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IBTEX Textile Intelligence Centre

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US 71.47| EUR 78.79 | GBP 93.60| JPY 0.66

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
19043	39800	**70.77**

Domestic Futures Price (Ex. Warehouse Rajkot), February

Rs./Bale	Rs./Candy	USD Cent/lb
19520	40797	**72.54**

International Futures Price

NY ICE USD Cents/lb (March 2020)	70.06
ZCE Cotton: Yuan/MT (May 2020)	13,515
ZCE Cotton: USD Cents/lb	88.30
Cotlook A Index – Physical	**79.35**

Cotton Guide- With all that is happening in China, the market is undecided as to which way to go. They are finding it difficult to judge whether to go long or to go short. We have therefore seen price fluctuations in both directions in the recent few sessions.

The Market is more interested to look at the demand estimates which can be gauzed from the US Export Sales figures to be released very soon. The prices will move in the upward direction by around 100 points if the US Export Sales Figures are strong. On the flip side, the prices could even take a dip by around 200 points if the Export Sale Figures are weak. Our view is – the Export sales figures would not be strong, which in turn will be bearish for cotton in the near future.

The ICE March contract yesterday settled at 70.06 cents per pound with a change of -30 points. The ICE May and the ICE July contract settled at 70.69 cents per pound and 71.48 cents per pound with changes of -23 and -16 points respectively. This morning while we write this report at 10 am, the markets are already in red with ICE March down by 31 points and currently trading at 69.76 cents per pound. We can expect higher volumes and huge volatility today.

The MCX contracts on the other hand, behaved consolidated. The MCX February contract settled at 19,520 Rs per Bale with a slight change of +30 Rs. The MCX March contract settled at 19,810 Rs per Bale with a change of +60 Rs. The Volumes were higher at 2,050 lots.

The Cotlook Index A has been updated positive at 79.35 cents per pound with a change of +75 points. The prices of Shankar 6 are at 39,800 Rs per Candy citing a change of +200 Rs. Punjab J-34 is steady at 4,103 per maund. Today's private estimate of arrivals is 240,000 lint equivalent bales, including 57,000 from Maharashtra, 53,000 from Gujarat and 58,000 from Telangana.

The Fed on the other hand has kept interest rates unchanged.

On the fundamental front, we presume a consolidated trend with a negative bias for both ICE and MCX. On the technical side, in the daily chart, ICE Cotton March retraced from the resistance of 76.4% Fibonacci retracement level & a downward sloping channel (red channel) resistance around 70.94, which is within an upward sloping channel (green channel). Meanwhile price is around the 5 & 9 day EMA at 69.95, 70.03 acting as an immediate support for the price, along with RSI at 51 suggesting a phase of sideways bias in the market. However, the immediate support for the price would be 69.00, followed by 68.44 which are the previous close & 50% Fibonacci retracement level resp & the immediate resistance is around 70.94 (76.4% Fibonacci retracement level). Thus for the day we expect price to hold the range of 68.40-70.60 with a sideways bias. In MCX Jan Cotton, we expect the price to trade within the range of 19150-19600 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

NEWS CLIPPINGS

INTERNATIONAL NEWS

Vietnam hopes to benefit from FTAs

By signing a series of free trade agreements, Vietnam hopes to create a large playing field for its textile and garment enterprises. Among these are: the EU-Vietnam Free Trade Agreement (EVFTA) and the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership) bloc. Vietnam's fabric and yarn enterprises are waiting for EVFTA to take effect to boost exports to the EU.

The agreement stipulates strict requirements of product origin in order to enjoy trade preferences. Textile and garment exports to the EU must be produced with fabrics made in Vietnam, and tailored in Vietnam or Europe.

According to the CPTPP, all three production stages of fabric spinning, knitting and completion must be done in a CPTPP country. This requires Vietnam to build a domestic textile and garment material supply chain.

The textile and garment industry is stepping up its sustainable development strategy implementation to meet the requirements of major foreign markets. Manufacturers in the sector have applied advanced science and technology to green the industry, apart from training human resources.

Vietnam's earnings from textile and garment exports have grown 10.19 per cent. Vietnam is the biggest textile and garment exporter in Asean (the Association of Southeast Asian Nations).

The US is the largest importer of Vietnamese textiles and garments, followed by the EU and China.

Source: fashionatingworld.con- Jan 29, 2020

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Denim sector makes major foray into sustainability: report

The December 2019 edition of Denim Premiere Vision (Denim PV) held in London indicated that the denim industry has made a major foray into sustainability, according to a report in issue 201 of Textile Outlook International published by global business information company Textiles Intelligence. Sustainable denim was a 'most wanted' consumer product category in 2019.

The December 2019 edition of Denim PV was marketed as 'the responsible denim fashion event'.

The major theme at Denim PV was environmental sustainability and exhibitors there represented nearly 33 per cent of the denim industry and 90 per cent of the 'premium' denim industry.

Noteworthy exhibitors included Bossa, a Turkey-based denim manufacturer, which presented a range of fabrics made using recycled organic cotton, Tencel Lyocell fibre with Refibra technology and Lycra T400 fiber with EcoMade technology. The fabrics are dyed using Bossa's Saveblue technology, said to consume 85 per cent less water than conventional dyeing technologies.

Pakistan-based Naveena Denim presented a fabric called Hemp Denim at the fair. The fabric is made using increasingly popular hemp fibre and its manufacture consumes 70 per cent less water than the manufacture of cotton fabric.

Turkey-based KilimDenim presented its Cactus indigo dyeing technology designed to reduce the amount of water consumed during the indigo dyeing process, particularly during the rinsing stage. Dyeing processes that utilise the technology are said to consume 93 per cent less water compared with conventional dyeing processes, according to a press release from Textile Intellligence.

The trends zone at the event suggested that innovation in environmental sustainability will be a major focus for the denim industry looking ahead. In particular, organic fibres, recycled fibres and recycled materials will be key ingredients for use in the manufacture of denim in the future.

Source: fibre2fashion.com- Jan 31, 2020

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Myanmar Garment Industry 'Missing Out' on Benefits of Sustainability

While the opening of Myanmar's second green-certified apparel factory may be cause for celebration, it's only "a step in the right direction," according to a leading data-analytics firm.

GlobalData said in a note this week that the Southeast Asian country's garment industry must continue to invest in environmental sustainability if it doesn't want to cede business to competitor countries.

As yet, only one garment manufacturer in the nation has been certified Leadership in Energy and Environmental Design (LEED) Platinum by the U.S. Green Building Council. Two other facilities, both operated by garment manufacturer Guston Amava, comprise 34 percent recycled building materials, such as reclaimed steel, in their construction, along with rooftop solar panels, an evaporative cooling system and water-reduction features.

"It's refreshing to see manufacturers like Guston Amava taking the bull by the horns and leading the industry in this respect," Hannah Abdulla, apparel correspondent at GlobalData, said in a statement.

"However, Myanmar still has some way to go compared with countries such as Bangladesh—and factories are missing out on the cost-saving benefits of making their operations greener and securing higher investments as buyers pay closer attention to sustainable production."

Nearly 70 factories in Bangladesh have adopted LEED certification, which rates buildings based on eco-friendly performance measures such as carbon emissions and energy and water efficiency. Eight of those facilities have earned Platinum status, the highest achievable level above certified Silver and Gold.

Still, Myanmar, Abdulla noted, is one of the world's fastest-growing garment, footwear and travel-goods suppliers, with clothing exports cresting $3.86 billion in 2018. But this growth also results in increased environmental impact, which requires “best-practice solutions for improved production efficiency, energy, water and waste management,” she said.

There are signs Myanmar wants to be greener. In 2019, the European Union-co-funded SMART Myanmar initiative signed a memorandum of understanding with Yangon-based Ayeyarwady Bank to identify and pilot “bankable green projects” while boosting financing for sustainable and energy-saving efforts by small- and medium-sized enterprises.

“At a time when retailers and consumers are paying close attention to the conditions under which their garments are produced, ethical and sustainable production is a big deal,” Abdulla said. “Making their operations more environmentally friendly will help factory owners compete with other sourcing markets and give them a better chance of retaining existing orders and securing new business.”

Still, Myanmar faces sector-wide headwinds, least of all the pall cast by its violent persecution of hundreds of thousands of Rohingya Muslims in recent years. Decrying the crisis as a “te xtbook example of ethnic cleansing,” the UN has called for businesses to divest from factories linked to Myanmar’s military or be made potentially complicit in crimes against humanity.

This month, workers in Myanmar took to the streets of Yangon ahead of a wage review in May to demand an increase in the daily minimum wage from 4,800 kyat ($3.28) to 9,800 kyat ($6.69)

“The current rate set by the government is not enough for a family of four,” Ko Thwin Aung, chair of Myan Mhu garment workers union, told the Myanmar Times. “Commodity prices, as well as hostel charges, are rapidly rising up. So, we will ask for reasonable wage. For a family of four, if three do not work and depend on only one, it is impossible to cope with the current rate.”

Source: sourcingjournal.com- Jan 30, 2020

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Pakistan to double bilateral trade with African countries: Razak

Advisor to Prime Minister on Commerce, Industries and Investment Abdul Tazak Dawood on Thursday said that Pakistan wants to double its trade with Africa countries in the next five years to increasing the bilateral trade and economic cooperation.

The advisor said the trade volume between Pakistan and Africa has been far below potential, which need to be increased, the advisor said this while addressing to "Pak-Africa Trade Development Conference was held in Nairobi (Kenya) on Thursday, organized by Ministry of Commerce.

He said this Conference is an important initiative to bring together businessmen from Africa under one roof to explore and open up new frontiers for enhancing trade and this move towards achieving the shared vision of economic development for the betterment of our people.

Razak said this Conference will synergize our efforts to capitalize upon economic opportunities and is a testimony of our Government's strong commitment to enhancing trade and economic cooperation with Africa. He said that in 2018, Africa's annual global trade was US $ 1.075 trillion.

On the other hand, Africa-Pakistan's trade has remained stagnant at a meagre US $ 3 billion for many years, he added.

The advisor said that it only crossed US $ 4 billion during the last two years, reaching US $ 4.28 billion in 2018-19 which still is a fraction of the total trade. He further said that with a collective Gross Domestic Product (GDP) of $2.45 trillion (2018) and a projected to be 4.1 percent in 2020 and it's time for the world to acknowledge this robust economic performance.

Until now, Africa has been a distant frontier for Pakistan economically. He said that it well below its true potential and also does not reflect the warm cultural and social ties. "It's time to unlock the true potential of our trade relations."

Regional cooperation also needs to enhance trade and connectivity is the key to socio-economic uplift and development, he added. There is huge potential of trade between Pakistan and Africa but "we need to enhance connectivity with Africa." "I have a strong belief that trade and connectivity are two sides of the same coin and it is not possible to have one without the other." He informed that logistics and transport affect trading activities because they determine shipping times, costs of handling, and delivery of goods.

On the other hand, reduction of tariff and non-tariff trade barriers by both side, is also necessary which acts as a catalyst for accelerated growth in bilateral trade. He said that given the concrete opportunities that exist between the two sides, Pakistan-Africa trade could easily be increased manifolds in coming years.

Kenya being the longstanding friend and an important trading partner, offers the best platform for the same. He urged that this august Forum to accept this challenge and work together to achieve it. He said that time has come to translate the excellent bilateral relations into mutually beneficial economic gains.

The Ministry of Commerce has formulated the "Look Africa Policy Initiative" which has already been put into motion and this is reflective of our broader policy towards Africa. The adviser said that "we need to exchange more manufactured and processed goods, have more knowledge transfer, and create more value. Both sides need to accelerate export diversification and product sophistication and make our trade more inclusive, he said.

Razak said his will enable us to shift from an over dependence on commodities to higher-value added products and services. It will also build resilience to movements in demand and help in fetching better prices.

This is the fastest path to economic growth, job creation and poverty reduction, he added. He said that increasing Pakistan's footprint in Africa the government have posting more trade envoys.

In this regard, "we are opening 6 new Trade Wings at our Embassies in Africa. He said that these include Algeria, Egypt, Ethiopia, Senegal, Sudan and Tanzania. This has increased the number to 10. They would also be granted accreditation's to cover the whole continent.

He said that Pakistan is open to discuss all proposals by our friends in Africa at bilateral and multilateral level. "We are already in touch SACU, ECOWAS and EAC to negotiate trade agreements and also plan to take advantage of the opportunities that exists under the African Continental Free Trade Agreement (FTA).

Razak said that Pakistan can supply rice, engineering goods, electrical appliances, textiles, apparel, pharmaceuticals, sports goods, surgical instruments, cutlery, furniture and many more products.

Similarly, Pakistan can be a good market for supply by the African exporters. “we are viewing that despite challenges, there would be a steady, gradual but persistent growth in Pakistan-Africa trade with enhanced level of engagement by both sides, public officials as well as private sector.

Source: pakobserver.net- Jan 30, 2020

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Pakistan: Cotton declines 2 percent

ICE cotton futures declined as much as 2% on Thursday as lingering concerns over the impact of the coronavirus epidemic on China's economy weighed on the natural fiber. Cotton contracts for March fell 1.31 cent, or 1.87%, at 68.75 cents per lb by 1:12 p.m. EST (1812 GMT). It traded within a range of 68.54 and 70.06 cents a lb.

“We are seeing a sell-off due to the coronavirus scare" said Keith Brown, principal at cotton brokers Keith Brown and Co in Moultrie, Georgia. “If the virus spreads enough in China they may shut down ports and you can't bring cotton in."

Infections from China's coronavirus spread to more than 8,100 people globally on Thursday, surpassing the 2002-2003 SARS epidemic's total fuelling fears that it will pummel the world's second-largest economy. Adding to the uncertainty, the International Monetary Fund said on Thursday it is closely monitoring the outbreak, but it is too soon to quantify the potential economic impact of the virus.

The United States is one of the world's biggest producers of the natural fiber, while China is the largest consumer. The US Department of Agriculture report showed net sales hit a marketing year high of 347,100 running bales for 2019/20, up 13% from the previous week and 48% from the prior 4-week average.

Total futures market volume fell by 1,938 to 21,286 lots. Data showed total open interest gained 1,912 to 267,505 contracts in the previous session. Certificated cotton stocks deliverable as of 29 Jan. totaled 6,792 480-lb bales, unchanged from 6,792 in the previous session.

Source: brecorder.com- Jan 31, 2020

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Pakistan: High power tariff forces textile millers to squeeze production

The south Punjab contributes lion's share of cotton to run the country's textile sector, but the manufacturers of the region have squeezed production due to high cost of production. The textile and spinning mills used to run round-the-clock in three shifts in peak season, but a large number of manufacturers have closed one shift and sacked workers due to high power tariff and cost of production. The textile manufacturers have expressed their helplessness in competing with the world markets.

Talking to The News, Multan Chamber of Commerce and Industry president Sheikh Fazal Elahi said that the textile and spinning sectors were mainly hit in the cotton belt area due to high power tariff. The country's exports would not be able to compete with China, Bangladesh and India where power tariffs were seven to nine cents, he said, adding that the textile industry had taken a sigh of relief when the present government announced regionally competitive electricity tariff at 7.5 cents for the export-oriented sectors and it led to new investment and revival of closed units of textile sector, besides generating 500,000 additional jobs. He said that the export-oriented industry could not sustain exports on inflated electricity bills, therefore, the government must resolve this issue without any delay.

Spinners told The News that the spinning was an export-oriented sector, but it was facing a critical burden of increased electricity tariff up to 70pc. The government was charging high rate of surcharges against the cost of actual electricity consumed, they said, adding that the spinning sector would be unable to compete with China in the coming months.

The government had ended subsidy on electricity due to which tariff for textile was increased by Rs 8 per unit along with other industries and now the electricity was available for the textile sector at Rs 20 per unit instead of Rs 12 per unit.

The powerloom owners observed that the exports were going to suffer heavily due to the increase in electricity tariff, which had decreased cotton trade volume. Pakistan Powerloom Owners Association chairman Khaliq Qandil said that high cost of electricity had almost destroyed the exports.

He said that the government had promised charging fixed gas tariff and consequently they shifted their entire heavy electricity generators to gas by incurring huge cost, but now the government had increased gas tariff at unaffordable level.

Now, all the manufacturers were facing gas loadshedding. He said that all production units had been shut so far, leaving thousands of workers unemployed. He added that Pakistan currently needed 14 million bales of cotton, but production was eight million bales. He said that the powerloom owners must import cotton to make up for the shortfall of four million bales.

Source: thenews.com.pk- Jan 30, 2020

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Bangladesh: DTG 2020: Faster and Brighter

The last calendar year ended on a rather dull note for Bangladesh with RMG exports being hit. Yet, the country remains on a much firmer footing than its South Asian neighbours as far its economy is concerned, and its Southeast Asian rivals in terms of apparel exports to the West. As capital Dhaka readies to host the 17th Dhaka International Textile & Garment Machinery Exhibition (DTG), it is worthwhile to see how Bangladesh itself would be shaping up in the near future.

The volume of world trade has not seen a healthy outlook for a few years now, and the dynamics are being dictated by trade wars more than ever. All this would mean that a small country like Bangladesh should stand extremely worried. Yet, it is not.

Bangladesh is one of the fastest growing economies in the world. The gross domestic product (GDP) in 2018 fiscal year expanded by 7.9 per cent over the previous year. Industry grew by 12 per cent (10.2 per cent in 2017) and manufacturing 13.4 per cent (11 per cent in 2017).

There has been a significant reduction in extreme poverty-from 44.2 per cent in 1991 to 12.0 per cent in 2016. Exports have grown in this millennium, primarily driven by the readymade garments (RMG) sector. In 2017, exports contributed 15.03 per cent to the national GDP, with the RMG sector making up for 83.5 per cent of the export earnings. But Bangladesh's growth has been driven more by its domestic market.

Exports as a percentage of the GDP is about 20 per cent in China, India and Indonesia. It is 28 per cent in the Philippines, and as high as 60 per cent in Thailand, Malaysia and Cambodia. The figure for Vietnam is an unbelievable 93 per cent. These figures taken together could tell part of the story: Bangladesh has a robust national economy to stand on.

Let's look at five aspects that need to be kept in mind while assessing Bangladesh.

#1 Bangladesh steady, China and India decline

The Asian Development Bank (ADB), in its Asian Development Outlook 2019, expected Bangladesh in April to grow robustly in 2019 and 2020 riding on domestic consumption and strong remittance earnings. In its supplement towards the end of the year, the Manila-based ADB trimmed its forecasts for economic growth in developing Asia as growth in China and India was seen to be weighed down by both external and domestic factors.

However, Bangladesh was expected to post an 8.1 per cent GDP growth in 2019 and 8 per cent in 2020-unchanged from the previous outlook published in September earlier.

The ADB believed that Bangladesh's accommodative policy on credit to the private sector was expected to promote investment, and strong remittances, which surged by 20.5 per cent in the first four months of the fiscal year (which in Bangladesh begins on July 1), will stimulate domestic demand.

On the contrary, India's growth was seen at a slower 5.1 per cent in fiscal year 2019 and growth in China was expected at 6.1 per cent in 2019 and 5.8 per cent this year.

#2 Learning from arch-rival Vietnam

From being a virtual non-entity in the modern garment trade business at the start of this century, Bangladesh has come a long way, not only because of hard work, but also because the industry has kept learning.

Late last year, Mostafiz Uddin, the founder and CEO of Bangladesh Denim Expo and Bangladesh Apparel Exchange, wrote an interesting piece for a Dhaka-based daily. He pointed out the areas in which Bangladesh scored over Vietnam, but in the same breath outlined, what he felt, were areas in which his country could learn from its formidable rival.

He called for investment in training and R&D to improve efficiency, and noted that eventually (in 5-10 years), "the low labour cost advantage of sourcing from Bangladesh will be obsolete and replaced by automation. We therefore need smart, well-educated local people who can guide us on how to adapt production lines accordingly, using the latest tech solutions." He called for aggressively pursuing trade agreements as Vietnam has been doing. Bangladesh's primary export destination remains the EU; it should now tap into the US market.

#3 Factories better, but need to be safer still

It's been almost seven years since the ghastly Rana Plaza disaster-an incident that shook the industry to its core and triggered off sweeping changes in the way factories were being run across the country. Matters have improved considerably, and yet much still needs to be done as has been evident from the constant crackdown that the Department of Inspection for Factories and Establishments (DIFE) needs to undertake.

In the first week of January this year, it instructed the apparel trade bodies to stop issuing utilisation declaration (UD) certificates to 189 'non-compliant' factories due to poor progress in their remediation work.

It asked the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) to suspend the issuance of UD certificates to those units for three months. Of the errant units, 143 were registered with the BGMEA and 46 with the BKMEA.

A total of 3,780 garment factories underwent safety audits under the European retailers' platform Accord, North American buyers' platform Alliance and the government and ILO-supported national initiative. The rate of remediation progress is said to be over 90 per cent in factories listed with the first two, while those under the national initiative have been lagging behind.

#4 Building sectors to diversify export basket

There are many who are wary of Bangladesh's over-reliance on apparel exports. On January 12, the International Finance Corporation of the World Bank Group advised Bangladesh to build competitive sectors for export diversification, while releasing a report in Dhaka.

The report, Building Competitive Sectors for Export Diversification: Opportunities and Policy Priorities for Bangladesh, argued that a diversified export portfolio comprising competitive sectors such as leather and footwear, plastics, and light engineering, would help create greater access to international markets for Bangladeshi products.

It highlighted the importance of diversifying the export base and identified advantageous sectors with greater potential to diversify through assistance in the prioritisation process, constraint analysis, and sector strategy development.

The reliance on apparel was summed up by the very subtitle of the relevant chapter: impressive trajectory but a narrow base. But the RMG industry too needs to diversify.

Two days after the IFC report, the BGMEA identified 51 RMG products for export diversification within the sector. According to the BGMEA, 73 per cent of Bangladesh's $34.13 billion RMG export earnings in the last fiscal came from just five items. So, industry needs to diversify too.

#5 Sustainability could be a scoring point in the years ahead

If Bangladesh has to score over other apparel exporting nations, especially the small and low-income ones, sustainability could be an aspect in which it can take on rivals. The BGMEA and several other organisations set up an RMG Sustainability Council (RSC) last year to ensure a complete and independent national compliance monitoring system. It is only a starting point, but even in this count the country's industry is ahead of many others. The Indian apparel industry, for instance, does not have one.

Yet, for Bangladesh it would be important not just to keep producing safely, but sustainably too. Huge investments would be needed, but that would not come without the dividends. An official of the Global Reporting Initiative (GRI) at Dhaka in December last put a number to this: sustainable businesses can unlock new market opportunities worth $51 billion in Bangladesh.

In a country where both manufacturing and exports are dominated by the RMG sector, end-to-end sustainable production could well become Bangladesh's trump card. And, it is not that the country has been left behind on this count: according to the BGMEA, 101 green factories and the world's top six greenest, platinum-rated factories are located in Bangladesh.

Source: fibre2fashion.com- Jan 30, 2020

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NATIONAL NEWS

Textile exporters bleed as Govt asks them to repay sops availed

The Union government has put scores of small textile exporting companies on the verge of closure by withdrawing export concessions with retrospective effect.

In a recent notification, the Government has not only announced that it will withdraw the benefit of 4 per cent MEIS (merchandise export incentive scheme) on exports of made-ups and garments with retrospective effect from March, but also recover MEIS incentive given till July.

To top it all, the government has not yet implemented the scheme to reimburse taxes on exports under RoSCTL (Rebate on State and Central taxes and levies) scheme announced last March.

Maulik Modi, promoter of Kewal Implex told BusinessLine, that he has been in business for last 20 years and has never heard of something like a Government asking exporters repay the incentives they have availed.

“In October, we had booked export orders worth ₹4.5 crore pricing in the 12 per cent incentive, and these commitments need to be met till March. Just because the government has withdrawn the incentives, we cannot renegotiate the price now. Buyers will laugh at Indian government,” said Modi, who exports various kinds of towels across the world.
Dire situation

The textile export industry, which operates on a 4 per cent margin, is on the verge of collapse after the withdrawal of the 12 per cent concession. Sensing trouble, risk averse banks have already started cutting down their exposure to textile exporters, exerting huge pressure on working capital.

If the situation continues about 50 per cent of export-oriented small textile units will shut down, leading to many job losses and casting aspersion on the Government which came to power on job creation plank, said Modi.

Early this week, the Government has announced a fresh duty draw back of 4 per cent but the industry does not want to believe the government now.

"What is the guarantee that the Government will keep its words this time around. We can survive without any incentive, but do not keep tinkering with policies every now and then," said Modi.

Source: thehindubusinessline.com- Jan 30, 2020

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I am sure there will be a post-Brexit trade deal between India and the UK: Catherine McGuinness

The long-drawn-out negotiations between Britain and the European Union on Brexit now has a new deadline of January 31, 2020, almost four years since Britons voted to leave the EU in a referendum.

Catherine McGuinness, Policy Chair of the City of London Corporation, who works closely with the UK's financial services sector, and is the political leader of the City of London Corporation, spoke to BusinessLine on how Brexit will not dampen trade relations between India and the UK. "We are not just about the EU-facing business, there is a whole world besides," she said.

In a wide-ranging interview, McGuinness also shed light on how the City is looking at increasing trade between India and the UK in financial services, and how both countries can work together on areas like cyber security, green finance, fintech and insurance. Excerpts:

How do you see the impending Brexit, as well as all the upheavals the process has been privy to, affecting the UK's image as a global financial services sector?

Brexit and the uncertainty has dented our reputation worldwide. That's understandable. But, what I sense now that we are actually moving forward is, there is a real, renewed confidence and balance in our step. We are looking at the future issues.

This next year will be challenging for us and our relationship with our EU businesses. You can expect a bit more political noise, but we are very confident about the long term. We are focusing more and more on that.

How long term are you talking about?

I am just very confident about London's long-term future because of its breadth, depth, and strength as a financial centre. Despite some problems, as people might perhaps iterate, we are seeing far less of a change than we anticipated —we are dropping into the bottom range of the expected job losses. But, I am not expecting certainty on our EU-facing relationship, certainly not until the end of the year.

We leave the EU next week, but we have a transition period until December 31, 2020 (The deadline to reach a deal on the post-Brexit relationship has been set for December 31, 2020).

In the backdrop of such uncertainties and troubles brewing around Brexit, how does the City plan on improving trade relations between India and the UK, particularly in the financial sector?

I don't think Brexit changes things really. I think there are so many opportunities here in India. The ambitious program with reforms that was put through the last few years — the insolvency and bankruptcy code, opportunities potentially for UK legal and insolvency professionals, legal firms and investors interested in distressed assets — I think that puts India in a really exciting place. We hear over and over again, the potential from trade...whether it's working with you and looking at financing, renewable projects, renewable energy or whatever...And that will enable India to have a good transition to a more sustainable future. We hear huge potential because of those changes in the insolvency regime, which is hugely appealing from the point of investors ... and we are very keen to see what we can do to help encourage that trade.

Is the City taking any measures to reassure Indian financial firms that might be worried about Brexit?

London is a global financial centre and it will remain so long into the future. If anything, it will mean that there is more business to be done. We will lose a little bit of our EU-facing business. But we are looking to make that up.
What gives you the confidence that even after Brexit, there will be more business to be done?

I think, we were perhaps a little bit complacent before Brexit...The City was clearly the leading financial centre in the world, and we didn't have to prove anything to anyone. I think, these last three years has made us focus on our core strengths and what could be areas for opportunity. I think, we are better placed actually. Indeed, just nationally in the UK itself. So, one thing Brexit has made us all focus on are those divides...bringing together financial centres across the UK so that we speak together with one voice.

What is the kind of response you have been getting from Indian corporates about Brexit in your meetings so far?

Last year, everybody was asking me about Brexit. This year so far, no, people haven't been so much. But, we are in a very different place. We both have governments at the start of their terms with strong majorities (and) oppositions to move forward. There is a lot more certainty now than there was.

What message would you like to convey to Indian banks and institutions that are possibly deterred by the current Brexit debate?

Really, London is open, London is thriving and come and work for us. Of course, some of the EU-facing business from London will change. But, for many of the Indian companies we speak to, that is not not particularly relevant. London is the great global connected capital. I would send a strong message of reassurance and confidence: We are not just about EU facing business. There is a whole world besides.

Is Brexit going to lead to stronger UK-India ties?

The UK and India already have strong ties. We have been the top G20 investor in India over the last 10 years, and bilateral trade stands at over £20 billion. Financial services account for a small but growing proportion of this – £440 million – but there is plenty of room to grow our relationship in this area, particularly in areas like cyber, green finance, fintech and insurance.

Government support on both sides remains strong, and work is already underway to strengthen ties through the ongoing UK-India Joint Trade Review, the only one of its kind the UK has with any other country, and one which will lay the framework for the future trade partnership.

But this isn’t the only partnership between our two nations. There’s also the Joint Economic and Trade Committee (JETCO) looking at strategic economic ties, and the Economic and Financial Dialogue (EFD), focussing on trade and investment relations. Add to this mix, the commitment by Prime Minister Boris Johnson to making India one of his first destinations for an overseas visit following his re-election, and the future looks rather rosy for us both. Based on the willingness of both sides, I am sure there will be a post-Brexit trade deal between India and the UK, but do remember these things take time. First and foremost, we need to get an agreement on the future of the highly complex UK-EU trading relationship.

There is lots we can do to improve trading relationships outside a trade deal, though, and we will be looking for opportunities.

Is there potential to increase trade between the UK and India, particularly in financial services?

Yes, we do think that there definitely is. And some of it will be around green financing, looking at the opportunities for investors through London to invest in green infrastructure projects here. And some of it, of course, will be around opening up. We are very interested to hear what comes out of the Budget. We have heard rumours around the increase in the ownership percentage for insurance firms – increase in foreign ownership rule for foreign insurers from 49 per cent currently to 74 per cent or even 100 per cent, potentially in the Budget. So, we will be looking to see if there is a development there.

There are other areas where we believe there is a case to be made, which hasn’t yet been made. But we believe that there is a case to be made that more opening up actually (more access for international firms) might mean more business for Indian firms.

The Indian economy is in the midst of a prolonged slowdown, with most growth indicators being grim. Can this, combined with Brexit, possibly dampen UK-India trade relations?

I can't go into details on the economy. The ambitious program of reforms – IBC, bank account opening, ease of business ranking, signals in insurance – that have been brought through…I think, has put India in a place where it will be attractive to outside investors. I don't see that interacting with Brexit.

I think there was a question simply of people understanding the potential here for investment. That was the message we got from the Indian banks that we spoke to — to tell people about the great potential for investments in India, especially now that the reforms have happened.

We are very positive actually. I think, there are positive opportunities for trade between our countries. I don't think Brexit can dampen anything in this story.

During our interaction last year, you had said that the City is working on making the immigration process easier. What is the update on that? Former PM Theresa May had also said that Brexit would mean an end to free movement.

So, we are yet to see the details, but the signals from the government have been promising. They understand our concerns about remaining open to international talent. And we have been very pleased to see the change in the post studying arrangement (Post study visa for international students in the UK, allowing them to work in the UK for two years after graduation - The UK government has said it wants to do this).

There is a difference between having control over one's borders and between not letting people in. Just because the British people ask for control in the system doesn't mean that we are closing (our borders) and we have very positive signals from the government...We will remain open to international talent.

Is there anything specific about India in this?

The number of Indian work visas is more than any other country. We see strong growth in the number of UK visas for Indian nationals. We are seeing significant increases in students again, which is great. As I said, I think, we missed out when we had more restrictive arrangements. We have seen significantly more work visas given to Indians in the last year than any other country — we had more than 50,000 work visas last year. The next highest is the US with around 10,000. That's really staggering.

Source: thehindubusinessline.com- Jan 30, 2020

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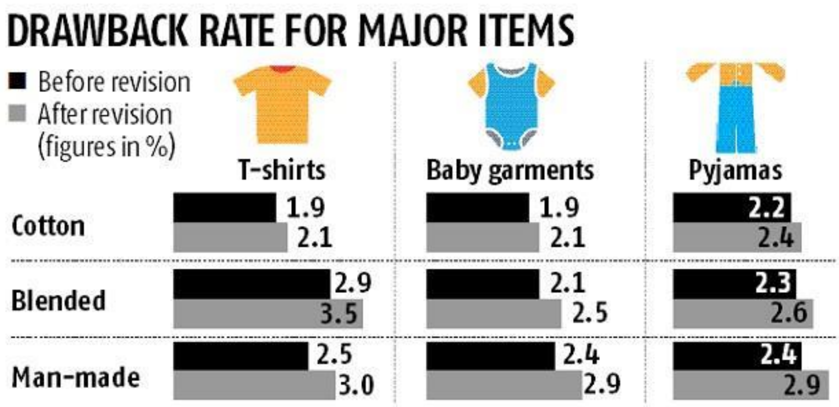
Govt revises drawback schedule for apparel sector; exporters want more FTAs

Ministry of Finance has issued a notification revising drawback schedule for apparel sector, which will come into effect from February.

While for the cotton-based products it would be around 0.2 per cent increase, for man-made fiber and blended garments it would be around 0.4-0.6 per cent. While welcoming the announcement, exporters said that government should focus on signing FTA and clearing the ROSTL, which is affecting the working capital of the exporters.

The notification will come into effect from February 4, 2020. For cotton t-shirt after revision the drawback rate would be 2.1 per cent as against 1.9 per cent, blended 3.5 per cent vs 2.9 per cent and man-made it will be three per cent as against 2.5 per cent.



Exporters said, hike is marginal and sceptical of whether it will enhance the exports, which is dropping. In 2018-19 (April - December) Ready Made Garment (RMG) export was $11.363 billion and in 2019-2020 it increased to $11.457 billion.

Exporters not only want higher rate, they also want free trade agreements (FTAs) and they have decided to make representation with Central Government, says Tirupur Exporters Association (TEA), which represent major section of exporters from Tirupur, which does exports worth Rs 24,000 crore.

A leading exporter added, “whatever the duties and taxes including embedded taxes paid are given back in the form of GST, ROSCTL and Drawback. Government won't give more than this. Only thing they can do is for entering into FTA with EU, UK, Australia and Canada."

Another concern is that the government has not cleared the pending claims. For example to Tirupur units alone around Rs 1,400 crore is pending and early this week only, Government issued procedure for claiming RoSCTL benefits.

Source: business-standard.com- Jan 31, 2020

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‘Make in India’ fails to lift India’s industrial output; IIP growth likely to be only this much

The government’s efforts to drive ‘Make in India’ to success have not yet reflected in the country’s industrial output growth. India’s Index of Industrial Production (IIP) growth is expected to fall to 2 per cent in the current financial year 2019-20, said FICCI in its Economic Outlook Survey.

“The participating economists have put forth a median growth forecast for IIP at 2 per cent for the year 2019-20, with a minimum and maximum range of 0.4 per cent and 4.0 per cent respectively,” the survey said. The new IIP estimate for this fiscal year is half of India’s industrial production growth at 4.4 per cent in the previous FY18.

As capacity utilization in major sectors like automotive fell and capital goods production continued to fall, the overall production output remained at lower levels. While IIP contracted for three consecutive months in FY20, it expanded at a modest pace in November 2019.

A favourable base effect and a reduced contraction in the core industries output played a major role in improving the industrial production growth in November.

However, the overall year barely saw 0.6 per cent growth cumulatively in the first eight months of the fiscal, thus, bringing down the overall estimations for the year. In the period April-November of the last fiscal, IIP was much higher at 5 per cent.

Meanwhile, the Reserve Bank’s industrial outlook survey indicated that due to continuing low sentiments on production, domestic and external demand,

and the employment scenario, "the overall sentiment in the manufacturing sector remained in pessimism in Q3 FY20."

Also, the manufacturing firms that had polled earlier too expected weak demand conditions and reduced input price pressures in the third and fourth quarters of the current fiscal year.

FICCI, on the other hand, has estimated 4.7 per cent growth in IIP for the fourth quarter of the current fiscal. The industry body has also expected WPI and CPI to grow at 2 per cent and 4.3 per cent, respectively.

Source: financialexpress.com - Jan 30, 2020

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Govt rolls back duty benefits to apparel exports as it retains state taxes rebate scheme

The government on Thursday said it has rolled back duty incentives to apparel and made-ups exports under the Merchandise Export from India Scheme (MEIS) due to the introduction of taxes and levies rebate scheme Rebate of State and Central Taxes and Levies (RoSCTL).

"On account of introduction of RoSCTL, MEIS for items of the apparel and madeups sector for exports made with effect from March 7, 2019 stands withdrawn," Directorate General of Foreign Trade (DGFT) said in a public notice.

RoSCTL announced on March 7, 2019 was in addition to the MEIS benefits available to the industry at the rate of 4%. While MEIS was given for infrastructural and logistics cost disadvantage and RoSCTL was offered for embedded state and central duties and taxes that are not refunded through goods and services tax.

The ministry has rolled back the incentives under the MEIS under which the government provides duty benefits depending on product and country. Rewards under the scheme are payable as percentage of realised free-on-board value and MEIS duty credit scrips can be transferred or used for payment of a number of duties, including the basic customs duty.

MEIS is inconsistent with the global trade rules of the World Trade Organization.

Exporters said while the move gives clarity on the status of incentives, it will make exports less competitive as on certain products like T-shirts, the overall incentive will decline from around 7.8% to around 6%.

“This gives clarity that exporters can file only one claim. There was no clarity earlier,” said Ajay Sahai, director general, Federation of Indian Export Organisations.

A Delhi-based exporter of apparel said that the move will take industry backwards and make it less competitive as the overall incentive is lower than before.

The directorate has also laid out a detailed procedure to avail benefits under the RoSCTL scheme. An application for claiming rebate under this scheme shall be filed online using digital signature on DGFT"s website, it said.

"The relevant shipping bills shall be linked with the online application by the exporter. A maximum of 50 shipping bills would be allowed to be attached in one single application by the exporter in the online module," it added.

Source: economictimes.com - Jan 30, 2020

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Mega textile parks on the anvil; government revamps scheme

To attract higher foreign investment in the textile sector, India has planned a complete overhaul of a scheme to create world-class infrastructure facilities for setting up textile units.

The government is considering a plan to set up 1,000-acre mega textile parks as it revamps the Scheme for Integrated Textile Park (SITP) whose slow progress is attributed to delay in obtaining land and other statutory clearances from state governments and slow fund mobilisation by the textile parks.

Launched in 2005, the scheme aims to provide industry with state of the art world-class infrastructure facilities for setting up their textile units.

A total of 59 textile parks have been sanctioned under SITP by the textiles ministry out of which 22 textile parks have been completed and rest are under various stages of construction Textiles ministry has circulated a cabinet note, a senior government official told ET.

As per another official, the overhauled scheme could be part of the proposed textile policy for which many detailed studies are going on. “The idea to make mega textile parks is to attract FDI,” said another official.

From April 2000 to September 2019, India's textiles sector received Rs 19,398.71 crore or $3.3 billion of FDI which is 0.74% of the total inflows.

Under the SITP, infrastructure facilities for setting up of textile units are developed in a Public-Private-Partnership (PPP) model, with the government granting upto 40% of project cost with ceiling limit of Rs 40 crore for each park.

An expert committee on textiles had in 2015 suggested the idea of mega textile parks and proposed the ministry to partner with states to set these up so as to be able to absorb about $5 billion per year of fresh investment.

It recommended that Mega Textile Parks should be developed especially in the planned Industrial Corridors and be provided cheaper and reliable power supply. Textile manufacturers and exporters concurred that the extant textile park scheme is not successful.

"The government is not happy with the existing scheme and the size of the parks now which can be anything above 20 acres. These are smaller parks and they also have not taken off very well," said a Delhi-based manufacturer of textiles and apparel.

As per the manufacturer, there is empty space in the parks and a lack of investment climate has hindered the scheme's progress.

Experts said the government may also revamp the Technology Upgradation Fund Scheme (ATUFS) which is used to promote technical textiles and generate employment in the apparel and garment sectors.

Source: economictimes.com - Jan 30, 2020

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Budget 2020: From duty-free alcohol curbs to extension of SEZ sops, here's the commerce ministry wishlist

When Finance Minister Nirmala Sitharaman tables her second budget on February 1, she will be doing so in the backdrop of one of the most challenging times that the Indian economy has faced. While people across India will be waiting with bated breath for income tax sops, investors and market players will be keeping a close watch on the balance sheet of government expenses that she will present.

A key set of proposals that will impact both the common man and corporate India alike will be proposals floated by Commerce Ministry covering issues like import restrictions and specific measures to boost exports. This will have a domino impact on India's factory output, which as per India's statistical enumerators could be the lowest in one and a half decades.

The proposal by India's trade diplomats in Udyog Bhawan that has raised eyebrows is restricting the quota of duty-free alcohol. The Commerce Ministry wants inbound overseas travellers to have only 1 litre of imported duty-free alcohol and completely restrict the sale of foreign cigarettes in that section. The ministry feels that the sale of foreign-made duty-free alcohol and cigarettes are non-essential imports.

Many government officials and functionaries that the author spoke to also joined in their disagreement. The Association of Private Airport Operators (APAO), an umbrella organisation of 7 privately owned airports raised red flags on the proposal immediately.

ITEM Imported	Current Duty	Proposed Duty Hike	Reason
Furniture	20%	30%	Duty on Wood is 10% while Finished furniture is 20%
Tricycles for children	20%	100%	Substandard products coming into India
Toys made of wood, metal, plastic	20% %	100%	Imports increased by 8% b/w Fy 18 & Fy 19
Parts of footwear	15%	25% (min duty Rs 150/part)	China rerouting footwear parts through ASEAN
Footwear	25%	35% (min duty of Rs 250/product)	China rerouting footwear through ASEAN
Tyres	10-15%	40%	Adequate Domestic Capacity in place
Coated paper , Uncoated paper, paper board, handmade paper	10%	20%	Boost domestic paper industry

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According to APAO, on average duty-free revenues account for 15 to 20 percent of the non-aero revenues of an airport and sales of alcohol and cigarettes comprise up to 80 percent of sales there.

The association warned that charges paid by passengers could go up by Rs 200 crore annually if the restriction is imposed and AAI, India's airport regulator could lose as much as Rs 300 crore annually due to reduction in revenue share payments by airport operators in Delhi and Mumbai. APAO also cautioned that 8,000-10,000 direct and indirect jobs could be lost due to layoffs of workers engaged in marketing and sales, logistics and warehousing.

While the Commerce Ministry proposal has not enumerated on the total sales of duty-free alcohol, APAO claims that airports across India sell around $ 97 million worth of duty-free alcohol, which is 0.021 percent of India's total imports of $ 460 billion.

Restrictions on duty-free alcohol quota is just a small part of Commerce Ministries proposals to its finance counterpart.

About 270 items have been recommended by Udyog Bhawan for an increase in customs duty and the logic is to bring the domestic industry at par with foreign players in these products and promote “Make in India”. Officials point out to CNBC-TV18 that during the reign of the Modi government, customs duty on near about 3000 products has been hiked since the year 2014 on different occasions.

Items that have been proposed for hike include furniture where customs duty hike of 30 percent has been proposed from the current level of 20 percent. Imported Tricycles and Toys could also get expensive if North Block agrees to a commerce Ministry proposal to increase import duty to 100 percent from the current level of 20 percent.

Indian tyre manufacturers, who have been up in arms against cheap imports may get relief if Sitharaman imposes a 40 percent import duty on foreign tyres as against the current level of 10-15 percent. Udyog Bhawan has also called for a hike in coated paper import duty to 20 percent as against 10 percent seen currently.

Item	Current Duty	Proposed Duty Cut	Reason
Rubber Chemicals	7.5%	0%	Domestic production not sufficient to meet demand in India
Styrene Butadiene Rubber (used in tyre manufacture)	10%	0%	Demand-Supply gap. Reduction will help Indian tyre manufacturers
Machinery for paper industry		0%	To boost domestic paper production
Wood Pulp	5%	0%	To boost domestic paper production
Waste paper	10%	0%	To boost domestic paper production
Electrical boards, panels, consoles,	7.5%	10%	To correct inverted duty

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The Commerce Ministry has also sought a reduction in duties of several intermediaries used by India’s manufacturing sector. While suggesting higher customs duties on imported paper, Udyog Bhawan has also called for zero duty imports of machinery, wood pulp, and waste paper. Duty-free imports of styrene-butadiene rubber, a key ingredient in the manufacture of tyres is also being proposed.

The Commerce Ministry has also recommended correction in inverted duty structure in several products. Inverted duty instances arise when import duty on raw material is higher than the finished product. As a result, domestic users import finished domestic products as the domestic industry stays away from manufacturing such goods.

CURRENT DUTY Finished Product	CURRENT DUTY Input Item
Flat Stainless Steel: 0% @ India Japan FTA	Ferro Nickel & Pure Nickel: 0.9% @ India Japan FTA
Viscose Stabel Fibre: 0% @ ASEAN FTA	Dissolving Wood pulp: 2.5%
Ethyl Acetate: 0% @ India Korea FTA & 1.4% @ India Japan FTA	Ethanol 2.%; Acetic acid 5% under S'pore & Malaysia FTAs
Acetic Anhydride: 4% under India-China APTA	Acetic acid 5% under S'pore & Malaysia FTAs
Calcined Alumina: 5%	Caustic Soda Lye: 7.5%

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The proposals on customs duties come at a time when the government has been trying to curtail non-essential imports into the country. The Commerce Ministry has been working on a non-tariff strategy to dis-incentivise imports worth $ 127 billion by imposing product standards.

BIS, India's standards watchdog, has been tasked to prepare product regulations of 5,000 goods. Currently, India has regulations on about 400 products.

On the export side, the Ministry has proposed an extension of the SEZ direct tax exemption sunset clause by three years. The sunset clause on income tax benefits starts on April 1 and the tax-free zones won't get any exemption on Income tax benefits. The ministry has proposed that income tax benefits should be extended by three years for zones that are notified under the law but yet to become operational.

The budget speech is likely to refer to the proposed National Logistics Policy covering all modes of transport for goods. The policy has been under the works for over a year by a newly formed logistics division under the Commerce Ministry.

On her part, Nirmala Sitharaman is likely to lay out the modalities of several proposed schemes, where inter-ministerial discussions are at an advanced stage. The intent to launch many of these schemes have already been made by her in 2019.

This includes spelling out details of a new duty remission scheme for export inputs called Remission of Duties or Taxes on Export Product (RoDTEP) scheme. In addition, the Budget Speech is likely to allude to the NIRVIK

Scheme through which ECGC will give 90 percent cover for export finance. Sitharman has shared details of both these schemes in September 2019.

Source: cnbctv18.com - Jan 30, 2020

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How sustainable T-shirts from Tirupur are being used at Australian Open 2020

Ball boys and girls at the ongoing tournament are wearing T-shirts from Tirupur, made from recycled PET bottles

What can 1,88,708 used PET bottles do to the environment? A lot of damage, actually. But thanks to Tennis Australia and Tirupur-based garments company NC John & Sons, they have been given new life as apparel for ball boys, girls, and courstside statisticians at the ongoing Australian Open tennis tournament. The company has tailored 25,000 garments for the tournament, all of them 100% recycled polyester.

Seated in his office at the Small Industries Development Corporation (SIDCO) campus in Tirupur, Alexander Neroth, CEO of NC John & Sons, shows us T-shirts, leggings, shorts, zipper-jackets and tennis dresses that his company made as part of the order. In aqua blue, white, and green, the apparel is made of polyester filament yarn from recycled plastic bottles.

“We got the yarn imported from Taiwan,” explains the 46-year-old. “The fabric,” he adds, “Was knitted and dyed in Surat, and brought to Tirupur. Our team of around 100 tailors, most of them women, created the outfits based on the designs from Tennis Australia.”

For Alexander, whose company has been making sustainable apparel since 2007, this is business as usual. But he does add that he is happy that their work has put them in the spotlight.

“We got the order from Tennis Australia through one of our customers in Australia,” he explains, adding that his company has been chiefly exporting garments to the US and the UK. “The team visited us in November last year to ensure that the entire process was green.”

In fact, 40% of the power consumed by SIDCO in Tirupur is from wind and solar energy. Alexander, however, wishes that more industries in the textile and knit wear hub, located on the banks of the Noyyal river 52 kilometres from Coimbatore, come forward to tap into the market polyester has to offer.

This is also among the reasons why Alexander's recycled garments have not entered the Indian market yet. But he hopes to sell in India soon. "People in our country are by nature concerned about the environment," he feels, adding, "In a year or two, we plan to launch our own brand." Polyester, however, is often not considered to be on a par with cotton — a lot of people prefer the latter for its natural properties.

Alexander is now getting a lot of enquiries for his sustainable apparel — his company also does clothes in organic cotton blends and recycled cotton. "We started making apparel with 100% recycled polyester a couple of years ago. Right now, 90% of what we do is sustainable. Soon, we hope to reach the 100% mark," he explains.

Alexander just received an email from a leading cricketer's brand. "Imagine if the Indian cricket team wore our T-shirts," he says. "I will be much happier then: the entire nation will get to see them."

Source: thehindu.com- Jan 30, 2020

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