exports grew 17.9 per cent in October from a year ago, rebounding from a 2.1 per cent decline in the previous month, with a weaker rupee making shipments competitive. The uptick was driven by sectors including textiles, yarns and garments. According to Aditi Nayar, an economist at ICRA Ltd., the rise was due to a favorable base effect as well as decent demand from China.

In value terms, exports fell from a month ago, and were lower than imports, putting pressure on the trade deficit and acting as a possible drag on growth.

Consumer activity

While demand for goods and services were showing signs of recovery before Diwali, the Hindu religious festival, economists like Teresa John of Nirmal Bang Equities Pvt. expect some sluggishness going forward.

Soft food prices will hit farm income, and rural wage growth has been muted, she said, adding that the only support for rural growth will be from government spending before elections.

Data from the Society of Indian Automobile Manufacturers showed vehicle sales picking up, led by scooters and motorbikes.

Commercial vehicle sales remained robust, growing nearly 25 per cent year-on-year.

Demand for bank loans strengthened -- up 14.6 per cent in October from a year ago -- even though lending rates are moving up.

The Citi India Financial Conditions Index shows a considerable tightening as the central bank's intervention in the foreign exchange market and a traditional pickup in lending by banks in the second half of the financial year gathered steam.

The index includes indicators such as short-term money market rates, government bond yields, the yield curve, credit and credit default spreads.

Industrial activity

Growth in infrastructure industries -- which contribute 40 per cent to factory output -- slowed in September, due partly to a decline in the output of crude oil and subdued natural gas production.

Overall, growth in the index for industrial production picked up slightly to 4.5 per cent in September from a year ago.

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

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India rejects US charge of subsidising cotton beyond WTO spending limits

India has also rejected Australia's claim that India's market price support for sugarcane is in excess of its WTO spending limits

India has rejected the US charge of subsidising cotton beyond the limits prescribed by the World Trade Organisation (WTO), saying its market price support is intended to help the country's poor farmers, an official said.

The US has alleged that India was providing substantial market price support for cotton well in excess of India's WTO spending limits.

India's policies for supporting its cotton and sugar sectors were under the spotlight in a meeting of the WTO's Committee on Agriculture on November 26-27. Australia too had raised the issue.

"The support provided (by India) is intended to ensure that poor farmers do not resort to sales under distress and that procurement by government agencies only accounts for a very small part of total production (less than 2 per cent)," a Geneva-based official said.

India has been using a consistent reporting approach since 1995 and it uses a robust methodology as compared to the US in its calculation of the support. India's figures on total value of production are publicly available and they do not include it in WTO notifications because it is not required and other members also do not report this figure.

"The method used by India is consistent with WTO rules," the official added. The US had alleged that India was substantially under-reporting the value of its minimum price support (MPS) for cotton.

They had stated that in its 2015-16 notification to the WTO, India reported Rs 1.2 billion in MPS for cotton whereas the US estimated India's support at over Rs 504 billion.

These actual support levels also mean that India is well in excess of its WTO spending limits on cotton support, which is fixed at 10 per cent of the total value of overall production, the US had alleged.

Similarly, India has also rejected Australia's claim that India's market price support for sugarcane is in excess of its WTO spending limits.

"The entire Australian counter-notification is based on a fallacious approach...In fact, MPS for sugar does not qualify as domestic support as there is no procurement by the government," the official said.

India has stated that the fair price announced is intended to prevent distressed sales of sugar by domestic farmers. India is a marginal player in the international market for sugar and accounts for less than 1 per cent of global sugar exports.

The country has made no contribution to the glut that is currently depressing prices, India has claimed.

Australia in a communication to the WTO has alleged that India is the world's second largest sugar producer and fourth largest exporter and the dynamics in India's sugar market have significant implications for both prices and trade in the global market.

They have alleged that India has provided support for sugarcane over a six-year period vastly in excess of its WTO spending limits. According to them, the support provided by India topped Rs 747 billion in the 2016-17 market year.

Other countries that raised red flags over India's support to the sugarcane sector include Guatemala, Thailand, Paraguay, Brazil and European Union. In the meeting, questions were also raised regarding India's decision to increase import on milk powder from 30 per cent to 40 per cent.

India has replied that the measure was based on domestic demand and supply and the new duty was within India's bound tariff limit (the maximum permitted tariff in India's WTO schedule of commitments).

The EU said this was an example of India restricting trade by raising import duties.

Source: business-standard.com- Nov 28, 2018

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Deals to import 180,000 bales cotton inked Oct-Nov as local rate high

Indian traders have signed deals to import around 180,000 bales (1 bale = 170 kg) of cotton so far in the current season started Oct 1.

The imports will be sourced mainly from the US, Egypt and west Africa because of the recent rise in domestic prices, trade officials said.

Of the total quantity, nearly 80,000 bales have been contracted in the last two weeks alone for the consignment arriving in Dec-Jan.

“Higher domestic prices in the beginning of the season and strong demand from mills in southern India, particularly those in Tamil Nadu is encouraging imports,” said Gurusamy Rathakrishna, president of Coimbatore Cotton Association.

Prices of Indian cotton were 4-6 cents per pound higher than better quality US produce. The premium has now narrowed to 2-3 cents, still attractive enough given the superior quality of imported cotton, said Rathakrishna.

On ICE Futures US, prices of the benchmark cotton contract, which ruled around 81 cents in October, have not fallen to 77.5-cent level, while on Multi Commodity Exchange of India, cotton prices have hit a six-month low of 21,500 rupees a bale from 23,000 rupees in October.

Irrespective of the crop size, India typically imports around 500,000 bales of extra long staple cotton from the US, Africa or Australia as it is not produced locally. It also imports 500,000-700,000 bales of contamination-free cotton and both varieties are inelastic to prices.

A sudden 4% appreciation in the rupee against the dollar in three-four weeks and uncertainty over domestic crop due to droughts have also had a bearing on imports, traders said.

“Quantity and quality of the domestic crop is a major concern though the first round picking is expected to be good,” said J. Tulasidharan, president of Indian Cotton Federation.

Last week, the Cotton Advisory Board, under the ministry of textiles, pegged India's output for 2018-19 at 36.1 mln bales, lower by 900,000 bales on year, but much higher than industry expectation of 34.0-34.5 mln bales.

Lower domestic supply may lead to imports rising to 2.0-2.5 mln bales in 2018-19, which is way above the Cotton Advisory Board's estimate of 1.5 mln bales.

Source: cogencis.com- Nov 28, 2018

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