TEXPROCIL NEWS CLIPPINGS

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IBTEX No. 150 of 2019 July 31, 2019

US 68.86| EUR 76.81 | GBP 83.74| JPY 0.63

Cotton Market		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20813	43500	**80.44**
Domestic Futures Price (Ex. Warehouse Rajkot), August		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
20660	43179	**79.85**

International Futures Price

NY ICE USD Cents/lb (December 2019)	63.36
ZCE Cotton: Yuan/MT (September 2019)	13,145
ZCE Cotton: USD Cents/lb	86.61
Cotlook A Index – Physical	**75.60**

Cotton Guide: The ICE futures have come back to its Primary Trend of bearishness. The secondary bullish trend, as predicted, has not been able to sustain. The ICE contracts across the board settled negative with substantial bearish numbers.

The ICE December contract settled at 63.36 cents/lb with a change of -85 points. The ICE March contract settled at 64.28 cents/lb with a change of -91 points whereas the ICE May contract settled at 65.18 cents/lb with a change of -85 points. The total volumes summed up at 15,672 contracts.

The bearishness was caused by an indication by President Trump that China is not performing as promised to purchase US Agriculture products. This in turn has not only caused bearishness in the Agricultural markets but also in the other Financial Markets.

The MCX contracts on the other hand have been bearish since the last few days. The MCX August contract settled at 20,660 Rs/Bale with a change of -200 Rs. The MCX October contract settled at 19910 Rs/Bale with a change of -220 Rs. The spread between the MCX August and MCX October contract was at 750 Rs. The earlier spread was at 730 Rs which is still considered to be on the higher side.

The ZCE contracts also settled negative across the board. The ZCE September contract settled at 13,145 yuan/tonne with a change of -105 yuan. The other ZCE contracts settled negative in the range of -90 and -105 yuan. This implies that the Chinese bear negative sentiments.

The cotlook index A has been adjusted negatively at 75.60 cents/lb with a change of -0.25 cents/lb and the Cotlook Index A 2019/2020 has been adjusted at 75.05 cents/lb with a change of -0.25 cents/lb. The average prices of Shankar 6 are at 43,500 Rs/Candy.

For today we presume prices of the ICE December contract will sink even further down to 62.50 cents/lb coupled with the MCX contracts and ZCE contracts following similar direction.

According to Today's Business Line, Bollworms were found in the flowers of Cotton plants. The Bollworms were found in Akola and Dhule region. The infestation was in 5% of the area surveyed. This can be an alarming situation for the cotton fraternity. The Union Agricultural ministry has estimated lower sowing of cotton at 109 lakh hectares as compared to the previous year's figure of 126 lakh hectares. Lower yield was an issue last year. This year if we see the same amount of lower yield coupled with Pink Bollworm attacks, then the cotton fibre prices can be quite different than anticipated.

On the technical front, ICE Cotton futures failed to remain in the intermediate upward sloping channel and witnessed decline with formation of a bearish flag pattern. In a broader picture price is still trading in the downward sloping channel (green shaded area) with higher end of the channel resistance at 64.70. Meanwhile price is trading below the 9 day EMA (63.80), with RSI on the daily charts below 50 suggesting weakness in strength in cotton futures. However, divergence between price and the momentum indicator restricted the lower side for cotton futures. So for the change in bearish bias price need to sustain above the 64.70-64.80 zone along with RSI above 50, else it looks to remain in the range of 64.80-62.35 with downside bias. Below 62.35, support exists around 61.80 and 61.00. On the upside only a close above 64.80 would push price towards 65.50. In the domestic market MCX Aug future is expected to trade in the range of 20500-21000 with downside 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

China textile and garment exports down two per cent

China's textile and garment exports fell 2.37 per cent in January to June 2019 over the same period last year. Though textile exports were up 0.66 per cent, garment exports fell 4.93 per cent.

From January to June, exports of yarns, fabric and related products from China saw a year on year growth of 0.7 per cent. And exports of garment and accessories were down 4.9 per cent year on year.

In June China's textile exports were down 3.24 per cent year on year. And garment exports declined 2.73 per cent. Since May 10, the United States has officially imposed additional tariffs on Chinese products, including textile yarns, fabrics, knitting, industrial finished products and some home textiles.

It has brought some pressure on China's exports to the United States. But both have agreed to restart economic and trade consultations on the basis of equality and mutual respect. They also agreed that the US will not add new tariffs on Chinese exports.

Garments and most home textiles that have the largest proportion of exports to the US will not be affected by the increase of tariffs, which will help stabilize the confidence of US buyers in continually purchasing from China and release positive signals.

Source: fashionatingworld.com - July 30, 2019

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US Clothing and Footwear Spending Slipped in June for First Time in Four Months

Consumer spending for clothing and footwear dipped 0.25 percent to $409.9 million in June, breaking a string of three straight monthly increases, the U.S. Bureau of Economic Analysis (BEA) reported Tuesday.

The drop off was reflective of a 1.6 percent year-over-year decline in clothing and accessories stores in June, as reported by the Commerce Department, although sales in the sector were up 0.5 percent month-over-month.

BEA's monthly Personal Income and Outlays report showed that overall personal consumption expenditures (PCE) increased 0.3 percent, or $41 billion, in the month. Real PCE, adjusted for inflation, rose 0.2 percent. The PCE price index was up 0.1 percent, while the core index, excluding food and energy, rose 0.2 percent.

The $21.4 billion increase in real PCE in June primarily reflected a $19.5 billion rise in spending for nondurable goods and a $4.6 billion increase in spending for services that was partially offset by a decline of $1.5 billion in spending for durable goods.

This is also somewhat in line with the 0.6 percent increase in overall retail sales in June seasonally adjusted from May.

"These are impressive results showing that the consumer remains engaged and that consumer spending gave a boost to the economy in the second quarter," Jack Kleinhenz, chief economist at the National Retail Federation, said. "The numbers are consistent with elevated consumer sentiment, healthy household balance sheets, low inflation, and wage and job gains."

Personal income was up 0.4 percent, or $83.6 billion in June, according to BEA estimates. Disposable personal income (DPI), a key barometer for retail spending, increased 0.4 percent, or $69.7 billion. Real DPI rose 0.3 percent in the month. The increase was mainly attributed to gains in wages and salaries, and government social benefits.

Personal outlays were up $44.2 billion in June, while personal saving was $1.34 trillion in June. The personal saving rate, personal saving as a percentage of disposable personal income, was 8.1 percent.

Source: sourcingjournal.com - July 30, 2019

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Apparel imports by European Union increase in May 2019

With growing demand, apparel imports by the European Union increased significantly for the first time in May 2019.

The region imported 371.79 million kg of garments from across the world which is a 13 per cent jump from 329 million kg imported in April this year.

The rise in quantities along with higher unit prices further boosted the value-wise import which stood at € 6,721.86 million (up 11.78 per cent on M-o-M basis).

Cumulatively, during the 5-month period, EU imported 1898.98 million kg (up 0.59 per cent) of apparels worth € 34.85 billion, marking 8.56 per cent growth on the yearly note.

Though China, India and Vietnam's exports to EU declined in quantity during the month, their value increased due to the currency fluctuation and high cost of manufacturing.

Though the exports of China declined by 7.26 per cent in volumes, their value increased by 3.44 per cent.

Similarly the volume of exports by Vietnam tumbled by 13.39 per cent but their value increased by 14.65 per cent.

On the other hand, India's export value increased by 3.81 per cent while volumes declined by 0.81 per cent.

Source: fashionatingworld.com - July 30, 2019

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UK online retail sales show lowest ever growth in H1 2019

UK online retail sales in the first half of 2019 slumped to their lowest ever growth rate of just 5.4 per cent year-on-year, according to the latest IMRG Capgemini eRetail Sales Index, which tracks the online sales performance of over 200 retailers with a combined annual spend of £28bn. Lingerie was among the sectors that saw the lowest growth.

In first half of 2018, online retail sales had registered a year-on-year growth of 16.9 per cent, with consumer spending buoyed by events like the Royal wedding, World Cup and the Spring heatwave.

The slowdown in growth during January-June 2019 was also broadly reflected across the sectors, with all but three recording reduced but still positive increases. Health & beauty (+13.0%), home & garden (+9.3%), and clothing (+7.3%) saw the strongest growth. Clothing in particular had a substantially better Q2 (+11.2% YoY growth) than Q1 (+2.6% YoY), due to the hot weather and retailers starting their summer sales early.

Looked at individually, one of the largest YoY declines in growth was seen in garden (-34.4%), although this reflected a fall from a particularly high growth rate in H1 last year thanks to the standout weather from April onwards. Elsewhere, the sectors which fared worst were electricals (-22.7%), gifts (-22.8%) and lingerie (-8.9%), all of which have experienced a continuous decline in sales over the past six months.

“In this country we have a tendency to regard online retail and physical retail (high streets) as being completely separate; an idea that has been fed over the past few years by the consistent growth in online even as the high street struggled. What we are now seeing is that they are not separate at all, but in fact deeply interconnected – hence growth in the first half of 2019 was the lowest yet recorded.

“With so much media coverage of well-known retailers announcing profit warnings and store closures, customer confidence in shopping with them is low. This forces them into heavy discounting to drive sales and their competitors get dragged into it too. It has now become so widespread that shoppers are used to the wide availability of discounts and many retailers – whether online-only or with a store portfolio – seem a bit stuck in it even before we reach the Black Friday peak.

"That said, from an online sales growth perspective it is the multichannel retailers (+5.2% for Jan-Jun 2019) who are currently experiencing lower growth than the online-only retailers (+7.4%).

It may be that the old perception of getting better value online still persists, and that shoppers associate high street retailers with the highest chance of falling into administration, so they are having to work even harder than their online-only competitors to build sales," said IMRG strategy and insight director Andy Mulcahy.

"The year started with a lot of gloom in the retail sector following the drop off in performance in H2 2018 and consumer confidence also fell to all-time lows.

During the first half, consumer confidence settled in negative territory, on average 5.5 points below 2018 and growth was lowest recorded 5.4 per cent, a third of last year," said Bhavesh Unadkat, principal consultant in retail customer engagement, Capgemini.

"If this year continues to mirror performance of last year, we can hope for a stronger second half.

However, with Brexit happening just before peak period and still uncertainty around what it will bring, we cannot know whether the index will recover or growth under 10 per cent will be the new norm, at least for this year. Caution and volatility within the market remain for the foreseeable," Unadkat added.

Source: fibre2fashion.com - July 31, 2019

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Lighthizer Says Vietnam Must Cut Its Trade Surplus With US

Vietnam must take steps to cut its trade surplus with the U.S., Trade Representative Robert Lighthizer said in comments released Monday, as the Trump administration ramps up pressure on the Southeast Asian country.

The U.S. has a growing trade shortfall with Vietnam, and the government "has been clear with Vietnam that it has to take action to reduce the unsustainable trade deficit," Lighthizer said in written responses to the U.S. Senate Finance Committee.

Measures Vietnam should take include "expanding its imports of goods from the United States and by resolving market access restrictions related to goods, services, agricultural products, and intellectual property," he said.

Vietnam increasingly is being targeted by the Trump administration over a swelling trade surplus with the U.S., one of its biggest trade markets. Vietnam's annual trade surplus with the U.S. has exceeded $20 billion since 2014 and reached $40 billion last year, the highest in records going back to 1990, according to U.S. Census Bureau data. For the first five months of the year, the surplus is already 43 percent higher than a year ago at $21.6 billion.

In May, the U.S. Treasury added Vietnam to a watchlist of countries being monitored for possible currency manipulation. President Donald Trump described Vietnam as "almost the single-worst abuser of everybody" when asked in June if he wanted to impose tariffs on the nation.

Lighthizer also criticized Vietnam for a "host of unfair trade barriers" U.S. businesses face in Vietnam. Vietnam's Ministry of Foreign Affairs did not immediately respond to a request for comment.

Lighthizer, who was answering a question from Senator Mark Warner (D-Va.), testified before the committee June 18. Answers to additional questions from committee members were submitted in writing Monday.

Warner asked if Lighthizer agreed with Trump that Vietnam has taken more advantage of the U.S. than China.

"I'm concerned that the administration is pursuing an ad hoc trade strategy that has the effect of isolating regional partners," Warner said.

Source: sourcingjournal.com - July 30, 2019

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US working hard to help Indian economy grow under Indo-Pacific plan: Pompeo

Pompeo's remarks come weeks after a delegation of the US Trade Representatives travelled to India for talks on a wide range of bilateral trade issues, in particular tax and tariffs

The United State is "working hard" with the Indian government to provide the country with opportunities to grow its economy as a part of the Trump Administration's Indo-Pacific strategy, Secretary of State Mike Pompeo said Tuesday.

"Our Indo-Pacific strategy is well on its way to bearing fruit for not only them but for the United States, and we have watched these coalitions build out. We're working hard with the Indian government to provide them with opportunities to grow their economy as well," Pompeo told reporters accompanying him on a tour to the Indo-pacific region, in response to a question.

Pompeo's remarks come weeks after a delegation of the US Trade Representatives travelled to India for talks on a wide range of bilateral trade issues, in particular tax and tariffs.

Earlier in the day, India's Ambassador to the US Harsh Vardhan Shringla said in Colorado that trade between the two countries has grown to $142 billion in 2018, and is expected to reach $238 billion by 2025.

He said the next stage of growth will be driven by the small and medium-sized enterprises (SME) in both the countries.

Specifically, the growth of SMEs in the digital marketplace present an ideal opportunity for increased India-US cooperation, he added.

Source: business-standard.com- July 31, 2019

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US reaffirms commitment to Ghana's apparel manufacturing industry

The United States of America has reaffirmed its commitment to supporting Ghana's apparel manufacturing industry.

This follows a visit of a high-level U.S Congressional Delegation including its Speaker, Nancy Pelosi, to Ghana's largest apparel manufacturer in West Africa, Dignity Do the Right Thing (DTRT) located in Adabraka, Accra.

Speaking to JoyBusiness at the visit to the DTRT Factory, the Managing Director of the manufacturing firm, Salma Salifu said her outfit with the support of the U.S. Embassy, is looking at increasing the export volumes to $28 million by end of 2020 and employment consideration of additional 2,500 youth.

"We are looking at also bringing in other buyers; we have only one buyer that buys from us now and for that reason the buyer has a certain number that we can even not give them so that tells you that the number is going to double, once it does it means that the number of workers will also increase to 5,000 by next year," she said.

The DTRT apparel manufacturing facility is a beneficiary of U.S Agency for International Development (USAID) programming and the African Growth and Opportunity Act (AGOA).

The facility was formed in 2014 as a joint venture between a local Ghanaian clothing manufacturer (Dignity) and U.S. investors (Do the Right Thing).

The company employs approximately 2,500 people, the majority of whom are women, who manufacture more than 10 million polos, T-shirts, and fleeces for sale in the U.S market. DTRT has driven the growth of garment manufacturing in Ghana and apparel exports through AGOA considerably over the last five years.

Exports have increased from less than $4 million in 2014 to approximately $14 million in 2018, and have risen by 50 per cent year-on-year from the first quarter of 2019.

A greater percentage of the workers at DTRT have little or no educational background, some of them comprise of persons living with a disability while the rest are street hawkers.

Madam Salifu said her outfit is doing more to complement government's efforts in creating jobs for the teeming unemployed youth.

Also present at the event was the U.S. Ambassador to Ghana Stephanie S. Sullivan.

About AGOA

According to the Ghana National Chamber of Commerce and Industry (GNCCI), the country's trade under the programme registered a total of US$748million last year.

The surge in performance reflects the collective efforts by government and other stakeholders including the chamber in strengthening the country's exports after reaching its peak in 2011 with exports earnings of US$779 million and subsequent decline in 2012 when it recorded US$292 million.

Ghana's performance under AGOA has been sustained by its broadly diversified exports to the US in the areas of textiles and apparel, energy-related products, agricultural products, footwear, and minerals and metal.

Source: myjoyonline.com- July 30, 2019

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Asean nearing deal on free trade

The Association of Southeast Asian Nations is on track to conclude negotiations on a free trade deal involving 16 countries and covering a third of the global economy in November.

Asean Secretary-General Lim Jock Hoi said there is now a "positive climate" for concluding talks on the Regional Comprehensive Economic Partnership, which is expected to result in one of the world's largest free trade zones.

"We have been given the mandate to finish by the end of this year. There is a sense of urgency. We do not want to go beyond seven years [of negotiations]," he said in a dialog with journalists during the third Asean Media Forum here in Thailand, the current chairman of Asean.

RCEP talks began in 2013, but the lack of consensus over tariffs has pushed back the target for its conclusion.

Lim said outstanding issues on market access and services still need to be resolved even as he brushed aside speculations that certain negotiating partners might be left behind under an Asean Minus One or Minus Two formula when the RCEP is finally signed.

"You have 16 countries, each with different needs. We don't want anyone to be disadvantaged, and it is not our intention to leave one or two behind," he added.

RCEP is envisioned to bring together the 10 member-states of Asean, Australia, China, Japan, India, South Korea and New Zealand.

Asean+3 Macro Economic Research Office chief economist Hoe Ee Khor said the RCEP would "reinforce the region's strong commitment to integration and free trade."

"There would be greater access to markets, thereby potentially changing the way trade is conducted, including possible reconfiguration of regional supply chains," Khor said.

Aside from the conclusion of RCEP, Lim said all member-states of the regional bloc will be connected under the Asean Single Window system that will expedite the clearance of goods.

“In terms of trade facilitation, we are working closely with business people to ensure that the single window is on track,” the Asean official said.

Source: manilastandard.net- July 30, 2019

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NATIONAL NEWS

Govt likely to roll back MEIS incentive as part of new export-import policy

Textile industry fears that the Commerce Ministry's decision would kill exports.

The Commerce Minsitry is considering a recast of export incentives and is expected to roll back the Merchandise Exports from India Scheme (MEIS). Apparel exporters are concerned about the move, which could be a part of a new export-import policy as the current policy is expiring in 2020.

A four per cent incentive is given to garments exporters under MEIS. Industry insiders said the move, if implemented, will "kill" the sector, which is the second largest employment generator after agriculture.

MEIS has helped exporters take on competition from Bangladesh and Vietnam as it provides duty credit to address infrastructure issues. Under World Trade Organisation (WTO) rules, a country can't offer export subsidies if its per capita Gross National Income (GNI) remains above $1,000 for three years in a row. In 2017, the WTO notified that India's GNI had crossed $1,000 in 2014, 2015 and 2016.

After the US challenged India's eligibility to extend export subsidies at the WTO, the government has been reportedly working on recasting its entire export incentive policy. Industry sources said they fear that the government is planning to withdraw MEIS from August 1, 2019 itself.

"The move will kill the industry and lead to a major disaster because the industry operates at a very low margin. Withdrawal of the incentive will turn the margin negative," said Rahul Mehta, president, Clothing Manufacturers Association of India (CMAI).

Raja M Shanmugham, president, Tirupur Exporters Association added that MEIS has been a lifeline for the industry and its withdrawal would impact the industry very badly and end up claiming thousands of jobs, especially in medium and small enterprises.

For example, the knitwear hub of Tirupur used to get a benefit to the tune of around Rs 1,040 crore every year through MEIS. While the quantum may appear small for a town that exports apparel worth Rs 26,000 crore annually, but for small businesses it is big money especially at a time when the odds are stacked against them -- scarce capital, lack of infrastructure and tough competition with peers outside the country.

Garments being exported to European Union (EU) from Bangladesh do not attract any duty, while those from India face a levy of around 7 per cent. These countries also enjoy lower power, labour and interest costs as their governments see the sector as critical for employment generation.

These factors contribute to the 15 per cent price difference between Indian products and those made in Bangladesh or Vietnam.

Shanmugham says it is important to come out with an alternative policy compatible with WTO rules that extends benefits equivalent of MEIS for the growth of industry. He stresses that it's also important to provide infrastructure facilities apart from inking free trade agreements with the EU, the United Kingdom, Australia, Canada etc.

Meanwhile, benefits of the Rebate of State and Central Taxes and Levies on Export of Garments and Made-ups (RoSCTL) scheme are yet to be realised by exporters. Authorities cite technical issues with the scheme as the reason. A Sakthivel, vice-chairman, Apparel export promotion council said the government needs to immediately resolve the problems plagueing the scheme.

Manu Kapur, CEO of GHCL's textile business says that the MEIS scheme, floated with the objective of offsetting infrastructural inefficiencies and the costs associated with exporting products made in India, should be in place at least till the end of the current financial year.

In a challenging retail environment, with the average wallet spend on textiles decreasing and several retailers going under, this scheme is vital for making India's products more competitive on the global stage.

Source: business-standard.com- July 31, 2019

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Cotton yarn export falls 35 pct to $696 million in Q1

The export of cotton yarn has dropped 35% in the first quarter of FY20 to $696 million compared to $1.063 billion in the same period last fiscal.

Quoting government sources, the Confederation of Indian Textile Industry (CITI) said that in April the fall was 21% to $266 million compared to $337 million in the same month previous year. May saw a decline of 31% to $241 million against $349 million in May 2018 and June saw a whopping decline of 50% to $188 million compared to $378 million reported in June previous year.

The export of cotton yarn has been declining since 2014 when the Union government removed all incentives for the shipments. India lost its main market China to Vietnam which has duty free access to China while our cotton yarn attracts 3.5% duty, said CITI.

The position is getting worse day by day, the industry needs rebate on state and central taxes and levies (RoSCTL) on an urgent basis to save the only textile segment where India is a leader. The government has extended RoSCTL to made-ups and apparel but totally ignored the yarn & fabric segment, CITI said.

To make things worse, Indian raw cotton price is the highest in the world despite the country being one of the largest producers. The 28% hike in MSP disrupted the prices, leading to disconnect with international prices.

It is important to introduce 'direct benefit transfer' to farmers to ensure that industry gets international competitive prices for cotton fibre, the apex body added.

Source: financialexpress.com- July 31, 2019

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Making the $5-trillion target possible

To push GDP growth, the rupee exchange rate must be stable and reforms for the contributing sectors should be in place

After a decisive mandate, India's new government has settled down to work quickly to address several intricate problems being faced by the economy. As a precursor to the Budget, the Prime Minister has set a medium-term target of making India a five-trillion dollar economy in the next five years, starting a debate on whether it is feasible. According to the pessimists, the target looks ambitious.

However, the optimists feel that the target is achievable, provided suitable measures are taken well in time. Let us understand the challenges before the policymakers to reach the target in five years.

India's nominal GDP at current market prices was ₹190.1 trillion in 2018-19. This works out to about $2.7 trillion at the exchange rate of ₹69.17 per US dollar prevailing on March 29, 2019.

To become five-trillion dollar economy in five years, India's nominal GDP must grow at least at 12.7 per cent compounded annually, with an underlying assumption of the rupee-dollar rate remaining stable around the same level (See chart). The expected growth numbers for the current and the next two years are taken from the Budget documents. For 2022-23 and 2023-24, the numbers are assumed optimistically. And so, India's GDP in 2023-24 is tantalisingly close to five-trillion dollar at the current exchange rate.

The exchange rate may spoil the arithmetic if the rupee depreciates against the dollar. The average annual depreciation of the rupee against the dollar in the last five years was 2.9 per cent, despite large depreciation observed in 2018-19.

The rupee exchange rate is influenced by several factors, such as the fundamentals of the domestic economy, global geopolitical risks, crude oil prices, capital flows to emerging market economies (EMEs), anti-globalisation policies of developed countries, etc. One may therefore assume that the rupee may depreciate at least by 10 per cent in next five years in which case India may reach $ 4.4 trillion by 2023-24.

Structural reforms

According to the Central Statistics Office (CSO), although India's average real GDP growth during the last five years has been 7.5 per cent, it has slowed down to 6.8 per cent in 2018-19.

Looking ahead

Year	Nominal GDP (₹ trillion)	Nominal GDP growth (%)	Real GDP growth (%)	CPI Inflation (%)	₹ per $	Nominal GDP ($ trillion)
2018-19	190.1	11.2	6.8	4.4	69.17*	2.7
2019-20	211.0	11.0	7.0	4.0	69.17	3.0
2020-21	235.5	11.6	7.3	4.3	69.17	3.4
2021-22	263.5	11.9	7.5	4.4	69.17	3.8
2022-23	295.9	12.3	7.8	4.5	69.17	4.3
2023-24	333.2	12.6	8.0	4.6	69.17	4.8
10% rupee depreciation					76.09	4.4

*FIBIL reference rate as on March 29, 2019

Given the external headwinds and the twin balance-sheet problem, is it possible to push the real GDP growth to 7.5 per cent and above? One may argue that government has undertaken several structural reforms in last five years. Several big-ticket projects that are in the pipeline would be completed in the next two-three years. This may improve productivity and thereby contribute to a high GDP growth going forward.

EMEs are typically investment-driven economies. Productivity growth is generally slow and may not accelerate in a big way to reach the five-trillion dollar level unless structural reforms are sustained.

Monetary policy

While external headwinds are beyond the control of the Indian policymakers, they can at least keep their house in order so that the fundamentals of the economy — such as inflation, fiscal deficit, external current account deficit (CAD) etc — do not deteriorate. As India's inflation is well below the target, the monetary policy can afford to support growth until inflation expectations remain benign. However, the fiscal consolidation should not be relaxed going forward.

Past experience shows that fiscal imprudence in India has adversely affected the domestic prices, CAD and exchange rate. Hence, public policy should endeavour to achieve a combination of 4-4.5 per cent inflation and 7.5-8.5 per cent real GDP growth in the next five years.

The maiden Budget of the new Finance Minister, presented on July 5, contains vision for making India a five-trillion dollar economy by 2023-24. Notable among the points are infrastructure development, push to the digital economy, private investment, fiscal discipline/other structural reforms, provisions for credit growth/financing by capital market, besides commitment to clear mess in the financial system, which can commence the virtual investment cycle.

The balance-sheet problem

There is a need to reflect as to why the Indian economy has slowed down recently. Is it a temporary blip, or is India heading toward further slowdown like the global economy? One of the major reasons for the recent slowdown is the persistence of the twin balance-sheet problem of the banks and the corporate sector.

While commercial banks' balance sheets have shown early signs of improvement, the cleaning of NBFC balance sheets needs urgent attention.

The corporate sector is still languished with poor balance sheets due to imprudent borrowing, diversifying to multiple sectors without domain knowledge, and unethical governance practices flouting regulations in letter and spirit.

The gross fixed capital formation (GFCF) as proportion to the GDP at current prices was 29.3 per cent in 2018-19, which is not sufficient to accelerate the GDP growth to 8 per cent and above. There is limited scope for the CAD to supplement domestic savings, as it has already surpassed 2.1 per cent of the GDP in 2018-19. In the next two-three years, the GFCF should increase to at least 32 per cent of the GDP, financed predominantly by domestic savings.

Private investment has to increase, as its balance-sheet problem is resolved. If big industrial houses fail to accelerate their investment, MSMEs in rural areas — particularly in non-farm activities — may stimulate growth, given the incentive structure announced in the Budget. The manufacturing sector has to revive quickly to accelerate growth, increase export, and provide employment.

Structural reforms should continue outside the Budget. India can reach the five-trillion-dollar mark if the export sector contributes significantly, the GFCF increases to at least 32 per cent of the GDP, and productivity improves considerably to achieve growth above 7.5 per cent on a sustained basis.

Source: thehindubusinessline.com- July 30, 2019

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Cotton prices likely to fall below MSP

Along with slow yarn exports, a rise in cotton imports too weighed on cotton prices.

Cotton prices may fall below the government-mandated minimum support price (MSP) once new arrivals reached the markets October onwards, say traders as major producers Brazil and the US are heading towards a bumper crop while India's exports have cooled.

To ensure that farmers get the MSP, state governments may undertake procurement operations, especially in Maharashtra and Haryana which are going to assembly elections later this year, they said.

Indian cotton prices have declined more than 3 per cent in July due to cheap imports and sluggish yarn exports to China. The spot price of 29 mm cotton in Gujarat fell from Rs 45,000 per candy on June 29 to Rs 43,500 on Tuesday. One candy is 356 kilograms.

"Cotton prices have slightly declined due to sluggish cotton demand. Decline in yarn exports has reduced demand for cotton," said BS Rajpal, the managing director of Manjeet Cotton, a cotton ginner.

Along with slow yarn exports, a rise in cotton imports too weighed on cotton prices. "On one hand, cotton consumption declined dramatically, while at the same time, cotton imports are expected to touch 2.7 million bales (170 kg each), and the contracts for imports are still being signed," said G Radhakrishnan, the president of the Coimbatore Cotton Association.

So far, the condition of the Indian cotton crop is normal. However, the harvest may get delayed in some states. “The crop is in good condition in North India and Madhya Pradesh. Rainfall has revived in states like Gujarat, Telangana, Karnataka and Maharashtra,” said Radhakrishnan.

Source: economictimes.com- July 31, 2019

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Cotton prices down over 1% on stronger crop expectations

- ICE cotton futures fell more than 1% on Tuesday as the weekly crop progress report showed stronger crop conditions in major cotton-growing U.S. regions, amid ongoing demand concerns about the U.S.-China trade war.

* The most-active cotton contract on ICE Futures U.S., the second-month December contract , settled down 0.85 cent, or 1.32%, at 63.36 cents per lb. It traded within a range of 62.84 and 64.2 cents a lb.

* The second month contract touched its lowest since July 19 at 62.84 cents.

* The United States Department of Agriculture's (USDA) crop progress report on Monday said 61% of U.S. cotton was in good to excellent condition, up one percentage point from last week.

* "The crop ratings were the best in many years. The crop is at least a million bales higher than the USDA estimate," said John Bondurant, a trader in Memphis, Tennessee.

* Earlier this year, the USDA projected the 2019/20 cotton production to rise to 22.5 million bales.

* Cotton prices have been struggling on the back of expectations for higher output amid weaker demand.

* Meanwhile, Trump on Tuesday warned China against waiting out his first term to finalize any trade deal, saying if he wins re-election in the November 2020 U.S. presidential contest, the outcome could be no agreement or a worse one.

* The natural fiber has slid by about 14% so far this year owing to a long drawn trade tiff between cotton's top consumer China and one of the top producers, the United States.

* While the crop conditions are good, prices will move in a narrow range until we get the August crop report, said Rogers Varner, president of Varner Brokerage in Cleveland, Mississippi.

* Total futures market volume fell by 803 to 14,750 lots. Data showed total open interest rose 365 to 196,114 contracts in the previous session.

* Certificated cotton stocks deliverable as of July 29 totaled 30,522 480-lb bales, unchanged from 30,522 in the previous session.

Source: timesofindia.com- July 31, 2019

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Bollworm found in cotton in Maharashtra

Field study by private crop analysts finds pest infestation on flowers in two regions

The nightmare is back for cotton growers in Maharashtra. Going by reports from private crop analysts from a recent crop survey in Vidarbha and north-western part of the State, cotton plant flowers have been found infested by pink bollworm.

In a field survey conducted last week, pest infestation was found in 8-10 farms in Akola and 16 farms in Dhule district.

‘Not alarming’

“This is not an alarming situation, but surely a warning for cotton growers. Out of our surveyed farms, about 5 per cent area was found to be infested. Bollworm that attacks flowers is different from the one that attacks on the bolls, but is equally damaging if left unattended,” said Manish Daga of CottonGuru, a cotton growers’ network.

Pink bollworm attack on cotton bolls is considered more dangerous. They survive on the fibre and seeds inside the cotton boll.

The reduced cotton crop of 312 lakh bales (each of 170 kg) for the season 2018-19, believed to be the lowest in over a decade, is partially attributed to infestations in some growing regions.

CICR unaware

According to scientists at the Central Institute for Cotton Research (CICR) the pink bollworms attack the cotton plant during the bud formation stage and the flowering stage. As the boll grows, the pests go inside the boll. However, the scientists were unaware of such infestations in the two regions.

Daga said the affected farms in Dhule were sown as early as on May 30, the earliest sowing in western India. That perhaps made the crop vulnerable to worm attacks.

“The affected farms in Akola, however, were sown a month later. So, we found this to be a serious matter because in two different places under two different sowing conditions and agro-climatic regions, there is the same pest attack. We think it is a warning sign,” said Daga.

Preventive measures

The farmers are suggested to install pheromone traps in the fields to contain the spread of the worm. Also, there are other ways such as spraying available.

This year, the Union Agriculture Ministry has projected kharif cotton sowing at 109 lakh hectares as on July 26, against the normal sowing of 121 hectares. Last year's cotton sowing was estimated at 126.44 lakh hectares.

However, experts believe early cotton sowing to be responsible for pink bollworm attack. The worm survives on cotton and develops during the high temperature of summer.

With increased access to irrigation for cotton cultivation, farmers increasingly started to take the crop beyond the traditional period of June to December.

The agriculture scientists had repeatedly asked farmers to wait for rains before sowing cotton.

Daga stated that while the government and the stakeholders have already been warned about the issue, a second field survey will be conducted next week.

Source: thehindubusinessline.com- July 30, 2019

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India received highest-ever FDI worth $64.37 b

India received the highest-ever FDI inflow of $64.37 billion during the fiscal ended March 2019, said a government report.

“In the current financial year (2018-19), the country registered highest ever FDI inflow of USD 64.37 billion,” the report said.

Highlighting the importance of FDI, it said the foreign inflows bring in resources, the latest technology and best practices to push economic growth on to a higher trajectory.

The DPIIT under the commerce and industry ministry further said path-breaking reform measures undertaken during the last financial year have resulted in India surpassing the FDI received in 2016-17 and registering an inflow of USD 60.98 billion during 2017-18, a new all-time high.

The FDI inflows was USD 45.14 billion during 2014-15 when Prime Minister Narendra Modi-led NDA government assumed power. The inflows were USD 55.55 billion in the following year.

Source: thehindubusinessline.com- July 30, 2019

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FIEO wants govt to ease regulations to build capacities for increased exports to US, China Iran

Govt, exporters to meet today to discuss ways to gain from trade war

Indian exporters want the government to ease regulatory norms in order to help them build capacities to gain from the on-going trade war between China and the US.

“The government has asked us for inputs on how to increase exports to China and the US given the fact that the two have imposed high tariffs on each other’s products creating opportunities for third country imports. There is a meeting scheduled on Wednesday on the issue.

We strongly feel that India is in a position to exploit the opportunity but capacity constraint is the biggest bottleneck,” said Sharad Kumar Saraf, President, Federation of Indian Export Organisations (FIEO).

The Federation, which will give its recommendations to the government based on its interaction with its members, would bring to the government’s attention the need for fast allocation of land for export units and time-bound grant of permits and licences.

The meeting between exporters and the Commerce Ministry on Wednesday is likely to be attended by Commerce & Industry Minister Piyush Goyal and Minister of State for Commerce Hardeep Puri.

Land allocation

“We will ask the government to come up with schemes which will enable immediate allocation of land for setting up export units without legal complexities. Additionally, we would suggest that any factory exporting at least 60 per cent of its products should be recognised as an export-intensive unit and should be given licences and permits in a time-bound manner,” said Saraf.

Saraf said that he and many of his fellow exporters had already started getting queries from the American market but could not take the new orders because of their limited capacities.

Till now, the US has imposed tariffs on $250 billion worth of Chinese products, and has threatened tariffs on $325 billion more of exports. In retaliation, China has imposed tariffs on $110 billion worth of US exports.

In a recent study, the Commerce Ministry identified 203 products where India's exports could be increased to the US, replacing Chinese goods, and 151 items where exports to China could rise.

Alicia García Herrero, Chief Economist for the Asia Pacific for Natixis, a French financial services firm, also believes that Asian economies, including India, could benefit from the US-China trade war in the mid-term but they have to build their capacities.

"Short-term winners might be some European sectors, especially in the auto/aerospace and Japan's semiconductor industry. In the medium-run, emerging Asia could benefit from the offshoring of value chain away from China....," she said while speaking to journalists a recent interaction organised by the National Press Foundation in Hong Kong.

As per an analysis done by Natixis, India is ranked second amongst Asian countries likely to gain in labour- intensive products while it is placed sixth for medium tech capital-intensive products.

Source: thehindubusinessline.com- July 30, 2019

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'GSP withdrawal: No impact on exports to US yet,up 8.5% in June'

EEPC remains cautioned as the trend would become clear only in the next few months, the engineering body said in a statement.

US retained its numero uno position, being the top exporting destination for India's engineering products during June 2019 over June 2018.

The termination of the Generalised System of Preferences (GSP) by the US in the first week of June does not seem to have an "overly negative impact" on Indian engineering exports to the world's largest economy, though the trend would be clearer only in the next few months, an EEPC India analysis has shown.

Unlike most of the global markets, engineering exports to the US remained in the positive territory both for June and the first quarter of the current fiscal.

"Though our engineering exports to the US went up to $990.5 million in June, 2019 from $913 million in the same month of 2018 , registering a growth of 8.5 per cent, we have got to be watchful whether and how the withdrawal of the GSP by the US is panning out, " said the EEPC India chairman Mr Ravi Sehgal.

For the cumulative three-month period of the current fiscal ending June, the shipments of engineering goods to the US went up to $2.92 billion , showing a growth of 5.2 per cent year on year from $2.78 billion in the April-June period of 2018-19.

However, contrary to this trend, India's overall engineering exports during June , 2019 fell by 2.31 per cent to $6.36 billion from $6.51 billion while for the April-June period the decline was by 1.85 per cent to $ 20 billion from $20.04 billion .

" The termination of US -GSP on June 5,2019 does not seem to have an overly negative impact on Indian exports, at least in June 2019. This could be because exports have already been contracted out and the margins lost may have been shared by both the exporters and importers.

We will need to monitor the trend in the next few months," said the analysis of the engineering exports to the US and other major markets.

It said , the US retained its numero uno position, being the top exporting destination for India's engineering products during June 2019 over June 2018 as well as for April-June 2019 over April-June 2018, registering a positive growth rate.

The major dent in the engineering exports has been witnessed in the European Union where the Indian shipments were down by over 17 per cent in June,2019 to $1.14 billion from $1.38 billion in the same month of the previous fiscal. For the cumulative three month period , the drop was 9.2 per cent to $3.85 billion from $4.25 billion in the trading bloc.

"Several restrictions in the EU markets which are kind of tariff and non-tariff barriers have impacted our exports to the European markets and we have been urging the government to take up the issue with the EU headquarters," the apex organisation of the Indian engineering exporters have said.

In so far as the exchange rate is concerned, rupee vis-à-vis the US dollar depreciated by 2.43 percent in June, 2019 over June 2018. A noteworthy feature has been the relative hardening of the rupee since January 2019, indicated by the narrowing in the rate of depreciation over corresponding months of last year.

Source: economictimes.indiatimes.com- July 30, 2019

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India-Taiwan Trade On Upward Trajectory, Hits $7.5 billion In 2018

India and Taiwan have healthy trade relationship and it can be strengthened further, stated Chung-Kwang Tien, Representative, Taipei Economic and Cultural Centre in India (TECC).

He said that trade relationship with India has taken an upward trajectory touching $7.5 billion in 2018. He made these comments while speaking at 18th Joint Meeting of India-Taiwan Business Cooperation Committee, organised by FICCI, jointly with Chinese International Economic Cooperation Association (CIECA).

Source: business-standard.com- July 30, 2019

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British apparel brand Superdry to launch India e-comm site

British fashion brand Superdry will be adopting an omni-channel retail strategy as it plans to launch its India website mid-August. The company's products are already sold across several key e-commerce platforms such as Myntra, Ajio and Amazon.

The brand, which entered India in 2012 through a long-term distribution agreement with Reliance Brands, has been witnessing high double-digit growth. Manu Sharma, Business Head, Superdry India, said the India website is aimed at providing a seamlessly integrated omni-channel experience to consumers.

"The Superdry India website will have over 4,000 options and this will enable consumers to shop from a more diverse range of products," he said. "We expect 7-10 per cent of our topline sales in the coming year to come from the site. The key drivers will be our best-selling products such as t-shirts and shirts."

The British clothing brand is known for its vintage Americana styling with Japanese-inspired graphics.

Offline expansion

Besides stepping up its digital presence, the brand is aggressively expanding its offline presence. Currently, Superdry is sold through exclusive brand outlets (EBOs) as well as shop-in-shops in the country.

"Currently, we have 35 EBOs and aim to open 30 more over two years across India. We are present in all the major cities as well as smaller cities in the form of shop-in-shop stores," Sharma said.

The brand is also entering newer categories. Recently, it introduced the athleisure apparel range in India through its sub-brand SuperdrySport. "Last year, we opened an exclusive SuperdrySport standalone store in Delhi and plan to open the next one in Bengaluru. We have at least 10 SuperdrySport standalone stores planned for the coming year," Sharma added.

The company is also launching its personal care product range which includes perfumes and body sprays and a performance grooming collection aimed at fitness enthusiasts.

Source: thehindubusinessline.com- July 30, 2019

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AMI to organise apparel trade fair in Chennai next month

Apparel Manufacturers of India (AMI), one of India's leading apparel group of manufacturers and traders, is going to organise its eight fair from August 6-8, 2019, at Sri Ramachandra Convention Centre, Chennai. The B2B fair will be inaugurated by Roshan, MD of Saarthas, Trichy, along with Ravindran from S Nallaperumel and Sons from Nagercoil.

AMI, which is the largest apparel trade fair in South of India, started in 2015 and till date has conducted 19 fairs. This edition of the fair has been named Advait, which in Sanskrit means 'One of a kind' or 'unique'. AMI has been conducting exceptional fairs, inviting nearly 3500 retailers per edition and hosting brands, MBO's, chain stores, all under one roof to showcase more than 125 brands from Mumbai in every edition.

This year too AMI will have more than 100 brands from Mumbai showcasing their latest fashions and trends for festive season, especially Diwali to retailers across Tamil Nadu. Some of the key brands including Era, Geevankee, Nextlook by Raymond, Femi Designs, Fayon Troupe, Lafille, Final Choice, EL2, and many more, will showcase their collection this time too.

"We are glad to see that our initiative has helped many SME's and MSME's grow and strengthen their business model. The idea behind starting AMI was to consolidate the entire Indian apparel market and provide one stop solution to industry colleagues. We are glad our peers have supported and motivated us in the same," said Nikhil Furia, key organiser, AMI. "We will continue to stick to our aim of building a robust community for all apparel industry individuals and bridge the gap between manufacturers, retailers, agents and suppliers."

Source: fibre2fashion.com- July 31, 2019

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