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IBTEX No. 254 of 2019 **December 31, 2019**

US 71.29| EUR 79.85 | GBP 93.50| JPY 0.66

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
18852	39400	**70.43**

Domestic Futures Price (Ex. Warehouse Rajkot), January

Rs./Bale	Rs./Candy	USD Cent/lb
19500	40755	**72.85**

International Futures Price

NY ICE USD Cents/lb (March 2020)	69.56
ZCE Cotton: Yuan/MT (May 2020)	13,890
ZCE Cotton: USD Cents/lb	90.21
Cotlook A Index – Physical	**77.85**

Cotton Guide- As predicted yesterday the prices are approaching 70 quickly. There were gains of more than 50 points for most of the active contracts. The ICE March contract settled at 69.56 cents per pound with a change of +64 points and the ICE May contract settled at 70.75 cents per pound with a change of +67 points. However, the volumes could not cross the 30K contract mar

Today being the last day of the year can make prices less volatile, therefore it is unlikely that ICE Prices will emanate massive changes.

Another important factor to be noticed is that the ZCE contracts usually have a change below +100 Yuan. However, yesterday the changes seen were more than +300 Yuan. This shows the intent of both the US and Chinese market participants to be positive.

The MCX contracts after having bottomed out last week, have headed for a marginal rise each day. The MCX January contract settled at 19,500 Rs per Bale with change of +40 Rs. The MCX February contract settled at 19,760 Rs per Bale with a change of +60 Rs. The Total Volumes were higher at 1415 lots with the January contract having maximum number of lots at 1174 lots.

We expect the MCX prices to show an uptrend in proportion to the changes at ICE.

The Cotlook Index A has been updated higher at 77.85 cents per pound with a change of +20 points. The Prices of Shankar 6 are moving higher in the domestic spot market by Rs 100 each day since last week. Today the prices are at 39,400 Rs per Candy for 29 mm, 3.7-4.5 MIC, 3% trash, 28 GPT, Gujarat Shankar 6 Cotton.

One of the main reasons why the prices are heading higher is due to the Geopolitical optimism. The two superpowers are expected to sign a deal in the first week of January. On the other hand, the Dollar is on a weak trend. Usually a weak US Dollar makes commodities, priced using it, less expensive for holders of other currencies.

On the technical front, in daily chart, ICE Cotton March price has witnessed a broad Inverse Head & Shoulder pattern, along with bullish flag breakout formation. Meanwhile price rallied towards 69.56 (61.8% Fibonacci extension level), with the support of 5 day EMA (69.05). Moreover, price is above the daily EMA (5, 9) at 69.05, 68.53 with a positive crossover acting as an immediate support for the price.

The momentum indicator RSI is at 70, also supports the bullish bias. The immediate support would at 68.53/67.32 (9 day EMA & 38.2% Fibonacci extension level). Thus for the day we expect price to trade in the range of 69.56-69.02 with a sideways bias. Only a sustained move above 69.56, would rise further towards the 70-7.94 zone. In MCX Jan Cotton, we expect the price to trade within the range of 19280-19640 with a sideways 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

USA: 2019: The Costs of Continued Frustration for Cotton

No one can say we weren't warned.

Roll back to the 2019 Mid-South Farm and Gin Show in early March. In his annual Ag Update presentation, Joe Nicosia of Louis Dreyfus Company bemoaned eight months of the U.S.-China trade dispute, noting that "There's plenty of pain to go around – a little bit everywhere."

Fast forward to now. Hopes of a quick resolution to the trade dispute have, to date, been buried in increased tariffs, broken promises, trade disruptions and shrinking demand. Add untimely rainfall, delayed planting, drought and extreme heat, and unseasonably cold harvest conditions to the mix, and 2019 has defined the U.S. cotton industry and its growers as – according to a recent Bloomberg article – "the unsung victims of the tit-for-tat tariff battle."

Although word of a pending phase one agreement in December offers some hope for lowered tariffs and greater agricultural trade, Nicosia's March prognostications still seem prophetic. "We're going to end up with a price of about 55 to 65 cents, and that might be optimistic," he stated. "If that happens with China, they'll get half of nothing, we'll get half of nothing and – as Foghorn Leghorn once said – two halves of nothing equals a whole nothing."

How Did We Get Here?

Dr. Jody Campiche, vice president, Economics & Policy Analysis for the National Cotton Council, said the application of the 25% retaliatory tariff on U.S. cotton has significantly affected the U.S. cotton market over the last year.

"For more than a decade, China has been a key market for U.S. cotton fiber exports, and currently ranks as U.S. cotton's second largest export destination," she said. "For the 2018 and 2019 crop years, U.S.-origin cotton has been less competitive relative to growths from countries such as Australia, Brazil and India due to the tariff's imposition.

"The current trade dispute with China and the resulting retaliatory tariffs on U.S. cotton and cotton yarn are increasingly harming the U.S. cotton industry and our long-term market share in China," she continued. "The immediate impact has been a decline in market share of China's cotton imports from 45% in 2017 to 18% percent in 2018, while Brazil's market share increased from 7% in 2017 to 23% in 2018.

"This lost market share has reduced overall export sales and shipments, further depressing U.S. cotton prices."

U.S. cotton's uncompetitive position in the Chinese market has led to direct impacts on trade flows and market prices, with U.S. cotton growers feeling the impact in terms of lower prices. Before the U.S.-China trade dispute began in June 2018, producers could price cotton off a futures market trading in a range between 85-95 cents. Prices now sit in the low 60s – a direct result of the U.S.-China trade tensions.

Put simply, explained Campiche, "The retaliatory tariffs and the uncertainty facing the textile supply chain have reduced expectations for global cotton demand."

U.S. cotton merchandising firms also faced increased cancellations of sales to international customers during the 2018 marketing year. And, without a resolution to the U.S.-China trade dispute soon, merchants could be facing additional cancellations and defaults for the 2019 marketing year, pointed out Campiche.

Certainly, as Chinese mills continue to source from other cotton-exporting countries, U.S. cotton will have an opportunity to gain some traction in other markets. However, that shifting of trade comes with additional costs, and those sales likely will be secured at lower prices.

"For U.S. merchandisers, that likely means increased transportation and storage costs as they seek new markets," said Campiche.

"In addition, financing costs for export sales to key markets such as Bangladesh and Pakistan can be greater than those for sales to Chinese mills."

Promise Turns to More Frustration

As growers were finalizing their 2019 plans, cotton prices were in the lower to mid-70s. And, in most parts of the Cotton Belt – including Texas – there was adequate soil moisture in place to help ensure a quick start after planting. A USDA-confirmed 13.7 million acres were planted in anticipation of a good year. Then early season weather issues and additional tariffs took the wind out of the market.

"It's been another frustrating year on the farm," said Dr. John Robinson, professor and Extension economist with Texas A&M University. "Growers have been looking for a home run for the last 3-4 years, and this year had a lot of promise. It was the year when they felt like they could make good yields with low abandonment at a good price – and hopefully not have a tropical storm show up at harvest time.

"Some people were able to get that," he added. "But now, unless a grower forward priced, they're still selling good cotton at a low price. It's yet another disappointment."

Using Texas as an example, Robinson said the limited potential for grain crops in the state – particularly sorghum and wheat – keep growers gambling with cotton. He noted that planting delays turned some potential cotton acres in the Panhandle back to corn this year, and current prices may keep those growers in corn for 2020.

"But as we've seen before, when cotton growers have to dig themselves out of a hole, they roll the dice and plant cotton and hope for a home run," he said. "That's what keeps cotton acreage from dropping so much across most of the state."

Then there's the residual impact on local farm economies. Robinson recalled the end of a recent cotton-focused interview he did with Texas National Public Radio, when he was asked "Is there anything else the people of Texas need to know?"

"By 'the people of Texas,' I knew he really meant the 80% of urban Texans," he said. "I told him in terms of crops, there's more business to business activity upstream and downstream, there's more infrastructure, there's more people involved, there's more revenue, there's more influence on land values, there's more tax base, and everything that's important is reflected in cotton. If we lose cotton acres statewide, the alternatives are weak and there's not a lot of economic activity associated with them."

Brighter Days Ahead?

USDA threw the cotton market a curveball in its November World Agricultural Supply and Demand Estimate (WASDE) report, reducing U.S. production by 900,000 bales and cutting U.S. ending stocks from 7 million to 6.1 million. The news prompted Mississippi State University Economist Dr. O.A. Cleveland to proclaim the market bear dead and create a path for higher prices (70s anyone?).

Robinson concurs – to a point.

"This WASDE doesn't solve the problem of increasing ending stocks year over year, but it does take the edge off of it," he said. "Maybe we've seen the worst of the weaker prices. Fundamentally, I wouldn't expect that we are headed back below 60 cents. If there's an announcement or movement on rescinding some of the tariffs – and if it's confirmed that cotton will be part of that – we may see another short covering rally.

"But there's still a healthy world supply of cotton. We just have to be able to work through that."

Source: cottongrower.com- Dec 30, 2019

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China's factory activity expands for second month as output, export orders pick up

Factory activity in China expanded for a second straight month in December, as production quickened and export orders rose, offering some support for the manufacturing sector amid signs of progress in trade talks with the United States.

China's official Purchasing Managers' Index (PMI) was unchanged at 50.2 in December from November, the National Bureau of Statistics said on Tuesday, and remained above the 50-point mark that separates monthly growth from contraction. November's gain had ended six straight months of contraction.

Analysts polled by Reuters expected the December PMI to be 50.1.

The better-than-expected readings suggested some recovery in the world's second-largest economy this month. Production rose at the fastest pace in over a year while growth of total new orders remained buoyant, only a notch lower than a recent high hit last month.

December's expansion comes amid signs of improvement in Sino-U.S. trade talks, which have boosted global investor confidence and helped Chinese manufacturers book new orders from abroad.

New export orders, in particular, rose for the first time since May 2018 in December.

China and the United States announced a Phase 1 agreement that would reduce some U.S. tariffs in exchange for more Chinese purchases of American farm products, which analysts believed could stimulate China's exports and corporate investment in the near-term.

Profits at China's industrial firms grew at the fastest pace in eight months in November on quickening output and sales.

Factories continued to shed jobs in December, but the pace of reduction did not accelerate.

Over 25 million jobs were trimmed from the industrial sector from end-2013 to end-2018, mostly in labour intensive industries, the latest economic census showed, as labour costs rose.

However, growth in China's services sector activity cooled in December.

The official non-manufacturing PMI dropped to 53.5, from an eight-month high of 54.4 in November, a separate NBS survey showed.

Beijing has relied on a strong services sector to offset manufacturing weakness. However, a broader economic slowdown since late last year has limited the sector's resilience.

China plans to set a lower economic growth target of around 6% in 2020 from this year's 6-6.5%, relying on increased state infrastructure spending to ward off a sharper slowdown.

Source: moneycontrol.com- Dec 30, 2019

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China's border trade with Pakistan increased significantly this year

With the construction of the China-Pakistan Economic Corridor (CPEC) and Pakistan's domestic economic growth, the trade volume surged this year at a major border port between China and Pakistan.

Cargo import and export reached 66,600 tonnes in the first 11 months at Khunjerab Pass in northwest China's Xinjiang Uygur Autonomous Region, up 46.8 percent from the same period last year. Trade volume increased by 1.4 times to 5.99 billion yuan (around 856.3 million U.S. dollars) during the same period, according to a report of China News Network on Sunday.

About 5,000 meters above sea level, Khunjerab Pass is a major trade port between China and Pakistan, and an important gateway to South Asia and Europe.

China mainly imports textiles, agricultural products and daily commodities there, and exports plants and herbs.

The authorities at Khunjerab Pass said they will continue to increase customs clearance efficiency to facilitate trade in the future.

Urumqi customs statistics show that from January to November 2019, the total value of imports and exports from Xinjiang ports to Pakistan was 5.5 billion yuan, an increase of 1.2 times compared with the same period last year. Among them, exports to Pakistan were 5.49 billion yuan, an increase of 1.3 times, mainly in textiles, apparel, and mechanical and electrical products.

With the CPEC Project, China and Pakistan can achieve comprehensive connectivity, diversification and mutual benefit. It is not only a model project and flagship project of China’s “Belt and Road” initiative, but also provides an important opportunity for the development of Pakistan.

In recent years, the flagship project of Belt and Road Initiative has driven a large number of major infrastructure projects such as energy, electricity, roads, and railways, injecting a source of power into the development of China-Pakistan trade.

Xinjiang, as the core area of “the Silk Road Economic Belt”, is promoting the interconnectedness between China and Pakistan and driving the economic and geographical advantages of the regions along the route.

According to Urumqi Customs, since February this year, the value of imports and exports from Xinjiang ports to Pakistan has maintained a year-on-year growth. Among them, in November alone, the value of imports and exports from Xinjiang ports to Pakistan reached 1.82 billion yuan, a year-on-year increase of 74% and a month-on-month increase of 63.8%.

Xinjiang port to Pakistan is dominated by small amount trade, and it has grown significantly, accounting for 70.5% of the total value of Xinjiang port to Pakistan trade.

Import and export through general trade was 1.56 billion yuan, an increase of 17.9%, accounting for 28.4%. Private enterprises are the main force for import and export. From January to November, the import and export volume through the Xinjiang port to Pakistan was 4.31 billion yuan, doubled, accounting for 78.4% of the total value of Xinjiang port to Pakistan trade during the same period.

It is understood that the main trade port between Xinjiang and Pakistan is Hongqilafu Port in Ta County, Kashgar Region. This port is the only land entry and exit passage between China and Pakistan, and also an important gateway to the South Asian subcontinent and even Europe.

From January to November, the import and export of Hongqilafu port to Pakistan was 5.2 billion yuan, an increase of 1.3 times, accounting for 94.5% of the total value of Xinjiang port to Pakistan trade during the same period. Large-scale engineering construction has driven exports of machinery and equipment, road and bridge construction equipment, Pakistan’s agricultural recovery, the healthy development of the service industry, and large-scale manufacturing output.

At present, the construction of the corridor is in the stage of substantial expansion in pursuit of high-quality development. This project is a sign of a high degree of China-Pakistan development strategy.

Pakistan is a key node in the process of China's going west. Urumqi Customs will continue to increase port construction, serve key engineering projects, and improve customs clearance efficiency, laying a good foundation for the construction of the "China-Pakistan Economic Corridor".

Source: tns.world - Dec 30, 2019

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Pakistan: All duties, taxes on cotton import withdrawn

The Economic Coordination Committee (ECC) of the cabinet on Monday waived all duties and taxes on import of cotton and allowed its import via the Torkham border land route from Afghanistan and Central Asian States to meet the growing demand of the textile value-added sector.

The decision taken at a meeting of the ECC, headed by Adviser to the Prime Minister on Finance Dr Hafeez Shaikh, will be effective from Jan 15, 2020.

The government had in 2014-15 imposed one per cent customs duty along with 5pc sales tax on cotton import. Over the next few years, its import was subject to 3pc regulatory duty, 2pc additional customs duty and 5pc sales tax. The duties were withdrawn in January/February 2017 and re-imposed in July-August.

On Oct 4 this year, the Cotton Crop Assessment Committee projected that cotton production at the end of the year would be 10.20 million bales as against the target of 15 million bales for the fiscal year 2019-20.

In order to fill the gap, the commerce division has proposed duty-free import of cotton. But the ECC was informed that bulk of cotton would be lifted from local farmers by Jan 1 next year and the proposed exemption would not adversely affect the interests of local farmers. Both the commerce and national food divisions gave assurance that imported cotton would facilitate textile exports which are showing an upward trend.

Hafeez Shaikh directed the national food security ministry to devise a comprehensive policy in consultation with the relevant stakeholders which could help in improving the local production of cotton and serve the interests of local farmers. The policy should be submitted to the ECC within one month, he said.

The ECC also allowed cotton import via Torkham land route from Afghanistan and Central Asian States.

The government had last year also allowed cotton import through land route.

Commerce and food security divisions were directed to engage with the cotton importers for establishment of facilities at Torkham. Necessary changes will be made in Plant Quarantine Rules for providing facility of meeting sanitary and phytosanitary (SPS) requirements for cotton import through land routes. The ECC was briefed that under Rule 28 of the Plant Quarantine Rules of 1967/Plant Quarantine Act 1976, cotton was allowed only through sea route.

As trade with India was recently suspended by Pakistan, Afghanistan and Central Asian States have become more viable economic sources for cotton import.

The ECC decided that the import of cotton via the Torkham border would be subject to fulfilment of all SPS conditions. It directed establishment of fumigation arrangements at designated areas.

The meeting desired that the national food security and research ministry give a comprehensive briefing on matters pertaining to cotton production for the next season.

Adviser to the Prime Minister on Commerce Razak Dawood was of the view that availability of cotton, especially the long staple one, would facilitate the textiles value chain to maintain positive growth in exports, especially of value-added products.

It may be noted that during the first five months (July-November) of the current financial year, exports of value-added readymade garments increased by 35pc, knitwear by 6pc and bedware by 14pc in terms of quantity as compared to the corresponding period last year.

Supplementary grant

The ECC approved a technical supplementary grant of Rs6.210 billion for the current financial year for recurring cost of the Special Security Division North of Pakistan Army. Two other technical supplementary grants were also approved — Rs4.966bn for internal security duty allowance to the army and Rs500 million for construction of community bunkers.

The ECC allowed the Consortium with PPL as the operator and OGDCL, MPCL and GHPL as partners to submit the bid directly or through their subsidiaries in Abu Dhabi 2019 bidding round for one block and make initial investment through their own resources in proportion to their shares; any additional financial requirement shall be met by the government in case the need arises.

The approval for bidding was given in view of enhancing technical skills of the Consortium which is also working in Pakistan and for bringing additional foreign exchange to the country.

Source: dawn.com - Dec 31, 2019

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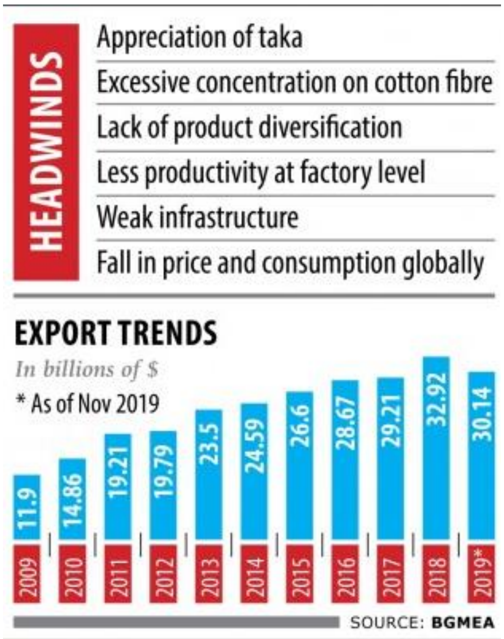
Bangladesh: Garment sector lashed by giant waves

A tale of two halves sums up best how the garment sector, Bangladesh's main export earner, fared in 2019.



In the first six months of the year, apparel shipments fetched $17.05 billion. And the trend continued into fiscal 2019-20, which began on July 1.

But from August exports started dipping and the trend appears to be continuing. Yet, $13.09 billion was received between the months of July and November, down 7.74 percent year-on-year.

"I consider this is a correction," said David Hasanat, chairman and managing director of Viyellatex Group, a leading garment exporter.

Companies can take this opportunity to restructure their capital expenditure, operating expenditure and supply chain.

"Then they will have a very good future," he added.

But the general sentiment of experts and analysts is that the slowdown in apparel shipment is a reflection of the decaying competitiveness of Bangladesh's garment industry.

For instance, Bangladesh's garment exports dropped 6.67 percent between the months of July and October whereas its closest competitor Vietnam's grew 6.41 percent.

Vietnam is honing in on Bangladesh's position as the world's second largest apparel supplier by focusing on product diversification.

Even after four decades, the country's garment sector is still stuck in basic items: still 73 percent of the shipments consist of T-shirts, trousers, sweaters, formal shirts and jackets.

There has been a slow graduation towards value-added and high-end garment items for upscale customers in the Western world.

Bangladesh is still lagging behind in production of technical and smart clothing items, due to which it could not tap into the global market for hospital clothing, school uniforms and armed forces, worth billions of dollars.

Garment exporters and sector analysts though blamed the strength of the local currency against the US dollar as the main reason for declining shipments from Bangladesh.

Currently, one US dollar is exchanging for Tk 85.

Another reason for diminishing shipments is over-reliance on traditional markets, which can be construed as laziness or complacency.

Shipments to the traditional markets of the US, the EU and Canada are on the wane due to economic slowdown there.

But the emerging markets are providing a ray of hope: garment exports to non-traditional markets grew to nearly $7 billion from somewhere between $400 million and $500 million in 2008.

India, China and Japan are showing big potential, with shipments to the Fareast Asian nation crossing $1 billion.

The government’s 4 percent incentive for shipments to new export destinations accelerated the process.

The US-China trade war can be a boon for Bangladesh as China has been losing its export orders. However, in this case, Bangladesh will have to improve the business climate and productivity at the factory level.

In the near future, duty concessions in international trade will vanish as the country is set to graduate from the least-developed bracket to the developing bracket.

So, Bangladesh needs to sign the free trade agreements or join to different regional trading blocs for continuation of the duty benefit in international trade.

“It was a happening year for the garment industry,” said Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, adding that the year saw a number of positive developments.

The end to the deadlock to the Accord’s phase out from Bangladesh and formation of the national safety monitoring regime the ‘RMG Sustainability Council (RSC)’ were major breakthroughs.

“Our journey to sustainability continued with pride,” she said, adding that the number of green factories crossed 100, 25 of which were platinum LEED-certified. Some 500 more are waiting for certification.

But despite all investments made in workplace safety, compliance, implementation of new wage structure and green industrialisation the unit price did not see much improvement.

The unit price to the EU and the US increased 2.22 percent and 5.57 percent respectively in the first 10 months of the year and yet the price level remains significantly lower on a five-year comparison, she said.

The price of apparel imported by the US from Bangladesh between January and October was down 2.20 percent from five years earlier, according to the Office of Textiles and Apparel. The same happened for EU: 1.94 percent, according to Eurostat.

But looking ahead, garment manufacturers are expecting a better year in 2020.

“It’s difficult to project the trend since the global market looks volatile due to the emergence of a number of factors,” Huq said.

The EU-Vietnam free trade agreement, the strategic move by China to offset the impact of punitive tariff by lowering prices and the emergence of new sourcing destinations are becoming sources of concern for Bangladesh.

"If we do not take proper steps now to get ourselves at par with our competitors, it will be difficult to get the rhythm back in our exports," she added.

Source: thedailystar.net- Dec 31, 2019

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Vietnam targets $300 billion export value for 2020 after four-year trade surplus record

The country's trade surplus reached a record high of US$9.9 billion in 2019, the highest level seen in the past four years.

For the first time, the nation's trade turnover surpassed the $500-billion mark this year, witnessing the strongest growth of the Vietnamese-invested sector compared to foreign invested sector.

At a ceremony on Monday, Prime Minister Nguyễn Xuân Phúc highlighted the efforts made by ministries, localities and the business community, especially in the context that global trade this year had witnessed a 10-year low of just 1.2 per cent amidst trade conflicts.

Over the past eight years Việt Nam's import-export value had soared 2.5 times, reaching $517 billion in 2019.

In 2019, 32 products witnessed turnover of more than $1 billion, and six sectors reached a turnover of over $10 billion, accounting for nearly 93 per cent of the total.

Việt Nam had tackled import-export related difficulties to boost the country's trade, the Prime Minister emphasised, noting solutions to promote the ASEAN Single Window platform, electronic customs clearance and credit guarantees for exports.

The data showed that Việt Nam's import-export value had increased 170 times compared to the time it embarked on the renewal process (1986), 37 times over the value when it joined ASEAN (1995) and five times over the year it was admitted to the World Trade Organisation (2007).

PM Phúc said policies on imports and exports had led to positive results. Việt Nam had negotiated and signed 14 free trade agreements (FTAs), of which the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) Agreement was the most significant.

The total value of imports and exports from 2000-19 reached nearly $4 trillion, of which, only in the last five years, Việt Nam's trade turnover surpassed $2.1 trillion.

The country has jumped on the global trade map, from 50th in exports and 44th in imports in 2006 to 26th in exports and 23rd in imports in 2018. This had helped Việt Nam maintain its position in the 30 biggest importers and exporters in the world and rank third in ASEAN, after Singapore and Thailand, PM Phúc said.

$300 billion export value target for 2020

Setting a goal of $300 billion in export turnover for 2020, the Prime Minister asked ministries and localities to work closely to attain the fifth-year trade surplus for the country.

He said Vietnamese businesses should work with foreign invested enterprises for mutual benefits, while continuing to defend and protect Vietnamese goods, protect key products and avoid litigation from foreign trade.

The Prime Minister also suggested fighting trade fraud, smuggling and handling violations of intellectual property rights, creating a fair, open and transparent business environment and reducing import and export costs of commodities.

Source: vietnamnews.vn- Dec 31, 2019

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Pakistan: Textile sector picks up but challenges remain

The textile industry of Pakistan had high hopes for the announcement of a handful of beneficial and favourable policies by the government of Prime Minister Imran Khan, which has now been in power for nearly one and a half year.

Earlier in the final years of previous Pakistan Muslim League-Nawaz (PML-N) government, Imran Khan – then an opposition leader – had expressed solidarity with the textile sector, apparently a political step to win over voters in the upcoming general elections in mid-2018. He assured them of formulating sector-specific growth policies if the Pakistan Tehreek-e-Insaf (PTI) came to power.

As soon as he was elected in July 2018, textile and other sectors of the economy turned highly optimistic. Now, the optimism has started to die down as real action to facilitate industries is yet to be taken.

However, calendar year 2019 has brought some relief to the textile industry as it has managed to perform better than other sectors and has made exports of around $12.45 billion in 11 months (Jan-Nov).

First five months of current fiscal year 2019-20 were more encouraging as textile shipments to overseas markets grew 4.68% to $5.76 billion compared to the same period of the preceding year. Textile and clothing exports in 11 months of 2019 rose a negligible 1% year-on-year.

On the other hand, investment in the textile sector for replacing and installing new imported machinery increased 17% to $480 million in the period under review against $453 million in the same period of 2018.

Although the industry was promised energy supplies at subsidised tariffs as part of the government's incentive package, the decision, approved by the

Economic Coordination Committee, could not be implemented in true letter and spirit.

Some industrialists insist they are going to get energy subsidy through court orders as they are not receiving utility bills at the reduced tariffs notified by the government.

Meanwhile, news reports have emerged that talk about withdrawal of the energy subsidy granted to the textile sector. The industry has also lost its zero-rated status, along with four other major export sectors, in the 2019-20 budget and is required to pay sales tax from the current fiscal year.

Hope still alive

Despite expressing reservations about the government policies, many industry players still believe that the political leadership is doing its homework to help enhance the share of textiles in the country's global exports.

According to official data, the exporters of readymade garments reported the highest growth of 32% in first 11 months of 2019. They exported around 53 million dozen units of garments compared with 40 million dozen units in the corresponding period of the preceding year. Readymade garments were followed by the knitwear segment, which posted 17% growth with exports of 118 million dozen units in Jan-Nov 2019.

Alarmingly, cotton arrivals as of December 15, 2019 dropped to 7.86 million bales against 9.96 million bales at the same time last year. The drop in production of cotton – a key raw material for textile mills – is likely to cause its shortage and force the textile sector to increase cotton imports.

The industry needs at least 15 million cotton bales in a year to meet its processing requirements.

According to statistics provided by the All Pakistan Textile Mills Association (Aptma), the industry is eyeing an export target of $13.3 billion for FY20 with projected investment of $1 billion. The readymade garment sub-sector is again expected to take the lead in overseas shipments.

For the first time in 2019, Pakistan hosted the 35th World Fashion Convention, organised annually by the International Apparel Federation, a European lobby of fashion brands.

The event, attended by executives of many global brands and associations, has somewhat changed Pakistan's perception abroad and exporters are gearing up to cash in on the advantage.

Rupee benefit

Some exporters claim that initially they were unable to reap benefits of rupee depreciation, citing that international buyers were smart enough who were keeping a close watch on the exporting country's exchange rates and revised prices according to fluctuations in the currency value.

Nevertheless, the exporters managed to lift shipments of art, silk and synthetic textile from 147.49 million square metres in first five months of 2018-19 to 190 million square metres in the same period of 2019-20.

Similarly, exports of readymade garments rose to 26.2 million dozen units in July-November FY20 against 19.26 million dozen units in the corresponding period of fiscal year 2018-19. Industrialists term the increase in export volumes a smart move as it can enhance the share of Pakistan's textile sector in global markets and its benefits will eventually reach the country in terms of dollar earnings.

By FY24, the industry is anticipated to nearly double exports to $25 billion but many of the challenges dogging the sector for the past 10 years have not been addressed. However, some of the problems have been tackled like ending energy blackouts.

Still, the scarcity of raw material is one of the biggest concerns for different textile sub-sectors because their targets are directly linked to the country's cotton production.

Earlier in 2020, the GSP Plus preferential trade status, granted to Pakistan by the European Union, will be reviewed – another area of worry for the stakeholders as they direly need an extension of the facility to boost exports.

Internal and external challenges are likely to haunt the government as well as the industry, which are keen to meet the targets. Some of the internal challenges include energy affordability, inconsistent policies in the short term, infrastructure hurdles, skill development constraints, foreign exchange volatility and above all, the macroeconomic volatility.

On the external front, improvement in the country's image internationally is the biggest challenge as a damaged perception turns away global buying houses and brands. Getting greater market access to the Asean region, the US, Japan and Australia is also a potential challenge for the textile industry.

Efforts of the industry to step up Pakistan's textile and clothing share in global markets from the existing 1.6% to 3% over the next five years largely depend on facilitation from the government.

The textile sector claims that things are moving in the right direction, although promises made by the premier before general elections have not yet been honoured to the satisfaction of the industry.

Source: tribune.com.pk- Dec 31, 2019

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NATIONAL NEWS

Commerce Ministry to review existing free trade agreements: Piyush Goyal

Goyal said that FTAs with countries like Japan, South Korea, and Asean provided duty-free access to Indian markets, but domestic goods face barriers in these countries.

Commerce and Industry Minister Piyush Goyal on Monday said his ministry will review all existing free trade agreements (FTAs) with different countries to protect interest of industry and traders.

Addressing domestic traders here, he said India also decided to walk out from the Regional Comprehensive Economic Partnership agreement, keeping in view the interest of small traders and dairy industry.

Goyal said that FTAs with countries like Japan, South Korea, and Asean provided duty-free access to Indian markets, but domestic goods face barriers in these countries.

These unfair pacts did not benefited Indian traders and industry, he said.

“I want to assure you that the commerce ministry will open the old FTAs and hold discussions with these countries,” the minister said.

Speaking about the forthcoming Assembly elections in the national Capital, he appealed traders to support BJP as the AAP government has not fulfilled its promises.

If the BJP would come to power in Delhi, it would stand with traders and work to protect their interests, he said.

Goyal alleged that the Arvind Kejriwal-government creates hurdles in the implementation of central government schemes in the Capital. The kind of politics which AAP is doing in Delhi would not help traders, he added.

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

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India's exports may touch $330-340 billion this fiscal: exporters body FIEO

Federation of Indian Export Organisations (FIEO) President Sharad Kumar Saraf said the global situation is becoming extremely challenging as rising protectionism is leading to uncertainty in global trade which will have adverse impact on it.

The country's exports are expected to touch USD 330-340 billion during the ongoing fiscal on account of uncertain global situation and rising protectionism, exporters body FIEO said on Monday.

During April-November, 2019-20, exports dipped by about 2 per cent to USD 212 billion.

Federation of Indian Export Organisations (FIEO) President Sharad Kumar Saraf said the global situation is becoming extremely challenging as rising protectionism is leading to uncertainty in global trade which will have adverse impact on it.

He said despite having a moderate share in global trade, India's exports have always followed the trend in global imports.

"Therefore, when global imports are declining, our exports are also likely to take a hit. Currently, exports during April-November 2019 are down by about 1.99 per cent. Therefore, we feel our goods exports may touch USD 330-340 billion in the current fiscal," Saraf said in a statement.

The FIEO president added that the infrastructure improvement and initiatives on the logistics front will further improve competitiveness of exports.

"If the global situation improves, which is likely in the first half of 2020, we may look for 15 per cent growth in exports during the next financial year," Saraf said.

However, he said exports have to be aligned with changing import patterns of the global economy.

About 50 per cent of the global imports is accounted by electrical and electronics products, automobiles, machinery, petroleum products and plastic products.

“Unfortunately, the share of such products in our exports is less than 33 per cent despite having petroleum products accounting for roughly half of it. Our global share in such products is much less than 1 per cent,” he said.

Source: indianexpress.com- Dec 31, 2019

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Commerce Ministry pushes for export growth this fiscal despite decline so far

Exporters’ bodies asked to fix a goal of at least 15% increase in 2019-20

To ensure goods exports post an overall growth in the on-going fiscal despite a small decline in the first eight months, the Commerce Ministry is trying to identify problems affecting commodity exports and take them up on priority for resolution with export promotion councils and the Customs Department, a government official has said.

“Export promotion councils (EPCs) have been asked by the Commerce Ministry to target a minimum 15 per cent growth in exports in the current fiscal. Regular meetings with exporters, EPCs and SEZs are being conducted to expedite orders in the pipeline,” the official told BusinessLine.

Exporters body FIEO has estimated exports to be around $330 billion-$340 billion in the current fiscal, which is almost at the same level as last year’s $331 billion. However, it is more positive about the next fiscal and expects exports to grow at 15 per cent if the global situation improves in the first half of 2020.

“When global imports are declining, our exports are also likely to take a hit. ...we feel our goods exports may touch $330-340 billion in the current fiscal. Fortunately, the order book position of Indian exporters is very encouraging,” said FIEO President Sharad Kumar Saraf, in an official statement on Monday.

In the April-October 2019-20 period, goods exports declined 2.2 per cent to $185.95 billion compared to exports in the same period last year.

The Directorate General of Foreign Trade (DGFT) is also taking up with the Customs Department the issue of expediting the Customs export clearance pipeline, the official said. “A number of consignments are held up at the Customs for numerous reasons, many of which could be sorted out separately without holding up consignments,” the official said.

Commerce & Industry Minister Piyush Goyal, in a meeting with exporters on December 22, initiated action to address the problem of exporters identified as ‘risky exporters’ by CBIC. The Minister had directed that a nodal officer be appointed in the office of DGFT and asked the EPCs and exporters’ bodies to send a list of those identified as risky exporters to them so that it could taken up with the Finance Ministry.

Specific problems being faced by sectors such as telecom, forest produce, sports goods and chemicals are being taken up by the Commerce Ministry with the line Ministries to sort them out, the official added.

Source: thehindubusinessline.com- Dec 31, 2019

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FIEO, FISME call for plug-n-play facility for exporters

Two leading exporters’ association of the country have proposed to set up "plug-n-play" facility on the lines of Kenya and Ethiopia to start instant production without being stuck in getting regulatory clearances.

"Small countries like Ethiopia and Kenya have created world class infrastructure of plug-n-play where even the businessmen from Bangladesh are going to produce garments. We need to look into this," said Ajay Sahai, Director General & CEO at the Federation of Indian Exports Organisation (FIEO).

In the IT sector, plug-n-play offices refer to facilities where Internet, power supply and conference areas are provided. The exporters and small manufacturers want government to provide ready infrastructure for starting production.

They have made a strong case for it in their discussion with Finance Ministry officials and want a plan to be announced in the upcoming Union Budget for 2020-21.

"Start-ups or a new person entering into manufacturing cannot afford the high land and building cost in the beginning. So, if plug-n-play infrastructure is provided on a modest lease rent, they can come and start working," said Animesh Saxena, President of the Federation of Indian Micro Small & Medium Enterprises (FISME).

The plug-n-play infrastructure is set to minimise the risk for investors as in case the business fails, the investors can move without any liability.

"We have suggested this for the MSME sector. It will be a good step if government provides it," Saxena said.

Among other suggestions, the exporters' body has suggested to nominate a nodal officer to help firms investing $10 million or more in manufacturing.

"Government may nominate nodal officer for every investor investing beyond a threshold limit whose job should be to provide all clearances/approval to the investor from the statutory agencies," the FIEO is learnt to have told Finance Ministry officials.

Source: smetimes.in- Dec 30, 2019

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India: Exports to rebound in 2020, but growth to remain subdued

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

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

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

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

Global situation

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

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

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

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

New strategy

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

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

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

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

Since January this year, exports have recorded a low rate of growth and slipped into the negative zone in August. During April-November 2019-20, the country’s exports contracted by 2 per cent to USD 212 billion. Going by the current trend, FIEO has estimated that the exports may stand at USD 330-340 billion in the current fiscal.

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

Source: hellenicshippingnews.com - Dec 30, 2019

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CBIC claims settling ₹1.12-lakh crore IGST refund with exporters

The Central Board of Indirect Taxes (CBIC) on Monday announced the payment of IGST (integrated Goods & Services Tax) refund of ₹1.12-lakh crore, benefitting over 83,500 exporters.

Under the IGST Act, 2017, all exports (whether of goods or services) as well as supplies to SEZs (Special Economic Zones) have been categorised as Zero Rated Supplies. This has led to a provision for refund to ensure that tax is not exported. Pending of refunds affects working capital for the exporters, which is why the government gives priority to refund payment.

The CBIC claimed that after latest payments, as of now, refunds of only ₹3,604 crore are pending and these are mainly related with 6,421 exporters (out of about 1,85,000 exporters or 3.4 per cent). These include some 'star exporters' also, who have been identified as risky and hence, red flagged. Even some of the 'star exporters' are not traceable at the addresses given by them.

The CBIC said that while it is focusing on quick disbursal of pending refunds to exporters, it has to use data analytics to identify 'risky' exporter entities that take input tax credit fraudulently and monetise it by paying IGST and taking refund thereof or taking refund of the accumulated ITC. These exporters are being subjected to a KYC and verification process before the grant of refund.

'Untraceable' exporters

It may be noted that the verifications so far have revealed that 1,241 exporters are not traceable at their given addresses, which include 8 'star exporters'. In addition, adverse verification reports have been received in the case of 399 exporters, which also include 4 'star exporters'.

The CBIC said that since the launch of GST, 77 per cent of India's exports are under a Letter of Undertaking (LUT), which are unaffected by the verification exercise being done by the CBIC officials. Moreover, even in respect of the exporters identified as risky, the government is taking all necessary steps to expedite the verification.

At the same time, the government remains concerned about the misuse of the facility of ITC credit and refunds by a few unscrupulous exporters.

Source: thehindubusinessline.com - Dec 30, 2019

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Cotton farmers sell 3.85 lakh bales to CCI

In India, the new cotton season officially starts in October, when harvest picks up in the Northern states.

Cotton farmers in Punjab, Haryana and Rajasthan have sold over 3.85 lakh bales at minimum support prices directly to the Cotton Corporation of India (CCI) in the kharif season, as the government's move to cut out the middlemen is helping cultivators of the natural fibre take advantage of what promises to be a bumper harvest this year.

In India, the new cotton season officially starts in October, when harvest picks up in the Northern states. The three states are expected to harvest around 64-66 lakh bales (a bale equals 170 kg of lint) of cotton this season.

The MSP for 27.5-28.5 mm long staple cotton, widely grown in the North, has been fixed at Rs 5,450 per quintal, but market prices were subdued in line with global prices at the beginning of the season.

Much of the cotton purchased by the CCI in previous years came through middlemen or aggregators in the three states. A higher output season usually saw distress selling by farmers below the MSP.

However, direct procurement has ensured that farmers get MSP rates and are not fleeced by middlemen. "The response is quite encouraging, especially since payments are being made within three days.

The government's announcement of higher minimum support prices is also making farmers sell to CCI," said Pradeep Kumar Aggarwal, head-director marketing, CCI.

Source: economictimes.com - Dec 31, 2019

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Taking a cue from China and South Korea, govt plans this step to curb sub-standard imports

Concerned over massive inflows of 'sub-standard' products into India — ranging from chemicals, pharmaceuticals, electrical machinery, furniture and toys to steel — the government is planning the biggest overhaul of its regulatory ecosystem that stipulates technical standards, including safety and quality, in a bid to curb imports of such products.

The move marks a policy shift in New Delhi from an avowedly pro-liberalisation approach to external trade to a more discretionary one, where barriers could be erected to 'non-essential' imports that may harm the economy, rather than benefit it.

India's move follows its decision to pull out of the 16-nation Regional Comprehensive Economic Partnership (RCEP) agreement in November, as its proposals on safeguard measures to deal with any "irrational spike" in imports, among others, weren't adequately addressed by potential partners, including China. As such, China has been a major source of sub-standard products, according to industry executives.

The policymakers here are also being seen taking cue from countries like China and South Korea, which maintain benign import tariffs but have high non-tariff barriers (NTBs). In September-October 2018, India had raised the import duties on several communication items in the wake of surge in imports of electronic items.

There have also been reports of the possibility of such duty increases on several other items and this has invited criticism from independent experts, who believe it would go against the spirit of free trade and New Delhi's stated policy of progressive lowering of import tariffs.

An official source told FE that the Bureau Of Indian Standards (BIS) has been asked to develop standards for over 4,500 products (HS lines), preferably over the next six months, taking the total number of imported items where quality and other parameters would be in place to 5,000. Of these, standards for 371 products, with total imports of as much as $128 billion in FY19, will have to be firmed up or reviewed (wherever necessary) on a war footing, said the source. These items include steel, consumer electronics, heavy machinery, telecom goods, chemicals, pharmaceuticals, paper, rubber articles, glass, industrial machinery, some metal articles, furniture, fertiliser, food and textiles.

Commerce and industry minister Piyush Goyal held a crucial meeting on December 23 on this issue with officials of various ministries/departments, including steel, electronics, telecommunications, chemicals and petrochemicals and industry, said the source. It was revealed in the meeting that only about 10% of the country's imported products are subject to various standards and the rest remain unregulated even from basic safety and environment parameters.

Since sub-standard products are usually imported at much cheaper rates, they not just pose risks to consumer health and environment (toys, for instance) but also hit domestic manufacturing because of the price competitiveness. Many countries, especially the big economies, therefore, subject their imports to rigorous technical standards and sanitary and phytosanitary measures. The proposed measures, once implemented, will boost the government's Make in India initiative as well, said the official source.

Analysts say India seems to have taken a cue from countries like China and South Korea that have effectively employed various non-tariff measures to curb non-essential and sub-standard imports with potential risks to environment.

Even without RCEP, India's merchandise trade deficit with China stood at $53.6 billion in FY19, or nearly a third of its total deficit. Its deficit with potential RCEP members (including China) was as much as $105 billion in FY19.

India's imports rose 9% year-on-year to $507.5 billion in FY19, although in the current fiscal, the imports have contracted 8.9% in the first eight months, mirroring demand compression in the economy.

Source: financialexpress.com - Dec 31, 2019

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Govt working on strategy on import regulation of non-essential items

The target is to formulate these regulations for about 5,000 products but the current focus is on 371 items which accounts for $127 billion worth of imports

The government is working to formulate technical regulations, which includes safety and quality standards, for over 350 products with a view to cut imports of those non-essential items, an official said.

The issue was widely discussed during an inter-ministerial meeting this month. The Department for Promotion of Industry and Internal Trade, Department of Telecommunication, Department of Chemicals, IT and electronics ministry and steel ministry was consulted for imposition of import regulations.

The target is to formulate these regulations for about 5,000 products but the current focus is on 371 items which accounts for $127 billion worth of imports, the official said.

The 371 items include chemicals, steel, consumer electronics, heavy machinery, telecom goods, paper, rubber articles, glass, industrial machinery, metal articles, furniture, pharma, fertiliser, food, textiles.

The Bureau of Indian Standards (BIS) has been tasked to prepare these regulations, the official added. India imports about 11,500 goods per year.

BIS has also been asked to set up market surveillance mechanism on technical regulations for imported goods.

"The main aim is to cut the country's import bill of non-essential items, promoting Make in India and promote sale of quality and standard goods in the market," the official added.

India's imports have increased 9 per cent to $507.5 billion in 2018-19 from $465.6 billion in 2017-18.

The country's top import commodities include crude oil, gold, electronic goods, pulses, fertilisers, machine tools, and pharmaceutical products.

High import bill pushes trade deficit which in turn impacts current account deficit. High imports also affect the country's foreign currency exchange rates.

Further, the official said the commerce ministry is also looking at non-tariff barriers being imposed by India's trading partners. Countries which impose one of the highest number of technical barriers to restrict imports include China, South Korea and Thailand.

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

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GST facelift: Electronic invoicing, new returns to be introduced in 2020

Two things that will change the way transactions are reported under the goods and services tax (GST) system in 2020 are electronic invoicing and new returns.

While both of these will be introduced mandatorily from April 1, e-invoicing would be implemented on a voluntary basis by those having an annual turnover of above Rs500 crore from January 1.

Those with an annual turnover of over Rs100 crore can use e-invoicing from February 1. Finally, those with annual turnover of over Rs100 crore will have to use e-invoicing system from the beginning of the next financial year.

In the e-invoicing system, the invoices are authenticated electronically by GST Network (GSTN) for further use on the common GST portal. Two procedures are required in e-invoicing system — generation of invoices in standard format and reporting it on to a central portal system.

The new system requires invoice details to be uploaded on the government site — Invoice Registration Portal or IRP — on real-time basis. Based on the uploaded details, a unique invoice reference number (IRN) will be allocated against an each invoice. IRN would be get validated through IRN portal and GSTN.

WHAT'S CHANGING

- E-invoicing to come into effect on voluntary basis for those having annual turnover of over ₹500 crore, from January 1
- To expand to those having annual turnover of over ₹100 crore, from February 1
- Will be introduced from April 1 for those having a turnover of over ₹100 crore
- New returns to be introduced from April 1

According to GSTN Chief Executive Officer Prakash Kumar, e-invoices are generated by large number of businesses even today. However, they all use the format as provided by the ERP or billing software they use. Lack of a standard leads to a scenario where e-invoice generated on one billing software can't be read by another, requiring manual data entry from electronically generated invoice. "All this means lots of engagement in maintenance of invoice, manual feeding in system, a pile of paper work, and lot of transcription errors," he said.

Here comes a system that does away with much of paper, human error, transcription error, saves time and gives you a format which is compatible to all. He said no changes are required as far as the businesses are concerned as they will continue to use the same software with same user interface to generate the e-invoices such as ERP, accounting and billing software, excel based billing system etc. The companies, which have developed the ERP or billing software, will have to make changes in their software codes to make them conform to the approved standards, he said.

Abhishek Rastogi, partner at Khaitan & Co, said the phased manner of implementation of e-invoicing will enable adequatetesting of the system before it is made mandatory. Harpreet Singh, partner at KPMG, said: "In the long run, e-invoicing should be the only data collection point for the tax authorities replacing e-waybills and multiple returns."

However, new simplified returns would be implemented from April 1.

The GST Council had earlier decided to defer the implementation of these returns from the planned staggered manner from October this year.

In the new returns, there would be one main form — GST RET-1, which will contain details of all supplies made, input tax credit availed, and payment of taxes. This return will have two annexures — GST ANX-1 and GST ANX-2.

Form GST ANX-1 will have details of all outward supplies and form GST ANX-2 will contain details of all inward supplies. Currently, taxpayers are filing two returns: GSTR-1, which contains details of all outward supplies made, and GSTR-3B, which is a monthly self-declaration of outward supplies, input tax credit availed, and taxes paid.

Archit Gupta, CEO of ClearTax, said the e-invoice system would be integrated with the new return filing system for filing e-way bills and new return formats. Initially, businesses had a fear that their cash flow would be blocked because there was a proposition of only allowing credits to those invoices that were uploaded by vendors and tax discharged. To address the issue, the government had proposed allowing businesses to avail of input tax credit on the basis of self-declarations in GSTR-3B for initial months even under the new mechanism.

Gupta said the pain point involved in frequent matching of invoices was that the taxpayer had to allocate time from his daily business activities or he has to appoint personnel to do the same. There is also an issue of tracking and reporting of missing invoices to avail credit. Gupta said this would put additional responsibility even though the recipient paid the tax amount to his supplier.

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

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Economic slowdown: What will impact demand and exports, find out here

Continuing with the premise that liquidity issues have afflicted Indian economy and therefore the regular production trend of the commodity sector, a few more data by the Reserve Bank of India (RBI) have come to light.

Total credit growth by scheduled commercial banks (public and private) has gone up 8.7% in September, slower than 13.2% growth observed in gross loans and advances in March. It is important to note that the credit growth by public sector banks (PSBs) has, in fact, gone down by 4.8% (y-o-y) in September, and the growth in credit by the entire banking sector has been made possible by 16.5% credit growth by other private sector banks. This raises the question if the PSBs have become more risk averse compared to their private counterparts in the recent period.

The gross non-performing assets (GNPAs) in the economy has maintained an unchanged ratio of 9.3% during March and September, and is slated to move up to 9.9% of the total advances by September 2020. It is reported by the RBI that the asset quality of the sectors measured by the GNPA ratio stands at 6.3% in the services sector, 10.1% in the agriculture sector and 17.3% in the industrial sector.

However, it may be mentioned that in March and September, the annual slippages in all sectors have come down. The slippage ratio has, in fact, increased in segments like textile, rubber and plastic, and construction, and by a lesser extent in segments like infrastructure, basic metals and mining.

The deterioration in asset quality in construction as well as infrastructure sectors has adversely affected the credit growth in these sectors, which continue to remain the highest category accounting for nearly 68% of steel consumption growth.

In addition, the GNPAs from non-banking financial centres (NBFCs) have gone up from 6.1% in March to 6.3% in September. This has impacted credit flows to the SME sector, which accounts for nearly 47% of domestic steel availability.

The lowering of the growth rate in NPAs may not, however, conclusively point to a revival of market sentiment as the risk surveys conducted by the RBI do indicate that perceptions on fiscal risk, corporate sector risk and banks' asset quality risk have marginally moved up in April and October. The risk survey has also signalled that resolution of legacy-bad assets, under the Insolvency and Bankruptcy Code, have proved to be essential to enable banks to support the current aspirations to economic growth in the country.

At this stage, it must be mentioned that global risk elements, specifically with regard to economic growth (global GDP for 2019 currently projected at 3.0% as compared to 3.2% projected in April by IMF), global trade growth currently estimated to grow by 1.1% in 2019 as opposed to 2.5% envisaged earlier do indicate that global growth and trade are the two important parameters determining export growth.

The total merchandise exports from India have exhibited de-growth of 2% in April to November against 10.9% rise last year. However, in case of the steel sector, despite the rising concern over continuation of trade wars between China and the US that has adversely impacted steel exports from the export-oriented countries/blocks, viz. Japan, EU, Russia, South Korea and Turkey, India has emerged as a net steel exporter during April-November period.

While total imports during the period stood at 5.35 MT by the end of November showing a decline of 11.8% (0.72 MT lower compared to last year), the total steel exports at 7.51 MT indicating a rise of 28.0% (1.64 MT more compared to last year) shows that India has become a net exporter by 2.16 MT by the end of November. If the current growth rate in exports and imports are maintained in the next four months, India would end FY-20 by being a net exporter with 3.24 MT of steel.

Indian steel producers must continue to make maximum efforts in raising exports to countries like Vietnam, the UAE, Italy, Belgium, Nepal, and of products like HRC, coated sheets, CRC, plates, wire rods, billets etc.

Higher exports would enable higher capacity-utilisation as well as higher realisation in tune with increasing global prices (Chinese export price of HRC SS 400 fob Ex-Tianjin at $483/t in December rising from $ 427/t in October).

It is argued that while poor growth in credit from the SCBs is dominated by the Gross NPAs reflected in their balance sheets, it is also influenced by the strength of demand for credit. The RBI survey shows that large corporate houses, being liquidity-rich, have limited credit needs and as this sector has a major share in investment, the adverse impact on reviving investment is established.

However the missing link is the demand growth in the economy, which would pave the way for investment from the corporate sector. Also, public investment infrastructure is to take care of the larger risks of return even at the cost of a few more per cent of GDP and it must precede the flow of investment by corporate in real estate, consumer durables, logistics and capital goods sectors.

Source: financialexpress.com- Dec 31, 2019

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Retailers report brisk sales of winter wear as cold wave grips North India

Shoppers braved the cold in north India and rushed to buy warm apparel and winter footwear that some retailers say has helped shore up sales in December.

Retailers such as Puma and Woodland said sales in December are up between 40% and 15% compared to a year ago as an intense cold wave gripped parts of north India and the temperature in the capital plummeted to 2.4 degrees Celsius.

Improved sales will help retailers tide over what has otherwise been a slow period as consumer sentiment and spending has remained weak through much of the year.

Retail sales usually get a boost during the festival season beginning October and the wedding season that follows. However, the sentiment remained muted this year during that period.

Retailers said that a strong winter up north will help drive sales. “Over the last two weekends, winter sales at Fashion at Big Bazaar (FBB) were supported by a dip in temperature. Sales are doing well. Earlier we used to discount a lot more in December. We have started the end of season sale this year, but are managing our margins too," said Vineet Jain, chief executive officer, north India, Future Group, which manages apparel retailer FBB.

In all, FBB has more than 90 points of sale in north of India, where the price of winter wear in retail stores is upward of ₹1,000. Earlier in December, sales in some cities of Uttar Pradesh were disrupted because of the protests against the Citizenship (Amendment) Act and the violence in these cities, Jain said. However, a dip in the mercury has prompted shoppers to stock up on essential winter apparel and footwear.

Sportswear retailer Puma said that a substantial growth in sales of jackets and sweatshirts helped it register a strong growth in north India. “North is growing 40% like to like for us," said Abhishek Ganguly, managing director, Puma India.

In the malls in the Delhi-NCR region, shoppers continued to pour in during the last two weekends of December.

DLF Mall of India registered footfall of 1,18,00 on Christmas. “The market was slow during summer because of a slowdown and sentiment shift," said Harkirat Singh, managing director, Aero Club (the makers and traders of brand Woodland & WOODS).

However, consumer sentiment improved during Diwali, “but with this severe winter it has snowballed", he said. Sales at the retailer were up by 10-15% compared to a year ago, Singh said. North and east India account for 60-65% of sales for the retailer.

Source: livemint.com– Dec 30, 2019

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Power loom units making rayon fabric stop production for two weeks

Stating that power loom unit owners are facing a loss of ₹ 3 per metre for producing rayon fabric, over 25,000 units producing the fabric have halted production from December 29 to January 12.

There are over 55,000 units functioning in the district in which about 25,000 units are producing free dhotis and saris while 10,000 units are producing cotton fabric.

The remaining units functioning at Veerappanchatiram, Ashokapuram, Manickampalayam, Lakkapuram and Chithode are involved in manufacturing rayon fabric.

About 50 lakh metre of rayon fabric is produced every day in the district and 50,000 workers are directly involved in the production.

Members of Erode Vhisaithari Urimayalargal Sangam (Erode Power Loom Owners Association) said that in September the price of yarn was ₹ 182 per kg while the price of finished rayon fabric was ₹ 30 per 120 gram. Yarn price dropped to ₹ 152 per kg and the fabric to ₹ 24 per 120 gram during Deepavali.

Yarn price

But the price of yarn remained the same in December where as the price of fabric dropped to ₹ 20 per 120 gram.

“We incur a loss of ₹ 3 per metre and have to shell out money from our own pockets to make the fabric,” the members said.

They said that when the yarn was marketed at ₹ 133 per kg in the country, it was available for ₹ 90 to ₹ 120 per kg in China and Bangladesh. “We cannot export our products as those countries offer products at low price for the same quality offered by us,” they said.

The production is halted as they are unable to sell the stocked items. They demand that yarn be sold to them at the same price as supplied to other countries.

Source: thehindu.com– Dec 31, 2019

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Handloom expo opens

A fortnight-long special handloom expo organised jointly by the Union Ministry of Textiles and the Tamil Nadu Handloom and Textiles Department opened in Kumbakonam on Sunday.

Inaugurating the expo, Managing Director, Thirubhuvanam Silk Handloom Weavers Cooperative Society, M. Mahalingam said 40 stalls showcasing textile and handloom products from Erode, Bhavani, Karur, Arani (Tiruvannamalai), Thirubhuvanam and Jayankondam had been put up.

The expo, which was being held in a private building near Mahamagam tank, would be open till January 12, 2020.

A rebate of 35% to 60% would be offered on purchases of certain products. Organisers expected sales of around ₹40 lakh, he added.

Source: thehindu.com– Dec 30, 2019

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