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US 71.35| EUR 79.93 | GBP 93.60| JPY 0.65

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18804	39300	**70.19**

Domestic Futures Price (Ex. Warehouse Rajkot), January

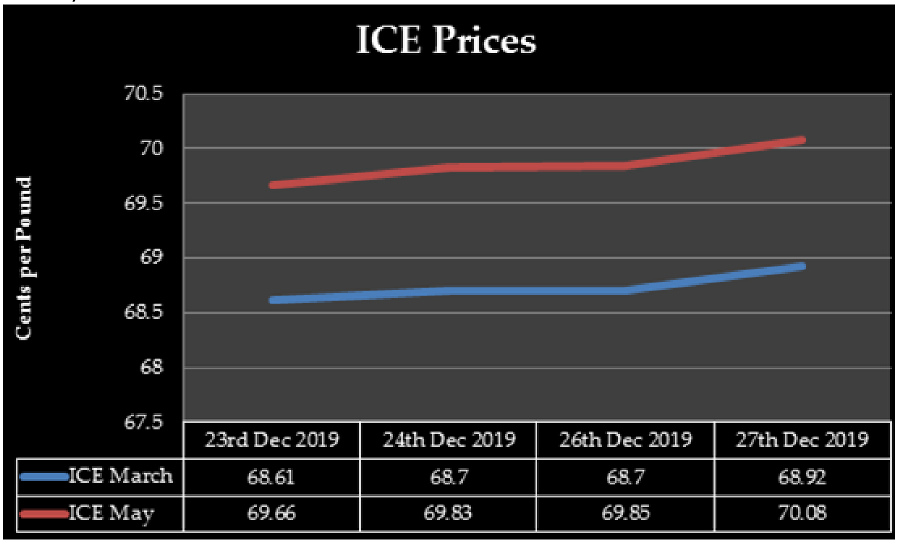
Rs./Bale	Rs./Candy	USD Cent/lb
19460	40671	**72.64**

International Futures Price

NY ICE USD Cents/lb (March 2020)	68.92
ZCE Cotton: Yuan/MT (May 2020)	13,575
ZCE Cotton: USD Cents/lb	88.02
Cotlook A Index – Physical	**77.65**

Cotton Guide- The previous week has been positive for the ICE cotton futures. The Thrust has mostly come in from the speculators who have now forfeited their bearish stance have now shifted towards the positive area. The following are the last week's closing figures. The MCX Prices on the other hand, were also positive despite arrivals seen and predicted for the next one month. The MCX January contract settled at 19,460 Rs per Bale with a change of +30 Rs. The Highest volumes and Open Interest was seen only for the January contract. The January contract itself was accountable for 1160 lots and an open interest of 2700 lots.

The weekly US Export sales data were released on Friday evening. However, as predicted precisely, the data was not encouraging. Net sales of 135,100 RB for 2019/2020 were down 46 percent from the previous week and 44 percent from the prior 4-week average. Increases primarily for Vietnam (46,400 RB, including 400 RB switched from Japan and decreases of 1,300 RB), Turkey (29,700 RB), Indonesia (17,900 RB, including 900 RB switched from Malaysia, 500 RB switched from Japan, and decreases of 3,600 RB), Colombia (11,000 RB), and Bangladesh (8,900 RB), were offset by reductions for China (12,900 RB). For 2020/2021, net sales reductions of 9,300 RB resulting in increases for Costa Rica (4,200 RB) and Thailand (1,300 RB), were more than offset by reductions for Indonesia (14,900 RB). Exports of 202,100 RB were down 5 percent from the previous week, but up 8 percent from the prior 4-week average. Exports were primarily to Pakistan (34,100 RB), Bangladesh (29,000 RB), Vietnam (24,800 RB), China (22,100 RB), and India (21,300 RB). Net sales of Pima totaling 19,300 RB were up 36 percent from the previous week and up noticeably from the prior 4-week average. Increases were primarily for India (8,500 RB), Bangladesh (3,700 RB), Austria (2,600 RB), Pakistan (1,300 RB), and Thailand (1,200 RB). Exports of 8,400 RB were down 28 percent from the previous week and 11 percent from the prior 4-week average. The primary destinations were India (2,800 RB), Vietnam (1,800 RB), El Salvador (900 RB), Peru (900 RB), and Turkey (600 RB). (Source - USDA)



While speaking about the Cotlook index A the figure remains unchanged at 77.65 cents per pound, whereas the prices of Indian Shankar 6 are had been steadily positive last week and now shows an increase by +100 Rs at 39,300 Rs per Candy.

On the fundamental front, the prices are expected to move ahead which is the revised view for the upcoming fortnight. We might even witness 70 cents per pound at the end of this week. For the MCX prices, our fortnight view remains positive as prices have already touched the bottom.

On the technical front, In daily chart, ICE Cotton March price has witnessed a broad Inverse Head & Shoulder pattern, along with bullish flag breakout formation. However, price would look to test the resistance of 69.50 (61.8% Fibonacci extension level). Meanwhile, price is above the daily EMA (5, 9) at 68.77, 68.26 with a positive crossover acting as an immediate support for the price. The momentum indicator RSI is at 70, also supports the bullish bias. The immediate support would at 68.26/67.32 (9 day EMA & 38.2% Fibonacci extension level). Thus for the day we expect price to trade in the range of 69.56-68.70 with a sideways to positive bias. In MCX Jan Cotton, we expect the price to trade within the range of 19250-19640 with a sideways to positive bias.

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

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INTERNATIONAL NEWS

Crunching Numbers: China-U.S. trade war slowing U.S. retail trade industry

Christmas shopping time has just ended in the U.S. with retail sales increasing 3.4 percent from November 1 through Christmas Eve, according to Mastercard's post-Christmas holiday report.

On December 13, a phase one economic and trade agreement achieved between China and the U.S., which suspended the tariff war scheduled to start before Christmas, may help drive growth.

Even with a better performance of retail sales, some of the biggest discounts since the financial crisis launched by retailers has squeezed profits.

Momentum of retail sales growth underwhelms

Although retail sales in the U.S. are on the upward trend, its monthly growth in 2019 has been slower than that before the China-U.S. trade war began.

The latest monthly data from U.S. Census Bureau demonstrated that retail sales reached 461.57 billion U.S. dollars in October, second only to the highest sales in two years at 461.89 billion U.S. dollars in August.

Nevertheless, after increasing 8.8 percent in Q1 2019, retail trade sales only increased 0.2 percent in the second quarter, which was the second leading contributor to the slowdown of real GDP growth at 2.0 percent in Q2 2019, according to the data analyzed by the U.S. Bureau of Economic Analysis.

Also in October, the year-on-year growth of retail trade sales at 3 percent was down 2.08 percentage points and 1.54 percentage points respectively on 2017 and 2018. Especially after the China-U.S. trade war began, the year-on-year growth of retail sales was mostly lower than in 2018.

The shopping period from Thanksgiving Day through Cyber Monday was not affected actually. An increase of 14 percent over last year's 165.8 million U.S. dollars and an average 361.90 U.S. dollars on holiday items was recorded over the five-day period, up 16 percent from 313.29 U.S. dollars during the same period last year, as counted by the National Retail Federation (NRF) and Prosper Insights & Analytics.

Despite noticeable growth in holiday spending, consumer confidence is worse than four months ago. Data released by the Conference Board shows the consumer confidence index (CCI) decreased gradually from 135.8 in July to 125.5 in November. And since January 2019, year-on-year negative growth of CCI has occurred and may hurt retail sales.

Five subsectors lead to change

The Retail Trade sector comprises establishments engaged in 12 subsectors, but not every category experienced a drastic fluctuation or struggled with a decline.

The Bureau of Economic Analysis reported that nonstore retailers, accounting for 14.2 percent of the total retail sales, ranked third in the first 10 months this year. This was primarily attributed to the rising of the retail trade's real gross output from 2.8 percent in the first quarter to 4.7 percent in the second quarter.

Since 2017, nonstore retailers have been keeping a high rate among all subsectors except in December 2018, partly attributable to the growth of e-commerce.

The report from Mastercard mentioned that holiday e-commerce sales made up 14.6 percent of total retail and grew 18.8 percent from 2018.

"We know firsthand that the additional tariffs will have a significant, negative, and long-term impact on American businesses, farmers, families, and the U.S. economy," more than 600 companies and industry trade associations, including Walmart, Costco and Target, wrote in a letter to the White House on June 13 this year, urging Donald Trump to remove the current tariffs.

The reason for that was other subsectors were not as lucky as nonstore retailers, especially the clothing and clothing accessories stores.

In 2017 before the trade war occurred, China was the United States' largest supplier of textiles and apparel. After imposing an additional tariff of 15 percent on approximately 300 billion U.S. dollars of Chinese imports this September, the sales of clothing and clothing accessories stores in the U.S. were slowing down, with a 10.2 percent point decline of the year-on-year growth rate from May 2018.

Another subsector suffering from the China-U.S. trade war is electronics and appliance stores. Since August 2018, the year-on-year growth rate has been hovering in a low position and has never returned to the positive growth at October 2018.

Who is paying for the trade war? According to a report of the Federal Reserve Bank of New York, prices on goods from China have so far not fallen, which means U.S. firms and consumers have to pay the tariff tax.

The financial report of Walmart shows that from fiscal Q4 2018 to Q3 2020, the year-on-year growth of its revenue has shrunk from 4.1 percent to 2.5 percent. Also the declining year-on-year sales growth of general merchandise stores proved the effect laid by the China-U.S. trade war.

Retail employment suffered

According to U.S. Bureau of Labor Statistics, employment in the retail trade industry experienced ups and downs in a decade, including a quick fall after 2008 financial crisis, with 503,400 employees losing their jobs from November 2008 to November 2010. However, a steady upturn after that pushed the total number to its zenith of 15.9407 million in January 2017.

Latest preliminary data show that, 15.7955 million people were hired in the retail trade sector in November 2019, 2,000 more than in the previous month. But retail was still confronted with a fragile situation with the number of employees in 9 out of 12 subsectors falling in November.

Click here for more details

Source: news.cgtn.com- Dec 29, 2019

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Azerbaijan's area under cotton cultivation to rise in 2020

The area allocated for cotton cultivation in Azerbaijan in 2020 is 105,000 hectares, the country's agriculture minister Inam Karimov said recently. According to the new subsidy mechanism, which will come into force in 2020, $129 will be issued to farmers for every hectare of sown cotton, and $58 for each tonne of harvested cotton, the minister said.

Issuing subsidies through the Electronic Agriculture System will accelerate the process and improve the quality of service, Azeri news media quoted him as saying.

In 2019, some 294,000 tonnes of cotton were harvested in Azerbaijan. Azerbaijan entered a new stage of cotton breeding in early 2017 with the approval of the State Program for 2017-2022, which that aimed at strengthening measures directed at developing this sector. As a result, raw cotton production in 2022 is expected to reach 500,000 tonnes.

Cotton production ensures main income for over 200,000 people in Azerbaijan, including farmers, seasonal workers, and specialists working in the cotton fields such as agronomists, mechanics, drivers and others. Some 23 cotton plants, seven yarn factories and three cotton oil companies operate in the country.

Source: fibre2fashion.com- Dec 30, 2019

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Sri Lanka: Local apparel industry keen to set up textile manufacturing plants

Apparel industry stakeholders are making a concerted effort to create a sustainable fabric supply base within the country.

"Though the goods exported to EU are eligible to the GSP+ benefit, we are unable to meet the country of origin rule. The main issue is that Sri Lanka lacks a fabric supply base to meet the demand of export oriented apparel. The available fabric is only knitted fabric.

The capacity available is fully absorbed by the industry. As a result, a part of the knitted and woven fabric requirement is being imported," Joint Apparel Association Form General Secretary Tuli Cooray said.

Total imports of fabric goes well beyond US $ 2 billion annually. Whether GSP+ is there are not, having its own fabric base will ensure a sustainable apparel industry, he said.

The proposal to set up a textile development park in Eravur has been recognised in the government manifesto. "We believe that action will be taken by all relevant institutions to get the project going. We have requested the BOI to set up a zone exclusively for textile manufacturing.

A minimum of three plants will be promoted by us. We are willing to undertake missions to explore the possibility of attracting investment since China is looking for attractive sites for such investments," he said.

The setting up of the zone will have multiple effects, the biggest advantage will be the ability to control the outflow of foreign exchange in the procurement of fabric by minimising imports.

If the plants are given access to domestic markets, the domestic consumption will be able to improve their delivery, at a lesser cost since factory JIT (Just In Time) supply will enable minimum inventory cost whereby the delivery speed could be enhanced.

An exporter would enjoy the preferential benefits from countries when such treatment is offered because of their ability to meet deadlines. We hope that the government will pay attention on this request and take immediate action to set up these zones by allocating land to prospective investors. With the launch of manufacturing zones, simultaneous development will take place.

In a matter of 10 to 12 months we will have a strong supplier base. This will ensure that we meet the demand of the apparel buyers and we look forward to make our apparel industry sustainable and future ready, he said If you analyse the progress of the world apparel industry, the retailers are directing the suppliers to go to places to where preferential tariff treatment is guaranteed. That is why production is taking place in many countries in Africa and Asia.

In general practice, the country of origin rule, developed by the Western world on clothing is a system called double transformation, meaning fabric has to be woven or knitted from yarn and from that fabric the garment is made.

This is yarn forward principal.Countries producing garments such as Sri Lanka should be able to meet the country of origin rule, so as to ensure that the preferential treatment offered by the parties are met without which the Most Favoured Nation (MFN) is not applicable.

For example, in our case we have the biggest beneficiary scheme, the GSP+. All products that we manufacture are eligible for the GSP + benefit, but we have not been able to enjoy this benefit because we cannot meet the country of origin rule.

Elaborating on this, Cooray said that in 2017, Sri Lanka exported products to the value of Euros 1,533 million to the EU market of which goods worth Euros 1,529 million could have enjoyed preferential treatment. But we got only for Euros 646 million representing 42.23 percent. Since we did not have the fabric base or we could not import the required fabric from India and Pakistan, we did not get the full benefit. The same thing happened last year as well. We exported to the value of Euros 1,555 million, but GSP + was given only for goods worth Euros 732 million representing 47.1 percent.

Source: sundayobserver.lk- Dec 29, 2019

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Italian textile machinery manufacturers get ready for 2020

For the Italian textile machinery industry, 2020 opens with two very important trade fairs. From January 7 to 10 Frankfurt will host Heimtextil, the most important global trade show for home and contract textiles.

In hall 3.0 Italian Trade Agency and ACIMIT, the Italian association of textile machinery manufacturers, will be present with a service centre designed to assist Italian manufacturers during the show, but also to provide information on the Italian supply to the numerous expected visitors.

Following that, from January 21 to 23, Colombiatex, the main fair for the Colombian textile sector, will be held in Medellin, where an exhibition area will be set up by Italian Trade Agency. The following ACIMIT member companies will be exhibiting in this area: Btsr, Color Service, Fadis, Ferraro, Flainox, Itema, Kairos, Laip, Loptex, Mactec, Mcs, Mesdan, Ratti, Scaglia, Zappa.

According to ACIMIT, in Latin America, Colombia represents a market of considerable interest for textile machinery, especially for the strong development of local fashion sector, well known throughout South America.

Alessandro Zucchi, president of ACIMIT comments: " 2020 will be a challenging year for our member companies, given the high number of planned exhibitions. We start immediately with two important events. Heimtextil is known for new trends and textile innovations. The drive for digitalization has distinguished the offer of our manufacturers for some years now. For this reason, it is important for our Association to be present in Frankfurt".

"Colombia, states Alessandro Zucchi, is a country whose textile and clothing industry has grown in recent years. The fashion sector has established itself throughout the continent thanks to its dynamism and originality. The presence of Italian manufacturers through collective participation is evidence of the value that the event and the Colombian market have acquired over time for the Italian textile machinery industry".

ACIMIT represents an industrial sector that comprises roughly 300 manufacturers, employing around 12,000 people, which produce machinery to the value of EUR 2.5 billion, of which 83% is exported. "Creativity, sustainable technology, reliability and quality are the hallmarks that have made Italian textile machinery worldwide leaders," ACIMIT concludes.

Source: innovationintextiles.com- Dec 28, 2019

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Pakistan: Textile exports increase 4.68% in first five months of FY 2019-20

Textile exports from the country during first five months of current financial year grew by 4.68 per cent as compared to exports of the corresponding period last year.

During the period from July-November 2019, textile worth US $ 5,763,614 million was exported as compared to the exports of US $ 5,506,045 million during same period last year.

According to the data released by Pakistan Bureau of Statistics, the exports of raw cotton increased by 3.67 per cent, while about 10,769 metric tons of raw cotton valuing US $14,277 million was exported as compared to the 8,526 metric tons worth US $ 13,772 million last year.

Meanwhile, 196,326 metric tons of yarn other than cotton yarn worth US $486,018 million were also exported in first five months of current financial year as compared to the exports of 178,027 metric tons valuing US $ 472,454 million last year.
During the period under review, knitwear exports of the country also recorded positive growth of 8.69 per cent.

Knitwear worth US $ 1,320,804 million was exported as compared to the exports of US $ 1,215,180 million last year.

Source: dunyanews.tv- Dec 27, 2019

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Bangladesh lags for want of investment

Bangladesh is lagging behind its global peers due to lack of investment and adequate government support to set up mills to produce manmade fibres (MMFs), which are gaining popularity worldwide as biodegradable raw material for apparel manufacturing.

The share of MMF-based apparel is around 45 percent in the global trade, which is growing at 5 percent, as such garments are more environment friendly, according to a study of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

On the other hand, the share of global trade of cotton-based apparel is around 35 percent now, which shrunk at a compound annual growth rate (CAGR) of 0.5 percent between 2007 and 2017, the study found.

“It is very expensive to set up an MMF based mill,” said A Matin Chowdhury, managing director of Malek Spinning Mills, a leading spinner.

Chowdhury said he tried to set up an MMF-based mill 10 years ago, when the project cost was estimated at $100 million. “Now it takes between $400 million and $500 million.”

In 2017, the global trade of MMF-based apparel was $150 billion, where Bangladesh’s share was 5 percent compared to Vietnam’s 10 percent share. Bangladesh has 430 spinning mills, of them 124 are based on polyester and viscose staple fibre, the two forms of MMF.

Moreover, around 93.57 percent of the 20.52 lakh tonnes of fibre imported in 2018 was cotton, according to the study.
Bangladesh should go for establishing mills only to produce manmade fibres, as the demand for MMF-based garment items is increasing worldwide, Chowdhury said.

“Otherwise, the country’s $8 billion worth primary textile sector would be in a big trouble soon.”

But setting up such an expensive textile project is not easy for investors without government’s supports in the form of low-cost loan and easy access to gas, according to the entrepreneur.

Bangladesh has business potential in MMF like viscose, acrylic and polyester, he said.

Consumers are more informed and concerned about the environment, people and sustainability, because of which they now look for products, which are easy to care and environment friendly, according to the study.

The rise of Fast Fashion, a term used to describe clothing designs that move quickly from the catwalk to stores to meet new trends, is reducing the lead time of order delivery. The Fast Fashion category has grown at 20 percent CAGR between 2015 and 2018 whereas global apparel retail grew 4 percent to 5 percent during the same time, the BGMEA study also said.

The fact that fashion consumers on average buy 60 percent more pieces of clothing than 15 years ago, generating up to 92 million tonnes of trash, equivalent to 4 percent of the world's waste each year, add more havoc to these impacts, according to a recent report of The Jakarta Post, an English daily based in Indonesia.

Viscose, the third-most commonly used fibre in the world, has been hailed as a sustainable alternative to oil-based synthetic textiles such as polyester, acrylic, nylon and spandex.

Introduced in the late 1800s as an alternative to silk, the plant-based viscose, also known as rayon, is inexpensive to make and applicable in many ways, including for casual wear items, denim, socks, bed linen, towels, face masks and wet wipes, The Jakarta Post article said. However, it is tough to trace how the items to produce viscose were sourced and whether the labour rights were ensured.

And Bangladesh should concentrate more on investing in primary textiles, especially in woven and non-cotton sectors, to comply with the standards set by the European Union to avail trade benefits, the BGMEA study said. A decade ago, Bangladesh had eight MMF-based textile companies, which has risen to nearly 60 now to meet the rising demand, said Monsoor Ahmed, secretary to the Bangladesh Textile Mills Association.

Some proposals for setting up new factories are pending with the association, he said.

Of the garment items exported from Bangladesh last fiscal year, 74.14 percent was made from cotton fibre, whereas it was 68.67 percent in 2008-09, the BGMEA study showed.

Source: thedailystar.net- Dec 30, 2019

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Pakistan: Textile industrialist willing to invest $5bn, says APTMA

Pakistan textile industrialists are willing to invest $5 billion in the sector as China is pulling out of textiles, informed Group Leader All Pakistan Textile Mills Association (APTMA) Gohar Ejaz.

Talking to local media, the textile industrialist said that the only industry working in Pakistan at the moment is the textile industry. “The domestic consumption has been curtailed in other sections, however export factories are working at 100 percent capacity," said Gohar.

The industrialist added that textile industry is competitive in only those countries where average earnings are less than $100-150. “We have got the raw material, technology and labor," he said, adding, “we are globally viable and there is a demand for our product after 10 years".

The Group Leader APTMA urged the government to implement a uniform policy for the textile industry. Days ago, APTMA Punjab Senior Vice Chairman Abdul Rahim Nasir urged the government to provide five-year policy for textiles and clothing to attract long term investment..

Nasir said that Pakistan's textile and clothing export share in global trade had dropped from 2.2 percent to 1.7 percent therefore; fresh investment was an urgent need of the hour. However, he stressed that the textile exports could increase to $50 billion from existing level of $13 billion provided that the government ensures long term policy for the textile industry.

Source: brecorder.com- Dec 27, 2019

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Bangladesh: RMG growth: Battling the challenges

Export of Bangladeshi readymade garments (RMG) has been declining since the past four months. There are reasons to believe that Bangladesh’s weaknesses compared to rival producers in the area of product development and diversification have contributed to this falling trend in garments exports. Bangladesh is deemed to be a “sellers’ market”, where the buyers come, place purchase orders and then import garments. But nowadays, the buyers have many viable alternative sources, as the productivity and product diversity of countries like India, Pakistan, Sri Lanka, Vietnam and Cambodia have been boosted in recent times.

With the exception of a handful, most garments manufacturers in the country lack any research and development (R&D) set-up. But the R&D teams in the factories of competitor countries are usually stronger. The local factories usually take three to four months for product development (from design to sample preparation). But countries like China spend only 15 to 30 days for the purpose. Lack of efficiency and weak productivity have become critical factors, as a result of which average production cost unnecessarily goes up, thereby offsetting the advantage of lower labour costs in Bangladesh.

The comparative standing of countries weak in product development is bound to deteriorate in the coming days. It is however encouraging that the BGMEA has started some work on the issue. The rising wages is another factor relevant for the sector's competitiveness. The average monthly wage of a garments worker in the country was USD 35 a decade ago. But the wage has risen substantially since then. It is likely to rise even further in the coming months, which would entail additional expenses for the entrepreneurs. But the buyers are not interested in paying additional money for their purchases. Consequently, there is no alternative to improving productivity and product development if the growth trend is to be sustained.

Another element of unpredictability in RMG business has been the recent proliferation of online trading. Many buyers prefer to do business online now instead of undertaking physical visits. Therefore, the nature of business is fast changing and smaller establishments are competing with bigger ones on equal footing through the world wide web for attracting buyers. The shapes and forms of retail marketing are therefore undergoing significant changes. However, the big buyers usually maintain consistency in their sourcing and typically do not make sudden or erratic moves.

Bangladesh's status with respect to safety in factories was precarious a few years ago. But things have improved a lot in this domain. The capacities of factories have also increased substantially, standing at a much higher level now compared to competitor countries. Besides, the local entrepreneurs have demonstrated their resilience time and again in the face of natural and man-made adversities. They do not step back when the buyers ask for anything challenging. Another positive feature of Bangladeshi RMG establishments is their environment-friendly attribute. They also enjoy good reputation in the area of timely delivery and consistent quality of products. Overall, Bangladesh still remains a lucrative destination for the RMG buyers globally.

However, in the past our entrepreneurs engaged workers after installing garment machineries, and then automatically received purchase orders from the buyers. Their businesses thrived in this way. The entrepreneurs then took it for granted that business would naturally come once machines were installed and workers were deployed. But this premise is not working anymore with respect to the buyers. Now it is the turn of the entrepreneurs to make offers to the buyers. Product development and diversification have therefore become crucial as the fashion trends worldwide undergo changes frequently.

There has been much discussion since long regarding RMG diversification. But, shirts, trousers, jackets, t-shirts and sweaters still remain the main items in the export basket of Bangladeshi RMG sector. There has also not been much improvement with regard to value addition. Greater product diversification has therefore become essential for improving the situation. The manufacturers also need to watch the latest trends in the European and American markets for devising their marketing and production strategies. Many expatriates now work in managerial roles in our RMG factories, which in most cases are unnecessary. Instead, experienced and skilled designers, and product development personnel should be recruited from abroad. Money should also be invested in larger proportion in the area of product development.

Bangladesh's main rival in the RMG arena is still China. But whereas China caters to 33-36 percent of the global market, Bangladeshi exports account for only 6.4 percent of the total. That means, there is a huge gap between the two top exporters. Bangladesh can improve her share only through constant product development and diversification, and concomitant value addition. As for Vietnam, which is now almost at par with Bangladesh, the investors are mostly from China. Many Chinese investors have factories in Vietnam in addition to those they run in mainland China. As a result, the benefits of product development in China also trickle down to Vietnam. This makes the job of sourcing by buyers easier in Vietnam. This is the main reason why Vietnam is doing so well in RMG exports in recent times.

At present around 50 percent of the demand for woven fabric in local RMG factories have to be met through imports. It entails lot of time and money. The lead time for RMG manufactures would have decreased considerably if the fabric was produced locally through enhanced investments in the sector. The value addition in RMG would also have increased as a result. There is, as a result, a good case for focusing on product development in the textiles sector as well. The local factories will have no option but to continue importing high-end textiles from abroad if appropriate investments are not made for producing high-end textiles locally. This is neither desirable nor cost-effective, and the government as well as textile entrepreneurs should take initiatives on an urgent basis for attracting investments in the sector.

Source: thedailystar.net- Dec 28, 2019

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Bangladesh: The importance of building relationships in the apparel industry

Customers desire a connection with their manufacturing partners

The building of meaningful relationships between manufacturers and customers is crucial for the longevity of Bangladesh's RMG sector. However, too often we see that there is a lack of long-term manufacturer/buyer relationships within the country and this needs to be addressed.

"No matter how smart you are, if you don't know how to work with people, your dreams will just be dreams," said Jack Ma, China's wealthiest man and the co-founder of the world-renowned Alibaba Group.

The power of building relationships cannot be underestimated -- whether that be relationships with your employees, co-workers, business associates, or customers. However, business relationships within Bangladesh are often seen as fractious, short-term and, ultimately, result in disappointment.

Given the importance of relationships in enabling successful business development, shouldn't all stakeholders in the apparel industry be dedicating more time to their development? What are the benefits that can be expected?

What is abundantly clear is that the establishment of business relationships will encourage communication and interaction with customers, employees, suppliers, and business associates.

Successful business relationships nurture trust amongst all involved. The importance of trust in establishing meaningful manufacturer/ customer relationships is paramount as it is the single most important factor in building any successful business, team, or relationship. A customer that trusts their supplier will listen to that company's issues and, likewise, a business that trusts their customers will strive to do their very best, even in the toughest trading conditions.

Short-term relationships with customers who place an order to fulfil their immediate needs and then never return will not help any apparel manufacturing company develop their business in the long-term and is something that has been experienced by the industry in recent years.

Conversely, those customers that have established a relationship with their supply base, based on service, product capabilities and trust will return, and this is key; building a base of loyal, repeat customers through relationships is essential for the success of any apparel operation.

Any business stands or falls on its reputation in the marketplace. It is imperative that apparel business owners and their management show empathy, courtesy, and attention to their customers, employees, and business associates. By behaving in this manner, a business will establish a good reputation and will be regarded as trustworthy and experienced. This brand-building by any apparel company will result in a growth in business with existing customers.

Hand-in-hand with growing the existing business, better brand reputation increases the power of word-of-mouth marketing. A customer that is introduced to a company through word-of-mouth is already confident that the business will be able to satisfy their demands as they have come to know of the operation through other satisfied customers.

Encouraging a healthy relationship between apparel company owners and management and their employees and between the employees themselves is essential in the operation of a successful business.

By treating all employees with respect and applauding their success garners trust in the owners of the business. Employees who have trust in their managers and company owners become more motivated, increasing their productivity and commitment to their roles as they feel safe in the knowledge that their efforts will not be taken advantage of -- contributing to the overall growth of the business.

The development of sound business relationships leads to customer satisfaction. We operate in a volatile industry -- things can go wrong at any stage of the production process, from the procurement of raw materials, through to production and final shipment of goods.

There will be times when a customer is disappointed in the service being provided by a company. What is important is not to hide away from the issues but be open about them with the customer. A relationship forged over time, where both parties trust each other, will not be damaged as long as the manufacturer treats the customer with respect and does everything in their power to communicate effectively with them.

All of us involved in Bangladesh's RMG industry are aware of the challenging market conditions facing brands and retailers in the United States and Europe, our two largest apparel export markets. Strong business relationships between manufacturers and their customers will lead to greater understanding and result in support from both sides.

A strong relationship with a customer will ensure that business is maintained, even if quantities are reduced and the onus falls on all Bangladesh RMG manufacturers to work with their customers to ensure that their business keeps moving forward. This can only be achieved by the development of meaningful long-term relationships and an understanding of the conditions that our customers may be facing.

By our very nature, we in Bangladesh can feel intimidated by establishing relationships, in particular with Western business partners. I don't believe there is anything to fear, as the benefits to be gained are plentiful for all parties. When positive relationships with customers, suppliers, employees, and business partners are established, the results will provide motivation to establish even more relationships.

History is littered with tales of businesses which, despite providing great products and services, have failed because they were unable to establish meaningful relationships with their customers. The Bangladesh RMG industry's customers desire a connection with their manufacturing partners and want to build relationships and trust in order to establish and maintain meaningful long-term business relationships.

Source: dhakatribune.com- Dec 29, 2019

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Pakistan: Textile: key lessons from Vietnam

Top advisors to the prime minister of Pakistan have continuously asserted that Pakistan's economy is improving, but not in a way that has created jobs. The implication of this is that sectors typically linked to job creation–such as the agriculture and industry sectors–will be neglected. This is a potentially alarming situation. If this is the case, Pakistan's economic improvements will be one-legged and shaky. Therefore, the government must pay attention to the labour-intensive agricultural and industrial sectors. These sectors have long production chains; meaning that they have excellent job-creating potential.

Unfortunately, these sectors have struggled over the last decade and have lost their market share to regional competitors. For example, textile and clothing exports dropped from USD 13.8 billion to USD 13.5 billion from 2011 to 2018.

During the same period, Pakistan's Asian competitors significantly gained a market share in textiles in clothing exports. Vietnam's exports increased from USD 15.2 billion to USD 33.5 billion (a 120 per cent increase) during the same period. Similarly, India, Bangladesh and Sri Lanka raised their textile and clothing exports by 36 per cent, 72 per cent, and 24 per cent, respectively, during this period.

Pakistan's negative growth in this industry makes it a clear outlier, despite having an exceptional textile industry infrastructure. A comparison between Vietnam and Pakistan highlights some significant changes that Pakistan can make to regain its competitive edge in the textile industry.

The economies of Pakistan and Vietnam were very different in the early 1980s. During this period, the economy of Vietnam faced multifaceted problems against the backdrop of the Vietnam-US war.

The country heavily relied on its agriculture and primary goods production sectors. Almost all Vietnamese state-owned enterprises were inefficient, and no foreign direct investment was available. Thus, the country depended on donors and foreign loans.

Meanwhile, the opposite situation occurred in Pakistan. In 1980, Pakistan was 40 to 60 per cent richer in terms of income per capita than its three neighbours (India, China and Bangladesh). So, how did Vietnam acquire the status of "new manufacturing powerhouse" over the last three decades? The country took several holistic steps on several fronts, the most important of which was the "rethinking" of policy.

The Doi Moi economic reforms of 1986 shifted the paradigm in Vietnam from "political relations" to "political-economic relations."

This changed the mindset of Vietnamese policymakers. As a result, Vietnam made new friends. For example, it withdrew all troops from Cambodia and actively participated in resolving Cambodia's problems. Then, it normalised relations with China and became the Association of Southeast Asian Nations (ASEAN) observer.

Most importantly, it improved relations with the US. Consequently, the US lifted the economic sanctions it had imposed on Vietnam. Afterwards, a bilateral trade agreement was forged between the US and Vietnam; further strengthening the relations between the two countries. During this time, Vietnam also improved its political-economic relations with China.

Click here for more details

Source: dailytimes.com.pk- Dec 30, 2019

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NATIONAL NEWS

Exports to rebound in 2020, but growth to remain subdued

The continuous contraction in India's exports is likely to stop next year, but the rate of growth will be subdued on account of the uncertain global trade situation due to rising protectionism.

Commerce Secretary Anup Wadhawan said that the current slowdown in exports is mainly due to a decline in petroleum products, which constitute 13.42 per cent of the overall outward shipments. This decline, he said, is mainly on account of fall in petroleum prices, which has driven the export value downwards.

However, "the positive growth in the exports of non-conventional commodity groups like electronic goods, drugs, and pharmaceuticals, organic and inorganic chemicals, augurs well for future growth," he told PTI.

India's export growth is in the negative zone since August 2019 due to a steep fall in shipments of key sectors like petroleum, engineering and gems and jewellery. Labour-intensive sectors such as carpets, ready-made garments, handloom and leather too are recording decline in export growth.

Global situation

As per the World Trade Organisation (WTO), global merchandise trade volumes are expected to rise by only 1.2 per cent in 2019, substantially slower than the 2.6 per cent growth forecast in April 2019. However in 2020, the growth in trade volume is projected to accelerate to 2.7 per cent.

Apex exporters body Federation of Indian Export Organisations (FIEO) said the global situation is becoming extremely challenging as rising protectionism is leading to uncertainty. FIEO Director General Ajay Sahai said the global situation is likely to improve in the first half of 2020, which would have a positive impact on India's exports.

"If the global situation improves, which is likely in the first half of 2020, we may look for 15 per cent growth in exports in the next financial year (2020-21). Exports will come out of negative zone next year but the rate of growth will not be in double digits," he said.

He added that the order book position of Indian exporters is encouraging and less volatility in the domestic currency has also been a positive factor for traders.

New strategy

Sahai also said that Indian exports have to be aligned with changing import patterns of the global economy as 50 per cent of the world imports is accounted by electrical and electronics products, automobiles, machinery, petroleum products and plastic items. “While employment-intensive sectors should be pushed in exports, the new strategy should focus on technology-driven sectors,” he said.

Sharing similar views, Professor Rakesh Mohan Joshi from the Indian Institute of Foreign Trade (IIFT) said the steps taken by the government would help exports record growth in 2020. “There is a need to take structural reforms to increase the competitiveness of Indian products in the global markets,” Joshi said.

The Commerce Ministry is considering several steps such as the announcement of the new WTO-compliant export incentive scheme and the new foreign trade policy for the next five years in 2020 to push the country’s exports. The Ministry has conducted a series of meetings with concerned stakeholders to finalise the foreign trade policy.

On the trade front, India has been negotiating the mega free trade agreement RCEP (Regional Comprehensive Economic Partnership) since 2013. But in November, Prime Minister Narendra Modi said India will not join the RCEP deal as negotiations failed to satisfactorily address New Delhi’s “outstanding issues and concerns”.

Since January this year, exports have recorded a low rate of growth and slipped into the negative zone in August.

During April-November 2019-20, the country’s exports contracted by 2 per cent to USD 212 billion. Going by the current trend, FIEO has estimated that the exports may stand at USD 330-340 billion in the current fiscal.

In 2018-19, the exports grew by 9 per cent to USD 331 billion from USD 303.5 billion in 2017-18. Since 2011-12, India's exports have been hovering at around USD 300 billion. Promoting exports helps a country to create jobs, boost manufacturing and earn more foreign exchange.

Source: thehindubusinessline.com- Dec 28, 2019

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PM Modi asks textile industry to send note on issues to be solved

Modi had called for a meeting with 11 textiles industry delegates from across the country on December 26 at his residence to get to know the plight of the industry, Shanmugham said in a press release.

Prime Minister Narendra Modi has asked a delegation from the textile industry to send a brief note on the key issues to be addressed, president of Tirupur Exporters Association (TEA) Raja M Shanmugham said on December 27.

Modi had called for a meeting with 11 textiles industry delegates from across the country on December 26 at his residence to get to know the plight of the industry, Shanmugham said in a press release.

Thanking Modi, the TEA president said he was glad to note that this was the first time a Prime Minister was interacting with only the textile industry representatives to know the ground realities of the industry, and it was a really rare occasion.

The growth, importance and potential of Tirupur cluster were highlighted and Modi was also requested to address the burning issues like risky exporter, impact of Basel Norms and refund of pending claims under rebate on state levies and merchandise export from India scheme, Shanmugham said.

Source: moneycontrol.com- Dec 27, 2019

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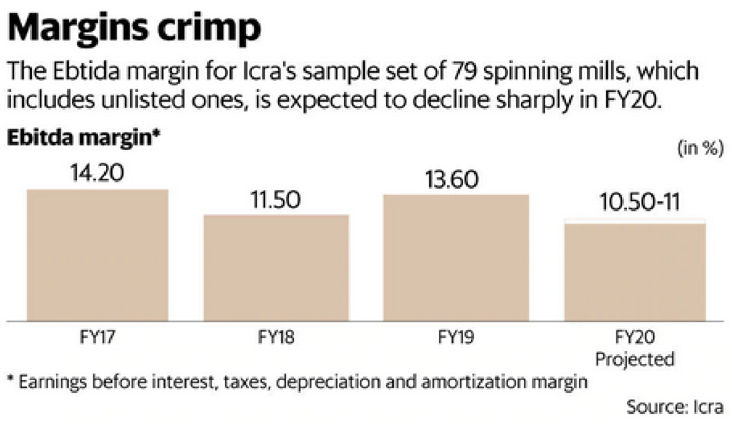
Spinning mills face margin pressure on weak yarn demand, high cotton prices

Cotton mills may not spin a robust performance in fiscal year 2020. Despite higher crop output in the current cotton season, prices have not eased much. Meanwhile, yarn exports are far from encouraging. As a result, profits of spinning mills will be squeezed between weak revenue and high input costs.



In fact, Icra Ltd estimates the average operating margin of 79 spinning mills to shrink by 200-400 basis points (bps) year-on-year (y-o-y) in FY20. This is higher than the 100-150bps margin contraction forecast in May.

Typically, domestic cotton prices toe the international trend, which has seen a moderation in the last few months. However, this time around, the government's move to increase the minimum support price for the benefit of farmers has supported Indian prices. So, while international prices have fallen by 15% after a bumper crop in the US and Brazil, domestic cotton prices dipped by about 10%.

Be that as it may, the bigger problem is that demand for textiles and yarn has been weak. The US-China trade war led to a demand slump for yarn in international markets.

Apart from China, demand from Vietnam, Bangladesh and other neighbouring nations have not been upbeat. Not surprisingly, cotton yarn exports in the first seven months of FY20 were down by about 40% and prices have been weak.

Cut to the home turf, festive sales (September-October) for textiles inched up slightly, but dropped again, keeping with the consumption slowdown in other sectors.

Analysts said the cotton price spread, which is the difference between the price of yarn and raw cotton, has fallen from ₹80-85 per kg in April to ₹75 in October. This signals weaker profit margins in the coming quarters. After all, raw cotton accounts for 65% of the total operating cost of spinning mills.

That said, the drop in cotton prices in November has raised hopes for yarn mills. Profitability of mills may get a leg up in the second half of FY20. “However, this may not be sufficient to offset the steep negative impact on profitability seen in the first half," said Sushant Sarode, associate director, Crisil.

The scenario is tougher for smaller mills. Their working capital costs are higher than large and integrated mills, on account of higher interest cost and inventory.

Larger mills also have superior customer profiles, diverse product mix and the ability to manufacture a wide range of yarn counts. Listed firms, such as Vardhman Textiles Ltd, KPR Mill Ltd and Ambika Cotton Mills Ltd, have therefore maintained profitability in the last few quarters, despite the odds. Yet, the stock prices have fallen 10-30% in the past one year due to the overhang of weak demand for yarn. The gloom among spinning mills is likely to continue unless exports and domestic consumption rev up to improve profitability.

Source: livemint.com- Dec 30, 2019

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MOSPI constitutes Standing Committee on Economic Statistics headed by Pronab Sen

The first meeting of the SCES is scheduled on January 6, 2020

The statistics ministry has constituted a 28 member Standing Committee on Statistics (SCES) chaired by former Chief Statistician Pronab Sen to improve quality of data amid criticism of the government over political interference.

“The first meeting of the SCES is scheduled on January 6, 2020. The agenda would be very broad based. We will come to know about that only in the first meeting next month," Sen told PTI, confirming that an SECS has been constituted.

About the other members, Sen said, "The order to set up the committee has already been issued. But, I don't have details about other members. It has to be seen that how many members come for the first meeting.

Earlier in March this year, expressing concerns over "political interference" in influencing statistical data in India, as many as 108 economists and social scientists had called for restoration of "institutional independence" and integrity to the statistical organisations.

Their statement had come in the backdrop of controversy over revision of gross domestic product (GDP) numbers and withholding employment data by the National Sample Survey Organisation (NSSO).

The economist had said that for decades, India's statistical machinery enjoyed a high-level of reputation for the integrity of the data it produced on a range of economic and social parameters.

"It (statistical machinery) was often criticised for the quality of its estimates, but never were allegations made of political interference influencing decisions and the estimates themselves," they had said in an appeal.

They had appealed to all professional economists, statisticians and independent researchers to come together to raise their voice against the tendency "to suppress uncomfortable data" and impress upon the government to restore access and integrity to the public.

Earlier in November this year, the Ministry of Statistics and Programme Implementation (MOSPI) had decided not to release the Consumer Expenditure Survey results of 2017-18 citing data quality issues.

The MOSPI had also mentioned that an expert panel has recommended that 2017-18 would not be an appropriate fiscal to be used as a base year for new GDP series. On the consumer expenditure survey, the ministry had earlier said that it was separately examining the feasibility of conducting the next Consumer Expenditure Survey in 2020-2021 and 2021-22 after incorporating all data quality refinements.

The ministry had issued statement against the backdrop of the Congress attacking the Narendra Modi government over the National Statistical Office (NSO) survey which reportedly points to a fall in consumer spending for the first time in four decades in 2017-18.

A media report had also claimed that the survey was approved to be released on June 19 this year but was withheld by the government agency owing to its "adverse" findings.

The MOSPI had said that it has seen media reports regarding consumer expenditure survey by the NSS stating that consumer spending is falling and the report has been withheld due to its 'adverse' findings' PTI KKS KKS BAL BAL 12281835

Source: thehindubusinessline.com- Dec 28, 2019

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'Global economy to witness consolidation in 2020'

The global economy is expected to witness consolidation next year, according to Doha Bank CEO Dr R Seetharaman, who spoke at the 'Chennai Global Economic Summit 2019' and '6th World Tamil Conference' held recently in Chennai, India.

Seetharaman said, "Global expansion is a fragile one, with growth weakening in the US, China, the euro area, and Japan offset by a handful of smaller emerging markets – Brazil, India, and South Africa, rebounding from tepid growth in 2019. This coming 2020 will be a year of consolidation.

"The macro-environment is looking up in 2020, including the phase one US-China trade deal, improving economic data, and the effects of global monetary policy easing across the globe. The looming recession risk is much lower at the end of 2019 than mid-year, but any breakdown in the US-China trade talks could change everything.

He added: "Recession fears were at their highest levels in mid-2019, when the yield curve inverted for the first time since 2008. We are likely to see some stabilisation next year as the impact of monetary policy easing around the world is felt. We saw a number of dovish surprises from central banks globally in 2019."

Seetharaman also said India's economy grew at its slowest pace in more than six years in the July-September period, down to 4.5% from 7.0% a year ago. He said India is expected to take steps to reverse the economic slowdown of an economy that has been one of the engines of global growth.

The key happening segments in India include an attractive investment destination, e-commerce market, largest road network, food production, domestic air growth, and largest startup eco-system, he said.

"The key expectations from India by 2025 include 200km National Highway road network, $3tn consumer market, 550mn middleclass population, 100 smart cities, and 175GW renewable energy to be generated.

"The key enablers for India's growth include improving ease of business, open FDI policies, streamlined tax regime, robust and resilient financial markets and digital first economy. On the whole, India is heading in the right direction," Seetharaman stressed.

He said bilateral trade between Qatar and India in 2018-2019 is above $12bn. Qatar's major exports to India include petrochemicals, LNG, fertilisers, sulphur and iron pyrites, while Qatar's major imports from India include accessories, man-made yarn, fabrics, made-ups, cotton yarn, transport equipment, machinery and instruments, manufacture of metals, ores, and minerals, among others.

"Qatar Petroleum has announced further increase in the capacity of Qatar's LNG expansion project by adding a fourth liquefaction train to raise the country's liquefied natural gas capacity to 126mn by 2027. Qatar and India can look forward to enhance their collaborations in LNG segment," he said.
Seetharaman also highlighted on Tamil Nadu's economy, saying in 2018-2019 it recorded an economic growth rate of 8.17% despite a deficit northeast monsoon and cyclone Gaja that devastated parts of the state.

For the second year in succession, the primary sector did far better than the secondary and services sectors – close to a double digit growth of 9.9%. The secondary and services sectors registered growth rates of 6.59% and 8.24%, respectively, he said.

"Tamil Nadu has a diversified manufacturing sector and features among the leading states in several industries like automobiles and components, engineering, pharma, garments and textile products, leather products, chemicals and plastics, among others. Sixteen US-based companies have committed to invest a huge sum in Tamil Nadu and provide job opportunities for nearly 20,000 people.

Source: gulf-times.com - Dec 29, 2019

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Government notifies changes to rules on input tax credit

The government has notified changes to the goods and services tax (GST) rules, lowering the input tax credit to 10% from 20% of eligible credit, if invoices or debit notes are not reflected in filings.

It has also permitted officers at the level of commissioners to bar debit of input tax credit for one year in case of credit being availed fraudulently. The GST Council had approved a proposal in this regard at its meeting on December 18 to check tax evasion and menace of fake invoicing.

The new rules will come into effect from January 1, 2020.

"The commissioner having reasons to believe that credit of input tax has been fraudulently availed may not allow debit for discharge of any liability or for claim of any refund of any unutilised amount," the notification said.

The Centre further notified that e-way bill of taxpayers who have not filed their Form GSTR-1 for two months or two quarters shall be blocked.

The government has also allowed waiver of late fee for entities furnishing outward supply details in Form GSTR-1 between December 19, 2019 and January 10, 2020, for the period between July 2017 and November 2019.

Source: economictimes.com- Dec 28, 2019

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Questions for 2020: Lower income-tax, two-rate GST?

GST reforms if revenues rise, I-T cut unlikely. Finance minister Nirmala Sitharaman surprised everyone with her big-ticket corporate tax rate cut on September 20.

Will she do the same for personal income-tax (I-T) in the upcoming budget, shifting to a flat rate tax with no exemption? Will she rewrite the Goods and Services Tax (GST) script to unleash GST 2.0, migrating to a two-rate structure? Bibek Debroy, chairman, Prime Minister's Economic Advisory Council, suggested offering a lower rate with zero exemptions for incomes up to a certain level. The Direct Taxes Task Force, set up by the finance ministry, in its report also suggested a rejig in personal I-T.

What stands in the way of these logical changes is possibly the slowing economy and the attendant muted rise in tax revenues. A cut in personal I-T will put more money in the hands of people, lift overall sentiment, and perk up demand. However, while this story may play out with some time lag, tax loss would be immediate, adding to the Rs 1.45 lakh crore giveaway on account of corporate tax.

The revenue gap would, if taxes are cut, expand fiscal deficit, derailing the macro stability that has kept inflation low and pushed interest rates down. In short, potential benefit of an I-T cut may be erased by the consequences of higher fiscal deficit.

Likewise, there is a case for a dual rate GST as opposed to a five-rate one? But revenue consideration trumps this reform, and some states have also opposed any change for the same reason. However, if the economy does pick up, and revenues rise, one can bet on GST reform being first off the blocks, may be even in 2020.

This story is part of the '20 Questions for 2020' package.

Source: economictimes.com- Dec 30, 2019

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FinMin notifies norm limiting ITC to 10% in case of GST details mismatch

Tax authority given the right to restrict the use of balance in electronic credit ledger

In an effort to curb the menace of fake invoices and tax evasion, the Finance Ministry has notified a new norm of limiting the input tax credit to 10 per cent in case of GST details mismatch.

Experts feel that this will force businesses to restrict themselves to matched details and ignore the mismatched ones and thus incur losses, which could go into crores for big companies, due to complexities involved.

The change in the norm, the second in three months, has been initiated following a decision by the GST Council. Earlier, in October, the government limited ITC in case of details not uploaded by suppliers to 20 per cent which has now been halved. According to a new notification to be effective from January 1, ITC to be availed by a registered person in respect of invoices or debit notes, the details of which have not been uploaded by the suppliers, shall not exceed 10 per cent of the eligible credit available in respect of invoices or debit notes the details of which have been uploaded by the suppliers.

Two return forms

Businesses take advantage of facilities provided under existing system to generate fake invoices that cause loss to the Government. The existing system prescribes assessees to file two return forms — GSTR 1 (outward sales with tax liability) and GSTR 3B (summary returns with final tax payment). Since both are not auto linked, this could result in showing higher liability, claiming higher input tax credit and paying less tax in cash.

In other words, irrespective of the credit being visible in GSTR 2A (auto generated return for purchases), the service recipient used to claim credit without any restriction subject to having the invoice copy and satisfying other conditions laid down under the law. There is feeling that one of the reasons for availing higher input tax credit on the basis of fake invoices was the mismatch between the two — GSTR 1 and GSTR 3B.

This was affecting the government's revenue. This has forced it to limit the ITC in case of details not matched and encourages the companies to monitor whether the suppliers are uploading their returns on a regular basis. However, experts feel that such a mechanism will lead to compliance cost for companies. Also, the companies might not prefer to go behind suppliers to see whether they have filed returns or not. Hence, they would focus only on matched details and incur loss on account of others.

Electronic Credit Ledger

The government has introduced additional conditions for use of amount available in Electronic Credit Ledger. It has given the right to the tax authority to restrict the use of balance in electronic credit ledger by recording the reasons to believe in writing.

The key reasons for restricting credit are: invoice issued by registered person not in existence and recipient is not in procession of goods/services /invoice on which credit is claimed.

Post restriction, the tax authority, upon being satisfied that conditions for disallowing debit of electronic credit ledger as above, no longer exist, can allow such credit in the electronic credit ledger.

Controlling tax evasion

According to Harpreet Singh, Partner at KPMG, one hopes that automatic blocking of credit is resorted to only where fraudulent intention is proved beyond doubt and the same is not used on a regular basis, as casual resort to the said provision may lead to harsh consequences for many innocent defaulters.

Rajat Mohan, Senior Partner with AMRG, said GST frauds are on the rise and so is the fiscal deficit which is forcing the government to introduce new methods to control tax evasion and take punitive action against the accused.

Source: thehindubusinessline.com- Dec 27, 2019

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Indian apparel industry has seen it all in 2019

As we prepare to enter the New Year, it's time to reassess 2019 and the directions come out very strongly for the fashion apparel industry. Looking back, the year has witnessed a lot of positive changes in the Indian fashion industry; both retail and manufacturing. Right from the influx of overseas fashion brands to India, expansion of both domestic and overseas apparel exporters to policy reforms and emergence of startups, India has seen it all in 2019. Circular economy has become a talking issue and it proved to be not less than a revolution in this year. However, as far as trade between the countries is concerned, the apparel industry took a hit worldwide majorly contributed by US-China trade war.
Mayank Mohindra, Director, Apparel Sourcing Week, looks at the major developments that have happened in the Indian fashion industry in 2019.

1. Expansion at different levels

Relaxed FDI helps retail brands' expansion – 2019 saw some of the most positive changes in India's retail scenario with policy reforms that have proved Government's commitment towards making the country a favourable and attractive sourcing as well as retail destination. Besides, it's a well-known fact that the Indian fashion retail market values about US $ 50 billion in 2019 and is set to grow to US $ 115 billion by 2027.

This vibrant and lucrative fashion retail destination, coupled with the Government's support, is catching the eye of major international fashion brands. Parfait, Under Armor, Uniqlo are some of the big overseas brands that forayed into the vibrant Indian fashion retail market in 2019.

The expansion hasn't seen the development all of a sudden. During last couple of years, the industry kept demanding for the relaxed FDI norms for retailers. And, until 2018 end, for single-brand retailers with over 51 per cent FDI, the policy required 30 per cent of value of goods to be procured from India as part of the local sourcing requirement.

However, in August 2019, India relaxed local sourcing norms for single-brand retailers with foreign direct investment (FDI) and allowed them to sell online even before setting up physical stores.

Expansion of overseas companies in manufacturing –Year 2019 is said to be one of the finest years in recent time for the Indian apparel manufacturing industry. The country has somehow been able to restructure itself and rose around 7 per cent in its apparel exports to the world till October. This growth came at a time when the competitors of India in apparel manufacturing are seeing advantages in establishing factories in India. This is why some big international manufacturing giants announced expansion in India in 2019 to capitalise on the trend.

Hong Kong-based Epic group announced US $ 20 million investment in Ranchi. The investment is expected to generate around 24,000 employment opportunities in the manufacturing unit for the people of Jharkhand, which is expected to produce 15 million units of garments.

South Korea's bigwig Youngone Corporation also announced to invest US $ 140 million at the Kakatiya Mega Textile Park (KMTP) at Warangal, Telangana. The 290-acre facility is expected to generate 12,000 jobs. The firm will make knitted and woven garments and technical textile products, predominantly for exports.

Another major expansion has been confirmed by one of the major Sri Lankan apparel manufacturing companies, Brandix. The company has recently proposed to expand its production base in the state with a potential to create 22,000 more jobs. It has already been providing employment to around 22,000 people at Special Economic Zone in Visakhapatnam, Andhra Pradesh.

2. Start-up culture grown significantly –While announcing a start-up-friendly Union budget in July this year, the Government has made its agenda clear of addressing the issues of unemployment and reviving the ailing economy, which necessitated building confidence of start-ups and SMEs through policy amendments in their favour. 2019 has produced over half a dozen unicorn start-ups, 8 to be precise. Despite the arduous journey of navigating through an economic slowdown and stiff competition, homegrown ventures managed to garner US $ 7.67 billion in the first 9 months of 2019. A remarkable feat, as these start-ups are attracting more and more international investors to splurge upon a gamut of innovations, taking each industry by storm. Clovia, Zivame, Fynd, CouchFashion, CutomitNow, Styched, Vajor and Zinnga are some of the start-ups that have grown multiple times in 2019.

Bengaluru-based Styched, an affordable, fast-fashion ecommerce venture, has raised angel funding of US $ 2.30 million from a clutch of angel investors. Lingerie brand Zivame has already reported that, as of September 2019, it has hit a Rs. 300+ crore revenue.

In another major development, Fynd caught the eye of Reliance Industries which is set to acquire 87.6 per cent stake in the e-commerce platform for US $ 42 million, according to a Reliance Industries' filings in the Bombay Stock Exchange in the 2nd half of 2019. According to the terms of the deal, RIL has the option to further invest up to US $ 14 million in Shopsense Retail Technologies, the parent company of Fynd, by December 2021.

3. E-commerce and M-commerce success in Tier-2 and Tier-3 cities –E-commerce and M-commerce have not just remained relevant to Tier-1 cities now as rising spending capacity and the use of Internet have made it possible for the Indian consumers in Tier-2 and Tier-3 cities to go digital. For consumers in non-metro cities, the leading e-commerce brands are taking their lifestyle products to these cities in a bid to penetrate deeper into the Indian market. The major boost could be seen during festive season in the 3rd quarter of 2019 when Flipkart, Amazon, Snapdeal among many other digital shopping platforms widened their presence in Tier-2 and Tier-3 cities.

Flipkart even introduced a Hindi interface for its customers in 2019 to help them understand its platform easily in rural areas pan India. On the other hand, Amazon claimed that around 65 per cent of its sales came from Tier-2, Tier-3 and Tier-4 towns and cities. More than 80 per cent of its new customers also came from these places and one out of every 3 customer purchased from the fashion category.

4. Textile policy reforms –Special package for the apparel industry, demonetisation, GST and change in labour laws are four major policy-level decisions of the Government in recent years,which have impacted the overall economy as well as the apparel and textile industry. 2019 will be known as a renewal year for National Textile Policy.

Another reform done in 2019 was the introduction of Rebate of State and Central Taxes and Levies (RoSCTL) policy. This WTO-compliant scheme rebates the embedded taxes including central excise duty on fuel used in transportation, embedded CGST paid on inputs, purchases made from unregistered dealers, inputs for the transport sector, embedded CGST and compensation cess on coal used in the production of electricity.

5. US-China trade war: Dominated trade discussion –US-China trade war was among the major issues across the global apparel and textile industry all through 2019. The United Nations Conference on Trade and Development (UNCTD) has reported that India got an overall benefit of US $ 755 million and Vietnam of about US $ 2,601 million from this trade war. Right from the beginning of the trade war, Vietnam received more orders from US clients, but the country's industry is concerned about the effects of the influx of Chinese firms escaping tariffs – while India, being totally indigenous, was in a better state. Particularly in October '19, the USA imported US $1.10 billion worth of fewer garments as compared to October'18. China alone suffered US $ 1.09 billion loss to that. If we talk about India's performance, the country was up by 9.70 per cent in volumes and 11.25 per cent in values in its RMG exports to USA (its largest export destination) in the October month.

India's RMG exports to USA jumped to US $ 308.48 million from US $ 277.29 million in October'18. Cumulatively, India's apparel export to the world escalated by 4.50 per cent in Jan.-Oct. '19 period with shipment sent worth US $ 13.78 billion. UVR in Jan.-Oct '18 was US $ 4.13, while it jumped to US $ 4.24 in the same period of 2019. This shows, somehow, India is getting benefits amid US-China trade war with some apparel orders skewed towards it.

6. Sustainability –More than social sustainability, environmental sustainability was the highlight of 2019. This has become the buzzword now and everybody in the fashion industry is talking about 4Rs: Reuse, Reduce, Rework and Recycle. The first 3Rs are more of the social approach to sustainability, while the major debate is happening over 'Recycle' which is more of technical approach in sustainability. Putting up ETP plants and solar plants in a factory was the thrust initially since calculative return on investment (ROI) was easier and manageable.

Plastic used in packaging is another major thrust for which no particular sustainable alternative has yet been identified. Secondly, despite a lot of talks, many questions related to what happens to the end bits of waste plasticare still unanswered . All these issues have been addressed by the industry through 2019 and it is expected that 2020 will take these discussions forward. This is necessary because the consumers are demanding more sustainable fashion products and the brands have to imbibe this concept strongly in their business approach. Therefore, both brands and manufacturers have to understand the significance of eco-friendly products and processes and should work together to make manufacturing more viable using effective implementation of social compliances and environmental sustainability in the coming years.

Source: asianage.com– Dec 27, 2019

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India has standards for 348 technical textile products

Two hundred and seven technical textiles items have been brought under a separate head in the Harmonised System of Nomenclature (HSN) code and the Bureau of Indian Standards (BIS) has developed standards for 348 technical textile products, according to the Indian textiles ministry. Export of technical textiles saw a rise of 11 per cent in April-June quarter of 2019.

To derive the benefits of technical textiles in various fields, 92 application areas have been identified for mandatory use across 10 central ministries and departments, the ministry said in a yearend review.

The work of conducting fresh baseline survey on technical textiles sector has been given to the Indian Institute of Technology Delhi. The domestic technical textiles market size is projected to cross ₹2 lakh crores by 2020-21.

At the Partners Conference in Geneva, India announced it will launch the second phase of the Cotton Technical Assistance Programme (TAP) for Africa. In the five year long second phase, the programme will be scaled up in size and coverage and will be introduced in five additional countries—Mali, Ghana, Togo, Zambia and Tanzania. The Cotton TAP programme will now cover 11 African countries including the C4 (Benin, Burkina Faso, Chad and Mali).

The government sanctioned two textile parks in Jammu and Kashmir under the Scheme for Integrated Textile Park (SITP). BIS published in August this year an Indian standard for identification, marking and labelling of Pashmina products to certify its purity. The certification will help curb the adulteration of Pashmina and also protect the interests of local artisans and nomads of Ladakh who are the producers of Pashmina raw material.

The usage of agro textiles in the North East region has led to average increase in farmers' income by 67-75 per cent, the ministry said. Use of geotextiles in infrastructure projects has led to improvement of serviceability of the infrastructure and increased maintenance intervals for infrastructure like roads and hill slopes in the region.

Two new National Institute of Fashion Technology (NIFT) campuses will be set up at Panchkula (Haryana) and Ranchi (Jharkhand). At present, NIFT has 16 campuses. NIFT will also introduce four new undergraduate courses in a few campuses.

Fifty nine textile parks have been sanctioned under SITP by the ministry out of which 22 have been completed and the rest are under various stages of construction.

The total raw silk production increased by 11 per cent (35,468 MT) during 2018-19 over the previous fiscal (31,906 MT). The bivoltine raw silk production achieved a record production of 6,987 MT during 2018-19 by registering a 18.95 per cent growth over the previous fiscal.

Raw silk yield per hectare increased to 105 kg during 2018-19 compared to 96 kg during 2014-15. Raw silk production in the North East region increased from 4,602 MT in 2013-14 to 7,482 MT in 2018-19, with a rise from 17 per cent to 22 per cent of India's total production.

Source: fibre2fashion.com– Dec 28, 2019

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Record cotton production in Punjab this season

Punjab's expected cotton production this season is 18.20 lakh bales compared to 12.23 lakh bales in the previous year, with average production per acre crossing the 10 quintals mark, as against last year's 9.31 quintals. State chief minister Capt Amarinder Singh recently ordered timely advance support for growers for the next Kharif season.

Singh, who holds the agriculture portfolio, lauded the efforts of the agriculture department, especially the field staff, in motivating farmers to shift to cotton cultivation, as part of the government's crop diversification focus, according to media reports from the state.

These efforts translated into increase in the area under cotton cultivation from 6.70 lakh acres last year to 9.80 lakh acres this year, said an official spokesperson.

Timely intervention by the Cotton Corporation of India has led to the purchase of 4.36 lakh quintals of cotton, which is about 20 per cent of the total arrival of the produce in the state's wholesale markets.

The purchase has been done at minimum support price of ₹5,450 per quintal, fixed by the government for American Cotton, said the spokesperson.

The decline in cost of production due to decreased use of pesticides had also proved beneficial for the farmers, state agriculture secretary KS Pannu said.

Source: fibre2fashion.com– Dec 28, 2019

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E-commerce, new industrial policies likely to be released this fiscal: DPIIT Secretary

The DPIIT is working actively on the e-commerce as well as new industrial policies, and both are expected to be released by the end of this fiscal, a top official has said.

"I personally feel that both these policies will be ready by this financial year end," Department for Promotion of Industry and Internal Trade Trade (DPIIT) Secretary Guruprasad Mohapatra told PTI.

He said that the department has done several round of stakeholders' meetings on both the policies.

The government in February released a draft national e-commerce policy, proposing setting up a legal and technological framework for restrictions on cross-border data flow and also laid out conditions for businesses regarding collection or processing of sensitive data locally and storing it abroad.

Several foreign e-commerce firms have raised concerns over some points in the draft pertaining to data.

The department has received huge response on the draft and it is examining all the views and comments.

"We are working actively on both the policies," Mohapatra said.

As the draft policy includes several provisions related to data, the department is also looking at the Personal Data Protection Bill approved by the Cabinet earlier this month.

The proposed new industrial policy is aimed at promoting emerging sectors, reducing regulatory hurdles and making India a manufacturing hub.

This will be the third industrial policy after the first in 1956 and the second in 1991. It will replace the industrial policy of 1991 which was prepared in the backdrop of the balance of payment crisis.

The DPIIT had initiated the process of formulation of a new industrial policy in May 2017. The new policy will subsume the National Manufacturing Policy (NMP).

It had also floated a discussion paper on the policy with an aim to create jobs in next two decades, promote foreign technology transfer and attract USD 100 billion foreign direct investment (FDI) annually.

Source: economictimes.com– Dec 29, 2019

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GST woes: Nearly 250 Star Export Houses denied refunds

Amid the country's dismal exports performance — merchandise exports shrank 0.34% year-on-year in November, the fifth contraction in the past eight months — as many as 245 Star Export Houses and over 5,000 other exporters remain deprived of their goods and services tax (GST) refunds due to alleged overreach by the taxman. A new system designed to identify 'risky exporters' — those who are suspected to be claiming excessive input tax credits — involves a long verification process by the tax officers, and this has resulted in substantial amounts of legitimate refunds being withheld.

Though the size of the withheld funds is not immediately clear, according to several sources in the exporters' community, the fact that established trading houses with Star Exporter tag are also among those identified for verification of refund claims shows the system is deeply flawed.

In a letter to senior indirect tax officials, the director general of analytics and risk management (DGARM) noted that verification reports for 94 Star Export Houses out of 245 identified had been received while 161 reports were still pending.

"Out of the 161 pending verifications, in 103 cases scroll are suspended. Therefore, there is an urgent need to expedite the verification in respect of the 103 Star Export House," DGARM wrote. "The tax department seems to have overreached in its bid to curb frauds. These (Star Export House) exporters are not among the typical fly-by-night operators and they should not have been targeted by the GST system," a government source said. He added that the policy tools aimed at curbing malpractices among exporters have either been blunt or draconian.

Star Export House exporters are certified by the government on the basis of export performance (Rs 15 crore to Rs 5,000 crore FOB in the current and three preceding years). They are extended certain benefits including customs clearance on self-certification basis and exemption from furnishing bank guarantee under certain schemes.

The system typically red-flags exporters who are discharge a high share of their tax liability through the input tax credit accumulated in their accounts. Some of them have also been profiled as 'risky' if their suppliers fail to upload invoices in their returns.

However, merchant exporters for instance are at the receiving end of such parameters as their exports usually consist of low value addition and hence they utilise large portion of ITC to pay taxes. Similarly, exporters argue that failure of their suppliers to upload invoices shouldn't reflect on their credibility as genuine taxpayers.

Exporters can either pay IGST at the time of exports and claim refund for the same. The other option is to export goods without payment of tax by furnishing a bond or letter of undertaking. In this case, the accumulated input tax credit is available for refund.

"It is vital that exporters who have been classified as 'risky' and have had their refund blocked are told in clear terms the reasons for the same. They must also be made aware of the procedure to extricate themselves from this list.

However, currently the department has no answer for these exporters," Ajai Sahai, director general and ceo of Federation of Indian Exports Organisation (FIEO) said.

FIEO has estimated that about 5,000 relatively small exporters have been red-flagged so far which account for about 7% of MSMEs. The exports are considered as zero-rated supplies under GST, for which the exporters claim a refund on integrated GST paid on the exported goods.

Sahai said even after department conducts a thorough examination of the 'risky' exporters and finds them to be genuine, the system isn't being updated in a timely manner to allow such taxpayers to continue their business without hassles.

Additionally, a profiled exporter is also subjected to a complete cargo check at ports which is creating huge bottlenecks for businesses as the department doesn't have enough manpower to carry out such checks.

"Procedure for claiming IGST refunds is automated, however, tax authorities have also identified risky exporters at the national level in case of which 100% examination is being made mandatory before sanction of any GST refund.

This process of identification and deferral of tax refunds for so-called "risky exporters" are leading to blockage for funds for genuine exporters who have fallen prey to the discriminatory profiling mechanism of the system," Rajat Mohan, senior partner at AMRG & Associates, said.

Source: financialexpress.com– Dec 29, 2019

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On Jan 5, Maharashtra farmers set to showcase success of sowing banned HTBt cotton

Cotton (HTBt cotton) in several districts of Maharashtra, hundreds of state farmers have now decided to flag their post-harvest success stories by showcasing results of banned transgenic variety of cotton at Hiwri village in Yavatmal on January 5, 2020.

Idea behind this 'first of its kind' show is to let farmers, critics of GM technology and experts see for themselves how the unapproved variety fared compared to approved one (Bt cotton) in terms of yield and low cost of cultivation.

"We want to show it to everyone that the use of herbicide tolerant (HTBt) cotton is quite beneficial for farmers as it not only gave us higher yield but also cut our cost substantially," said Vijay Niwal, one of the farmers who had sown the banned variety on his land in Hiwari village.

He told TOI on Sunday that it would be for everyone to see why the farmers have long been demanding such improved GM cotton variety. “If we don’t get approved variety, we may end up getting spurious and unregulated variety of transgenic cotton in the market. It’ll ultimately harm all available seed varities,” said Niwal.

Though commercial cultivation of another variety of genetically modified cotton (Bt cotton) is allowed in India, the HTBt cotton variety is banned in absence of permission from the Genetic Engineering Appraisal Committee (GEAC) of the Union environment ministry.

The farmers, however, want HTBt variety as it makes it possible for them to use certain herbicide that kills the unwanted weeds and grass in a cotton field, but leaves the cotton plant unaffected.

“This method significantly lowers the cost of manual weeding at the time when cost of rural labour has increased significantly. Use of HTBt variety can make Indian cotton more competitive in a global market,” said Ajit Narde, chief of the technology cell of the Shetkari Sanghatana - a farmer group which had been on forefront of defying the ban.

Asked whether government officials would also visit the farmers in Hiwari to examine the result of HTBt farm and yield, Narde said it was an “open invitation” for everyone to see how beneficial this variety of cotton would be when nearly 90% of picking (harvesting) had already been done.

Though the state police registered cases against the farmers who defied ban, the state government could not weed out the crops from the farms under a court order.

It was the Shetkari Sanghatana which had launched ‘Kisan Satyagraha’ in favour of HTBt cotton by defying the ban at Akot in Maharashtra’s Akola district on June 10. Later, this ‘pro-GM seed’ movement had spread its wings to 10 other districts of the state.

Source: timesofindia.com– Dec 30, 2019

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