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IBTEX No. 9 of 2017 Jan 11, 2017

USD 68.25 | EUR 72.01 | GBP 83.02 | JPY 0.59

Cotton Market Update

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

Rs./Bale	Rs./Candy	USD Cent/lb
19481	40750	**76.16**

Domestic Futures Price (Ex. Gin), March

Rs./Bale	Rs./Candy	USD Cent/lb
20490	42860	**80.10**

International Futures Price

NY ICE USD Cents/lb (March 2017)	73.19
ZCE Cotton: Yuan/MT (January 2017)	15,120
ZCE Cotton: USD Cents/lb	**83.82**
Cotlook A Index – Physical	**81.95**

Cotton & currency guide: No major change in the domestic cotton price trend. The spot cotton continues to trade steady near Rs. 41200-41300 per candy in major trading centers of India. Therefore, the future contract is holding steady to positive. The most active January future trades at MCX has ended the session on Tuesday at Rs. 20,200 per bale almost unchanged from the previous close. From the fundamentals front the market is steady. The daily average arrivals are around 150-155,000 bales including 35,000 from Gujarat and 55,000 from Maharashtra. With a slightly stronger rupee, the equivalent value is approximately 77.30 US cents per pound. Punjab J-34 has edged higher, to be placed at Rs. 4,390 per maund (Rs. 78.40 cents per lb).

In the meanwhile, global cotton is trading steady in last three trading sessions post it made a high of 75 cents per pound. On Tuesday the ICE March future for cotton managed to trade marginally positive to end the session at 73.19 up by 20 points from the previous close. However, overall we see market is quite. From the trading perspective ICE traded volume on Tuesday was relatively lower than the previous year and stood at 26,300 contracts. Total open interest increased by 1,197 contracts to 262,699, which was above its last reported eight and a half year high of 262,059 contracts. March 17 interest decreased by 1,045 contracts to 175,572 while both May 17 and July 17 increased by 492 and 1,585 contracts to 43,098 and 22,271 contracts, respectively.

Overall we expect cotton price to trade sideways on today's trading session. From the price perspective the ICE cotton is expected to trade in the range of 72.70 to 73.60 cents per pound. At the local trend the market is expected to trade sideways and move in the price band of Rs. 20300 to Rs. 20100 per bale.

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

NEWS CLIPPINGS

INTERNATIONAL NEWS

China: Xinjiang aims for 100,000 new textile jobs in 2017

Xinjiang Uygur autonomous region, a major cotton production base in Northwest China, is aiming to create more than 100,000 new textile jobs in 2017, through intensive processing projects such as garment manufacturing.

Yin Xiaodong, an official in the region's textile industry, said Monday that the number would account for two-thirds of planned new jobs in the region's industrial sector in 2017, or a quarter of all new jobs.

A total of 112,300 workers were newly recruited in the textile sector in the region in 2016, which accounted for over 50 percent of new industrial employment in the region, Yin said.

According to figures released at the regional conference on economy and information technology last week, total investment in the textile sector reached nearly 65 billion yuan ($9.39 billion) in 2016. Annual cotton spinning capacity was 15 million spindles, up 150 percent year-on-year.

Yin estimated investment in the industry in the past three years exceeded 90 billion yuan, equivalent to the total from 1978 to 2013.

Xinjiang produces about 60 percent of China's raw cotton.

The State Council issued a guideline in June 2015, which supported the textile and garment industry in Xinjiang and hoped to increase local employment and boost exports.

Source: chinadaily.com.cn– Jan 10, 2017

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Sri Lanka will soon receive EU GSP+ status: President

Sri Lanka will soon receive Generalised Scheme of Preferences Plus (GSP+) status of the European Union, marking a significant turning point for the country's industrial and export sectors, President Maithripala Sirisena has said. The GSP+ trade concessions are linked to the country's compliance with human rights and labour rights conventions.

"Our agreements with the countries, businessmen, investors and international organisations are very open. The current government is honestly committed to the development of the country," Sirisena said at a ceremony to open the newly built bridge in Halloluwa, Dodanwala, Kandy.

He added that during the last two years the present government was able to build friendship with all the countries in the world, eliminating many hindrances which halted the forward drive of the country.

Sri Lanka lost the GSP Plus status in 2010 due to the United Nations Human Rights Council (UNHRC) alleging violations of human rights during the civil war. Subsequently, when the EU evaluated Sri Lanka in 2014 it found that the country was not adhering to 3 of the 27 international covenants that a country must abide to qualify for the consideration of GSP Plus.

However, last year, the European Council said it welcomed the significant advances made by Sri Lanka since the presidential elections held in January 2015 to restore democratic governance, initiate a process of national reconciliation and re-engage with the international community and the United Nations system.

Apparel account for 46 per cent of Sri Lanka's exports to the EU. So, soon after Sirisena's announcement, stocks of two leading garment companies, MGT Knitting Mills and Teejay Lanka, became active on the Colombo Stock Exchange (CSE).

Source: fibre2fashion.com– Jan 10, 2017

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France: Texworld Paris begins Feb 6 with 730 exhibitors

The 40th Texworld Paris show begins February 6-9, 2017 with 730 exhibitors, with this number showing an increase, particularly due to the return of previous exhibitors, who missed several recent shows.

Turkey, with 87 exhibitors, remains the second most represented country after China, followed by South Korea with 71 exhibitors and India with 53 exhibitors.

Taiwan with 26 and Pakistan with 19 bring up the rear of the top five exhibiting countries. In addition the 2017 edition will also see companies participating from new countries.

Elite, a segment dedicated to customised solutions will see 21 exhibitors, a majority of whom played a key role in setting up this zone, for specialist offers that are adapted for European markets.

Texworld will also host the Frankfurt Style Award, an international fashion competition to promote young designers.

There will also be a series of lectures discussing the latest developments in the sector, catwalk shows and the Trends Forum.

Source: fibre2fashion.com– Jan 10, 2017

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Alibaba to help US small businesses export to China

E-commerce giant Alibaba will help US small businesses sell products to China, the world’s largest consumer market, and Asia, especially Southeast Asia, through its platform. The company already enables approximately 10 million merchants, including US companies and farmers, to sell to over 450 million Chinese consumers on its online platform.

After his meeting with US president-elect Donald Trump in New York, Alibaba executive chairman Jack Ma said, “We talked about supporting one million small businesses to sell on our platform to China and Asia, especially Southeast Asia, where we are pretty big.”

After the 40-minute meeting, Trump said, “We had a great meeting...and (he’s) a great, great entrepreneur, one of the best in the world, and he loves this country, and he loves China.”

China is attractive for small US companies due to the country’s huge market, its rising consumption and an increasing fondness for American products among China’s young population.

Ma said the two shared “ideas about how we can improve trade”. “I told him my ideas about how to improve trade, especially to improve small business, cross border trade.”

“We specifically talked about ... supporting 1 million small businesses, especially in the Midwest of America. Small businesses on the platform selling products -- agriculture products and America services - to China and Asia,” he said.

Source: fibre2fashion.com – Jan 10, 2017

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Pakistan weavers demand level playing field

The Pakistan weavers association said suppliers of goods to textile exporters have been massively impacted due to indiscriminate policies of the government. It added that, while exporters were eligible to import yarn at zero per cent duty and do not need to pay income tax and sales tax, they were subjected to 15 per cent custom duty and income tax.

Asif Siddiq, patron-in-chief of Pakistan Weaving Mills Association informed that due to shortage of cotton and yarn, the Pakistan weaving industry was dependent on imports of yarn from various countries and had to pay import duty on the same.

“This has resulted in indirect exporters being thrown out of the market and so the government needs to immediately create an even playing field between direct and indirect exporters,” Siddiq observed.

“He also added that the much awaited Textile Package to be announced by the government should include these demands,” Pakistan media reported.

Source: fibre2fashion.com – Jan 10, 2017

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USA: Textile and Apparel Imports Plummet as Shipments from Southeast Asia Tumble

The Department of Commerce's Office of Textiles and Apparel reports that monthly imports of cotton, wool, manmade fiber, silk blend, and non-cotton vegetable fiber textile and apparel products totaled 5.14 billion square meter equivalents in November, down 9.5 percent from October but up 7.3 percent from November 2015.

Country	Nov. imports (SME)	Monthly change (%)	Year-on-year change (%)
China	2.50 billion	-15.5	+8.2
India	423.5 million	+3.8	+15.4
Vietnam	345.5 million	-20.0	0
Pakistan	218.9 million	+16.1	+11.9
Mexico	198.6 million	-2.8	+8.4
Bangladesh	152.1 million	+1.9	+17.5
Indonesia	135.7 million	-6.0	+6.3
South Korea	115.7 million	-15.0	+1.3
Honduras	101.7 million	+15.4	+11.5
Canada	89.2 million	-0.1	-1.7

Textile imports totaled 3.10 billion SME, down 3.4 percent from October but up 10.0 percent from the previous year, while apparel imports of 2.05 billion SME were down 17.0 percent from October but up 3.3 percent from a year earlier.

Total year-to-date imports were 58.1 billion SME, down 1.2 percent from the previous year, as textile imports fell 1.4 percent to 33.2 billion SME and apparel imports lost 1.0 percent to 24.9 billion SME.

For the year ending in November, imports of textiles and apparel totaled 62.8 billion SME, down 1.1 percent from the same period a year earlier, as textile imports dropped 1.5 percent to 35.8 billion SME and apparel imports fell 0.6 percent to 27.0 billion SME.

With respect to specific sources, imports of textile and apparel products (except cotton and silk blend textiles) saw the following changes in November.

Source: strtrade.com - Jan 11, 2017

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55 Pakistani companies to participate in Heimtextil Frankfurt under TDAP

The Heimtextil exhibition in Frankfurt starts today with a large increase in the number of exhibitors and all indications suggesting that the new furnishing season will be a good one.

The exhibition has seen not only a growth in its exhibition space, but also in the number of home textile exhibitors. Heimtextil is by far the largest event of its kind in the world.

Pakistan will have 219 exhibitors, out of which 55 exhibitors are participating under the Trade Development Authority of Pakistan. This will make Pakistan the 4th largest country at the show behind Germany, China and India. The Pakistani Ambassador to Germany Jauhar Saleem will also be visiting the show.

With regards to home textiles, consisting of bed sheets, towels and kitchen linen, Pakistan has a very strong position in the textile market. The biggest country with regards to home textiles in the exhibition is Pakistan. Premium exhibitors like Gul Ahmed, Kamal, Sapphire are participating in the exhibition.

This year, the number of exhibitors from European countries has increased. Another highlight of the show is the attendance of delegations of students from Asian Institute of Fashion Design and Textile Institute of Pakistan.

Over 2000 trade visitors from Pakistan are attending Heimtextil Frankfurt 2017. Klaus Gunether, a textile buyer who has been visiting Pakistan since the 70's, expressed very positive views about Pakistan to media.

He said, "Pakistan has a unique place in the heart of textile buyers. We know the entrepreneurs are very pro-active and reliable." Gunether said that him and his associates were satisfied with their dealings with Pakistani businessmen and were happy that Pakistani companies have introduced new trends in 2017.

Source: dailytimes.com.pk - Jan 10, 2017

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Incentive package to boost Pakistan's competitive edge

Textile exporters have described the government's Rs180-billion incentive package for export-oriented industries as very positive that will cushion the declining exports of the country.

"The ball is now in our [textile exporters] court, the government has done what it should do," said Ziad Bashir, Executive Director of Gul Ahmed Textile Mills, one of the country's largest composite textile mills.

The package, announced by the prime minister on Tuesday, would have a very positive impact on textile exports, he said, believing it would take some time like four to six months before the favourable impact started reflecting in the country's exports.

Analysts point to the declining competitiveness of Pakistani exporters against regional peers while citing the rationale behind the announcement of the package.

The cost of doing business including gas and power tariffs, gas infrastructure development cess (GIDC), sales tax and high value of the rupee against the dollar has put pressure on export sectors in general and textile in particular.

"The package is very good for textiles, though its announcement had been due for over two and a half months," former All Pakistan Textile Mills Association (Aptma) chairman Yassin Siddik told *The Express Tribune*.

The measures announced in the package would bring the cost of production down and eventually increase the competitive edge of exporters in the international market, he added.

He, however, decried that the government's recent decision to withdraw the reduction in gas prices would not bode well for the textile industry.

According to AKD Research, initial information suggests that the package includes higher rebates in the range of 4-7% on freight-on-board (fob) value of different textile products (4% on yarn, 5% on fabrics, 6% on made-ups and 7% on garments). Under the current policy, rebates are allowed on incremental exports, ie, if export growth exceeds 10%.

Moreover, 4-5% duty/sales tax on cotton imports and general sales tax on the import of textile machinery have been removed under the package.

Source: tribune.com.pk - Jan 11, 2017

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Forbes: five engines guarantee Vietnam's economic growth in 2017

The US magazine Forbes said Vietnam can meet its target of 6.7 percent GDP growth in 2017 thanks to five engines, including its resources and trade agreements with other nations.

The magazine cited Oscar Mussons, international business advisory associate with the DezanShira& Associates consultancy in Ho Chi Minh City, as saying that firstly, Vietnam keeps giving foreign companies reasons to invest thanks to its lower tariffs under the trade deals and clear rules on foreign investment.

In 2017, Vietnam will start to "collect the fruits of having a more structured and competitive business legislation, which is having an impact on attracting more FDI and also helping Vietnam become one of the major manufacturing hubs in the world," he said.

Secondly, Vietnamese are getting richer and spending more, the magazine said, noting that the country's middle class will double by 2020 to 33 million people. Wages are rising along with a boom in jobs linked to growth in export manufacturing.

Meanwhile, factory work is moving up in value from traditional industries. Electronics are replacing traditional industries such as garments and shoes.

High-tech's share of total exports from Vietnam reached 25 percent in 2015 from 5 percent in 2010 and kept going last year with no signs of abating now.

The fourth factor is private business, which is expanding, particularly in garment and textile and export-oriented production. A boom is seen in beer and startups in media, entertainment and online payments. The localised venture capital funds also gave startups better access to funding.

Finally, Vietnam already takes part in 16 free trade agreements (FTA), including those with economic powerhouses such as China and Japan.

The country is also on the list to join a Chinese-championed Regional Comprehensive Economic Partnership trading group that would encompass 30 percent of the world's GDP.

Statistics of the Vietnam General Statistics Office showed the national economy expanded around 6.21 percent in 2016. The figure is expected to hit 6.7 percent in 2017.

Source: vietnamnet.vn - Jan 10, 2017

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NATIONAL NEWS

Govt to pay interest on loans of spinning mills in Maharashtra

The Maharashtra government today gave its approval for payment of interest on loans borrowed by the state cooperative spinning mills from the financial institutions or the National Development Corporation for a period of five year.

It has also decided not to re-adjust interest received by yarn mills on the government's capital investment.

According to an official release issued here after the cabinet meeting, the State Govenrment has provided financial assistance to 130 spinning mills that includes 109 in general category and remaining 21 in backward category.

As per the Government's decision taken in February last year, major cotton-producing districts like Jalgaon, Yavatmal, Aurangabad, Jalna, Parbhani, Amravati and Nanded will be given 80 per cent financial assistance and remaining will get 20 per cent assistance from Government.

Due to economic slowdown in last three years, the spinning mills were facing financial problems, therefore, Government decided to give them financial assistance, it added.

Source: uniindia.com – Jan 09, 2017

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No mandi, cotton growers go for distress sale

The cotton farmers of Ganjam district are in a Catch 22 situation.

After several years of wait, they reaped a good harvest but absence of mandis has posed difficulties in selling the produce. Though the district administration had last month assured to open mandis, it is yet to do so leaving the cotton farmers in a fix. Many of them who have availed loans are the worst hit.

Most of the farmers had borrowed money from different sources for their crop and harvested a much better yield than previous years. Sources said, cotton was cultivated in 1516 hectares in Gosani, Gumma, Rayagada and Kasinagar blocks.

Even as they are struggling to recover the input cost by disposing of the crop at cheaper prices, limitation of withdrawals after demonetisation has put brakes on their plans.

Like every year, traders from Andhra Pradesh procured cotton at Rs 4,500 per quintal from the growers here and paid them in cheque instead of cash, which was a practice earlier. But, the farmers are reluctant to accept the cheques as they have to travel long distances to encash and moreover will not be able to draw more than Rs 24,000 a week.

Andhra Pradesh traders paid us in cheques and now we are facing hardship in encashing those, said Trinath Sahu of Buradanga village in Raigada block."I borrowed money to raise the crop, but due to cash crunch, I am unable to engage labourers to pluck cotton," said Netra Behera.

Behera said he sold eight quintals of cotton to Andhra traders, who took the stock from his doorsteps and paid through cheque. Now, I have to wait in queue for long hours in banks to get a part of my money," he added.

District Collector Sudhansu Mohan Samal has reportedly directed the District Agriculture Officer Bijay Kumar Pradhan to initiate measures to purchase cotton from farmers immediately.

Source: newindianexpress.com– Jan 10, 2017

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Welspun initiates digitisation drive for its workers

Welspun Group, India's largest textile conglomerate, has initiated the country's biggest digitisation drive involving 15,000 of its workers using the RBI's Unified Payment Interface (UPI) to promote cashless economy. In a mass event, 500 workers of the firm installed the UPI app and will further be trained on using the application for online transactions.

At the event held at the Anjar plant, and presided by Dr Kavita Gupta, IAS, textile commissioner, the Welspun team demonstrated the usage of the application in making purchases, transferring money, paying tuition fees and utility bills. Welspun will further initiate the rest of 14,500 workers to the digital application in the coming weeks.

Besides the UPI app, the three-day camp saw Welspun workers being made aware of other digital mode of payment systems such as Unstructured Supplementary Service Data (USSD), prepaid wallets, cards, Point of Sale (PoS) and Aadhar enabled payment transfer system among others.

"We should at least make a beginning, once we start, we will move ahead with great ease. Twenty years ago, who would have thought that so many mobiles would be in our hands. Slowly we cultivated a habit and now we cannot do without a mobile. May be a cashless society will assume a similar form. But the sooner this happens, the better it will be," said Gupta.

Following demonetisation, there has been a rise in digital payments across the country and both the volume and amount of money transacted through digital methods has increased, said the company in a statement.

"Welspun Group's digitisation drive comes in the backdrop of Prime Minister Narendra Modi's two prestigious projects – Economy Digitisation and Vibrant Gujarat.

The drive will bring around 15,000 Welspun workers into the fold of the cashless economy, empowering an equal number of families and opening up a future of digital lifestyle.

It is an important start and we are thankful to the textile commissioner for her initiative and support," said Rajesh Mandawewala, group managing director, Welspun Group.

Source: fibre2fashion.com- Jan 10, 2017

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Over 100 million customers to shop online in '17: Study

The rise of digital natives, better infrastructure in terms of logistics, broadband and internet-ready devices to fuel the demand in e-commerce will result in an increase in online shoppers from 69 million in 2016 to over 100 million in 2017, says a recent study. Bangalore was the leader of online shopping in 2016 with Mumbai and Delhi following closely.

In Bangalore, 69 per cent of the population chose to buy daily routine products through e-shopping in 2015-16, which is likely to increase to 75 per cent this year for various categories including apparel and sporting goods, according to a joint study by The Associated Chambers of Commerce & Industry of India (ASSOCHAM) and Resurgent India.

About 65 per cent of the people in Mumbai shopped online and this number might go up to 70 per cent this year for various categories including apparel and apparel gift certificates. Close to 61 per cent of the total population of Delhi shopped online for daily routine products last year and this number is expected to rise to 65–68 per cent by the end of 2017, states the study.

Indian e-retail increased by 48 per cent from $3.59 billion in 2013 to $5.30 billion in 2015 and it is expected rise by 65 per cent to touch $17.52 billion by the end of 2018, according to the ASSOCHAM-Resurgent joint study.

M-commerce already accounts for 30-35 per cent of e-commerce sales, and its share will jump to 45-50 per cent by 2017 as more companies shift towards it. There was a surge in the number of people shopping on mobile across India with tier II and III cities displaying increased dominance. About 50 per cent of the traffic came from mobile and a majority of them were first time customers, adds the paper.

Online shopping has been embraced by Indians with 25-30 million adults making a purchase via the internet in the last year. Early teens are also becoming more involved with e-commerce.

Apparel is one of the few categories that account for the bulk of India's e-commerce sales. On an average, about 85 per cent of the amount spent on e-commerce was for apparel, says the study.

The total retail sales in India will increase from the $717.73 billion during CY 2014 to $1,244.58 billion by 2018, as per the joint study. Growing at an impressive rate of 15 per cent, the Indian retail sector is registering a double digit growth figure year after year.

The e-commerce sector also faces some challenges that include absence of e-commerce laws, low entry barrier leading to reduced competitive advantages, rapidly changing business models, urban phenomenon, shortage of manpower and customer loyalty.

The opportunities for the sector include reduction of money transactions in all sectors, improvement of net banking facilities across the country, implementation of demonetisation policy and government's policies on banking and financial sectors, notes the study.

Source: fibre2fashion.com– Jan 10, 2017

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UK should invest time into FTA with India: Report

Britain should prioritise free trade agreements with key Commonwealth nations like India following Brexit, says a new report released today

The report by the UK's Free Enterprise Group suggests a five-step plan for the UK as it gets ready to leave the EU, which begins with striking pacts with the Commonwealth's open economies of Australia, Canada, Singapore and New Zealand to secure Free Trade Agreements (FTAs) in time for Brexit.

As a second step, the UK should pursue an FTA with India.

"The UK's largest Commonwealth export destination [India] is a prize worth pursuing. Significant time should be invested by the UK into a trade-only deal.

However, this will take time. Australia, Canada and New Zealand are all in the process of FTAs with India that have already taken five to six years," the report notes.

'Reconnecting with the Commonwealth: The UK's free trade opportunities' co-authored by Conservative party MP James Cleverly and Tim Hewish, executive director of Commonwealth Exchange, highlights the importance of shared language, common law tradition, diaspora networks, and historic cultural links with countries like India as a key to forming new ties following Britain's exit from the 28-member economic bloc.

"The best way to ensure that free trade has few losers, even in the short term, is to begin with much freer trade between likeminded countries with comparable standards of living.

Free trade agreements with economically advanced Commonwealth countries are the obvious place for Britain to start," says former Australian Prime Minister Tony Abbott in his foreword to the report.

"The government must a publish a plan to utilise the 'Commonwealth Advantage' and build our trade links with the Commonwealth. A market of 2.3 billion people and some of the fastest growing economies in the world is too big an opportunity to ignore," adds Cleverly.

The report says the UK is the largest EU goods export destination for numerous Commonwealth countries such as India, Australia, Canada, New Zealand and South Africa.

It is also the second largest for Bangladesh, Kenya, and Papua New Guinea, providing a strong motive for Commonwealth countries to form trade deals with the UK.

Source: economictimes.com - Jan 11, 2017

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Inclusion of Khadi in MNREGA will boost employment, help MSMEs as well: Textile Industry

With an endeavour to train unskilled work force and help them earn more, the Khadi and Village Industries Commission (KVIC) has sent a proposal to the Central Government seeking inclusion of Khadi in MNREGA.

Vinay Kumar Saxena, Chairman, KVIC, recently told media that the proposal has been sent to the Centre.

He said proposal is sent not only to have more artisans under the scheme but also to make unskilled workers earn more through them. These artisans will train the 5.40 lakh unskilled workers before involving them in Khadi production, thus helping them raise their annual income from Rs 20,000 to Rs 73,000.

Talking to KNN, National President of the Textile Association (India) Arvind Sinha said the move will generate employment and enhance skill development amongst youth.

He said the move will not only help the workers but in the long run will be very fruitful for the textile industry especially the micro, small and medium enterprises (MSMEs).

It will also help enhancing technology in the related sectors, Sinha added.

National Rural Employment Guarantee Act 2005 (or, NREGA No 42) which was later renamed as the "Mahatma Gandhi National Rural Employment Guarantee Act" (or, MGNREGA), is an Indian labour law and social security measure that aims to guarantee the 'right to work'.

It aims to enhance livelihood security in rural areas by providing at least 100 days of wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

Source: knnindia.co.in- Jan 10, 2017

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Here's why the garment industry is upbeat despite demonetization

One of the boldest moves taken by the Government of India in the history of Indian economy was the pulling out of circulation, high value currency notes – Rs 1,000 and Rs 500 – with effect from November 8, 2016 midnight. While the policy has received mixed reactions from all sectors of retail, one segment which was affected badly – but bounced back with aplomb – was the garment business across value chains.

Experts unanimously feel that the decision will benefit the organized segment in the industry though many unorganized players and firms, working unethically, will face pressure to comply.

Demonetization had a tremendous impact on disposable incomes and hence consumer spending waned, resulting in a dip in the domestic demand for apparels and other end-products of the textile industry in the immediate term. The resulting inventory accumulation has caused deferring of purchase from apparel manufacturers (focused on domestic market) in the near term, besides resulting in stretched payments. This further effected he cash flow of the textile industry and is likely to drive a constraint in the demand for the entire value-chain.

Managing Director, Creative Lifestyles and President, CMAI, Rahul Mehta says, "Most brands and retail outlets reported a 40 to 60 per cent drop in sales from the previous weeks. But after November 20, businesses started picking up. In the first week of December, the drop has come to -5 per cent. Most of the brands and retailers introduced various promotional schemes or attractive discounts to counter this demonetization effect.

With this the immediate sales have picked up and things have quite stabilized now. However, neither the retailers nor brands can sustain this for a very long period. We definitely believe that the apparel sales will be impacted for the next three to six months by at least 10-20 per cent."

International brands that form a large mix of the domestic apparel business in India are also feeling the heat. Commercial Director, Benetton, Sumeet Soni says, "The impact is at both ends — production and consumers. In production, as large part of the industry is still unorganized and lot of activities are subcontracted which are getting impacted due to cash crunch.

It has also compelled consumers to pull the plug on spending. The way of doing business, largely cash dependent, has impacted the inflow of products. This in turn has delayed the Spring/Summer 2017 deliveries."

Director, Turtle, Shitanshu Jhunjhunwala believes that plastic money and other modes of payment has still kept fashion retail alive and things will be back to normal very soon.

"The Indian garment business relies on a lot of cash transactions and the demonetization has brought in a conservative spending sentiment, for which there might be a slight dip in the sales over the next one or two quarters. However, the impact should normalize in the long term and this move would be beneficial for the organized retail sector. The impact is felt more by the small traders and the unorganized retailing segment who rely more on cash trading and sales.

Some sectors like jewellery and the luxury segment have been impacted more than mid-premium and mass segments and will no doubt take a longer period to revive. However, the use of plastic money and transactions through online payments will continue to increase consumer spend in the retail market," he said.

Demonetization has definitely triggered a rapid growth in card transaction, as Chief Operating Officer, Spykar, Sanjay Vakharia says: "For the first few days, there was an impact on sales. If I speak on my brand's perspective, it went out pretty well for us. Our debit and credit card transactions have increased a lot. I really do not see that our business has dropped dramatically. But the percentage of sales drop for an organized player like us in comparison to an unorganized one very different. However the situation is bound to improve very soon."

A lot of organized players stood in support of the note ban since they felt that an overhaul of the complete cash economy was required before the GST comes into force.

Director, Klix, Ankur Gadia says, "Demonetization was required; its a systematic approach by the Government. The honourable Prime Minister has also brought in GST which will be applicable soon. Once this happens, people who have organized business and do transactions on invoices, will definitely benefit from this step.

The panic among every one of us is a short time affair and will definitely normalize within a few days. The business in the apparel sector has been hit by 30-35 per cent at the retail counter. This is obvious when demonetization has taken place, people will first spend on food and other utilities and then think about spending on garment. If we look at the ethnic sector, it has been hit badly as the news has come during the wedding season."

The garment industry in India is versatile and has diverse players and will quickly absorb the move, Managing Director, Vitamins, Mansukh Nishar one of the leading players in the kidswear segment feels.

He says, "It's a short term problem. The drawing limit for withdrawal has hit the retail segment hard. Shops without credit card machines are suffering. India was used to almost 90 per cent cash for buying essentials, including clothes. I feel that the effects of demonetization will continue for another three months, indirectly effecting the upcoming summer 2017 season due to slow movement across retail channels. I also feel this move will motivate many unorganized players to shift to the organized sector."

Dip in Footfalls and Sales Chart

From the long term perspective, demonetization of Rs 500 and Rs 1,000 notes is definitely a positive move by the Government, feel most apparel retailers.

Director, Phoenix Marketcity, Pune, Rajiv Malla says, "The impact on the retail sector will be short termed due to sudden cash crunch and general public sentiments. Post the announcement, we have witnessed a decline of around 5 per cent in the footfall and close to 7-8 per cent impact on overall sales.

However in the last few days, we have seen things getting back to normalcy with circulation of newer currency notes in the system.

Also from the overall retail industry perspective, the impact will be less on the organized sector as compared to the unorganized retailing segment, as the former offers more payment options to consumers like e-wallet, cards and other digital payment modes. We anticipate the Indian retail industry to be robust and growth-oriented in the long run."

Turtle initially registered a major dip around 30-40 per cent. But Jhunjhunwala takes on an optimistic approach and says, “With the winter season and marriage season in full swing, we see an increment in sales in our outlets. Our target consumer base is more comfortable in making payments via plastic money and e-wallets.”

Benetton, one of the most popular international brands in the country discloses the consumer behavioural shift witnessed among their consumers. Soni defines it as saying, “There are low walk-ins as the purchases are being restricted to bare necessity, there is a certain amount of consciousness on spending therefore the consumers are not buying additional units.”

Head Marketing, Pepe Jeans, Neha Shah adds, “The day after the announcement was made, a 49 per cent sales dip was reported. To reduce this number, we introduced an initiative wherein we offered an extra 5 per cent off on use of credit cards. This strategy helped us to narrow the dip to 25 per cent currently. We are anticipating the dismal sale environment to continue until February-March. In the long run, the move of demonetization coupled with GST will result in positive growth of the brand.”

Long Term Future of This Step

Mehta talks on some key insights on demonetization and its future for the garment industry as he says, “When we reduce the cash supply in the industry and the market, we have to understand the fact that ours is cash oriented economy.

Apparel industry also largely is dictated by the cash transactions. So even in organized modern retail 40-50 per cent of the transactions were in cash and the balance was through electronic transactions like credit or debit cards. There was a certain element of discretionary spend in the garment industry which is likely to get impacted.”

Soni shares a complete understanding saying that the demonetization will have a short term impact and in the medium to long term, there could be positive impacts basis the following assumptions:

Lower interest on borrowing and lending due to additional/surplus funds being available with the banks:
1. Would increase the disposable income for large part of the population.
2. It would desist people from blocking funds in banks either in savings or fixed deposit accounts.

Relief in income tax, without impacting the overall collection to the kitty: This move could bring more people under the ambit of income tax and with enough liquidity in the system, the government might give relief by way of increasing the slabs for income tax, thereby providing higher disposable income to the people.

This along with GST would lead to ease of business and thereby lead to growth and higher GDP.

Higher investment by the government would lead to growth of the economy: As there would be enough liquidity in the system, the government would encourage both public and private partnership and spending in infrastructure and development which would lead to growth of the economy.

Conclusion

It so seems that although the demonetization policy did have an immediate impact in the garment industry and its value chains, it's fairly clear that the impact will be short termed, at least for the organized sector, only triggered due to sudden cash crunch and general public sentiments. But, the impact has largely hit the small scale manufacturers who were producing for the majority of the population.

The organized ones are only hit with current season in flow and confusion about the upcoming season and its sales. Also, among the organized market itself, a few sectors like jewellery and the luxury segment have been impacted more than the mid-premium and mass segments and will no doubt take a longer period to revive.

The ethnic segment has also been hit badly as the news came just at the helm of the wedding season. Overall, the garment industry in India is versatile and has diverse players and will quickly absorb the move.

Source: indiaretailing.com- Jan 10, 2017

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Knitwear units seek lower GST slab

Tirupur Exporters' Association (TEA) has placed a number of measures before the Union textile ministry, including keeping the industry under lowest slab of GST, rebate on state levies, labour law reforms and setting up of knitwear board, among other things.

At a meeting held with textile minister Smriti Irani in New Delhi, the association president Raja M Shanmugham said because of its MSME dominant nature and the slender margins in which the textile industry was operating, the entire textile sector may be placed in the lowest slab of the GST so that industry can absorb the levy without any significant impact on the business.

In his memo to the minister, he also said that there is a long pending problem whereby job workers are being denied the issue of EPCG licences for capital goods imports.

Despite repeated representations and even after the issue of clarificatory circular way back in September 2016, this issue is still unresolved. There is an urgent need to resolve this issue so as to reinstate climate of investment in micro and small industries that has shelved investment plans for more than 18 months now, he said.

The benefits announced in the special package in June 2016 including rebate on state levies, EPF benefits for new employment are yet to be passed on to the exporters.

Optional ESI/EPF contribution for employees below a certain threshold minimum wages as indicated in Para 61 and 62 of Budget Speech of 2015 that is yet to be implemented through an amendment in PF and ESI Acts may be expeditiously given effect, he pointed out in his memo.

According to him, successful textile clusters may be empowered with adequate industry infrastructure facilities such as 'World class design studio', 'research and development centre' and 'incubation centre for technical textiles' so as to facilitate rapid growth of not only the existing textile verticals but also enable them foray into niche segments creating quantum growth opportunities to the industry.

He further said that as a permanent solution to the problem of lack of interface between government and the industry, a focused and dedicated agency similar to 'Silk Board' or 'Coir Board' to be formed specifically for the knitwear sector which can serve as a catalyst for rapid growth of this industry segment.

Textile industry contributes about 4% to the country's GDP, 14% of the industrial production and 17% to export earnings.

Source: financialexpress.com- Jan 11, 2017

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Outlook remains bullish for cotton

Cotton prices have begun the New Year with a bang. After being stuck in a narrow range all through December, cotton prices broke above a key resistance point by surging higher.

The cotton futures contract traded on the Multi Commodity Exchange (MCX) is up about 6 per cent and is currently trading near ₹20,120 per bale.

Cotton prices were on a strong downtrend in the second half of 2016.

The MCX cotton contract recorded a peak of ₹23,990 in July and tumbled to a low of ₹18,270 in November.

However, the downtrend halted at this low and reversed higher from there. After consolidating in a sideways range in December, the prices have resumed their upmove.

Along with restricted arrivals, the Cotton Corporation of India's decision to purchase at market price from various parts of the country has also aided this price reversal.

The recent rally eases the downtrend that was in place between July and November last year and also signals a trend reversal.

Medium-term view

The outlook is bullish. The 21-day moving average is turning around and is signalling a cross-over above the 200- and 100-day moving averages in the coming days.

This strengthens the bullish view and suggests that the downside could be limited in the short- term.

There is strong support in the ₹19,500-₹19,200 band. Though an intermediate dip to test this support region cannot be ruled out, a break below this support zone is unlikely.

Immediate resistance is at ₹20,443. A strong break above this hurdle can take the contract higher to ₹21,120 — the 50 per cent Fibonacci retracement resistance point.

Traders with a medium-term perspective can make use of dips to go long near ₹20,000. A stop-loss can be placed at ₹19,350 for the target of ₹21,000.

Accumulate longs on dips near ₹19,500.

Revise the stop-loss higher to ₹20,150 as soon as the contract moves up to ₹20,650.

Source: thehindubusinessline.com- Jan 11, 2017

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