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USD 68.09 | EUR 72.48 | GBP 82.30 | JPY 0.60

Cotton Market Update

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

Rs./Bale	Rs./Candy	USD Cent/lb
19433	40650	**76.17**

Domestic Futures Price (Ex. Gin), March

Rs./Bale	Rs./Candy	USD Cent/lb
20080	42003	**78.71**

International Futures Price

NY ICE USD Cents/lb (March 2017)	72.27
ZCE Cotton: Yuan/MT (January 2017)	14,990
ZCE Cotton: USD Cents/lb	**84.15**
Cotlook A Index – Physical	**81.60**

Cotton & currency guide: The US market was shut on Monday. At the domestic front the cotton price traded slightly lower. The spot price declined to Rs. 41,150 per candy down by Rs. 350 from the previous close. The effect was clearly visible on the futures prices. The most active January future trades at MCX ended the session at Rs. 19780 down by Rs. 210 from the previous close.

From the spot front the Shankar-6 variety traded down amid steady arrivals. Nationwide, daily seed cotton arrivals are estimated at roughly 155,000 lint equivalent bales (170 kgs), including 40,000 from Gujarat and 60,000 from Maharashtra.

This morning ICE cotton is seen trading steady at 72.29 cents no major change from the previous close and the ZCE cotton is at 15075 merely up by 0.20%. We believe on today's trading session cotton price across the globe may remain steady to lower. At the domestic market the future contract is expected to trade in the range of Rs. 19500 to Rs. 19850 per bale and expect price to correct on today's trading session. Intraday traders may plan to sell the futures contract on today's trading session.

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

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INTERNATIONAL NEWS

Vietnam garment companies plan new paths for expansion as TPP fades

With Mr Trump on his first day in office vowed to scrap the TPP deal, Vietanamese textile and garment companies charting new paths for expansion. Than Duc Viet, deputy general director of Vietnam's Garment 10 the state run textile company said that if TPP falls through, they can always look to Europe or South Korea. After all, they haven't been making all improvements just for the TPP.

Mr Duc referring to the Trans-Pacific Partnership, a comprehensive, 12-nation trade pact that would have given Vietnamese exports easy access to a vast market. While this is a setback for Vietnam's industrial policy, resourceful companies already have their own plans for going global well underway.

Garment 10, commonly known as Garco 10, is a symbol of Vietnamese industry. The company is taking the likely failure of the TPP in stride, confident that the improvements Mr Duc referred to will serve it well.

The garment maker's main factory, now staffed with 400 workers, is the very embodiment of continuous improvement to boost productivity.

The company has also invested in physical capital. Affixing buttons and ironing, tasks previously done by hand, were automated in 2014, more than doubling productivity. A year later, an automated distribution system was put in place on a dress-shirt line to deliver to each worker exactly the number of garments that he or she can effectively handle. Both are state-of-the-art technologies in Vietnam.

At Garco 10, productivity has risen consistently, leading to higher output and greater quality even as the number of employees stays the same.

As an alternative to TPP nations, Garco 10 is setting its sights first on South Korea. A free trade pact between Vietnam and South Korea took effect in December6 2015. Next is the European Union, which is slated to have a functioning free trade agreement with Vietnam by 2018.

Vietnam has trade agreements with more than 10 economies, including Australia, Chile and the Asean Economic Community, which links the country to fellow members of the Association of Southeast Asian Nations. Unlike the TPP, these deals do not include rules of origin for products and materials, so exporters can compete on quality alone, Mr Duc said.

This means vast opportunities for Vietnam's textile industry, which combines low wages and high quality.

Source: yarnsandfibers.com– Jan 16, 2017

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Germany: Over 70,000 trade visitors participate in Heimtextil 2017

Close to 70,000 trade visitors from across the world attended the recently concluded Heimtextil 2017, the leading trade fair for home and contract textiles in Frankfurt, Germany. A total of 2,963 exhibitors from 67 countries presented their new textile products and designs and growth was driven primarily by Brazil, China, UK, Italy, Japan, Russia, US and UAE.

“The figures speak for themselves - Heimtextil grew once again in 2017 in terms of its visitor and exhibitor numbers. I am especially pleased about the high quality of the products exhibited as well as the intensity of discussions between purchasers and exhibitors. Frankfurt is the international meeting place and beating textile heart of the interiors industry,” said Detlauf Braun, CEO of Messe Frankfurt.

Visitors consider the sector’s economy to be in a better place even than last year. Visitors from Germany in particular consider the situation to be good. “The feedback from our visitors was thoroughly positive and we were able to acquire both export and domestic contacts.

We will be leaving this Heimtextil with a good feeling and look forward to returning next year,” said Andreas Klenk, CEO, Saum & Viebahn.

A great interest was shown in textile design at the fair along with the feel of a material.

The colourful fabrics and varied designs by well-known designers and young talent were very popular and attracted a lot of attention. Exhibiting companies also used the creative hotspot to acquire new designs for their upcoming collections.

“We can also confirm the trend towards more materiality. We have seen an increased interest from visitors in our new fabric collections. The quality of visitors was very high. We met very high-quality, good international purchasers and excellent potential new customers. We are therefore very satisfied with our attendance at Heimtextil,” said Andreas Zimmermann, CEO Zimmer + Rohde.

Numerous innovations were also seen in the bed segment. At the sleep campaign stand, visitors and exhibitors alike were able to inform themselves about the four things that can influence sleep. Heimtextil will continue to focus on the topic of sleeping over the coming years, said the organiser.

“Visitors primarily came from the Middle East, China, the eastern European region and Scandinavia. We also enjoyed intense discussions with American and German customers.

This is also the great strength of Heimtextil. You’ve can shake hands with the world here. It is not just about sales, but also communication and establishing relationships or simply getting direct feedback on our products,” Robert Kocher, European CEO of Mediflow.

The next Heimtextil, international trade fair for home and contract textiles, will take place from January 9-12, 2018 in Frankfurt.

Source: fibre2fashion.com– Jan 16, 2017

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Bangladesh to host textile machinery fair in February

The 14th edition of the Dhaka International Textile and Garment Machinery (DTG) exhibition, the largest trade fair of its kind in Bangladesh will be held from February 23-26. The fair is likely to be attended by over 1,000 exhibitors from 33 countries including India, UK, US, Italy, Japan, Pakistan, Malaysia, Singapore, Spain, Sweden, Hong Kong and more.

Exhibitors will showcase a variety of equipment, products, technologies as well as services and information concerning all the textile and garment processing and production aspects such as spinning, weaving, knitting, dyeing, printing, finishing, testing, washing, embroidery, sewing and more.

Jointly organised by Bangladesh Textile Mills Association (BTMA), Chan Chao International Co., Ltd and Yorkers Trade & Marketing Service Co. Ltd, the fair will include the Celebrity Hall for the first time this year. The hall, located on the ground floor of Bangabandhu International Conference Centre (BICC), will be used to highlight high-end overseas apparel fabrics and accessories brands.

Inspired by prosperous economic outlook and competitive labour force of Bangladesh, many international brands have come to attend the fair to develop a solid presence and tap better business opportunities in the country. Among them are world's leading brands covering comprehensive textile & garment supply chains, such as Mayer & Cie, Pai Lung, Santoni, Shima Seiki, Stoll, Terrot, Picanol, M&R, CTMTC, Fong's, Groz-Beckert, Karl Mayer, LMW, Rieter, Saurer, Truetzschler and Toyota.

Ever since its inception, DTG has been renowned for its high turnout of international exhibitors and trade visitors. It is widely seen as a must-visit, leading textile and garment machinery fair in Bangladesh. Visitors of the fair will be able to source a wide range of quality machines, learn the latest industrial developments, and partner with key industry players. It is one of the best opportunities to build contacts with potential business partners and access the global textile and garment value chains.

Over the past few years, Bangladesh has witnessed and greatly benefited from rapid development of the export-oriented textile industry. Bangladesh is now the second largest RMG exporters in the world.

Textile and garment industry is the most important segment of Bangladesh's manufacturing industry, accounting for 80 per cent of total export earnings and employing 4.4 million people.

Bangladesh also enjoys duty-free exports to the EU under the most privileged 'Everything but Arms (EBA)' trade scheme, and gains a lot of support from its global trade partners. Among them, Germany, now the single largest export outlet for Bangladesh-made garments next to the US, has promised to help the country's garment industry double its export volume. With these robust advantages, Bangladesh is emerging as a new garment manufacturing hub in Asia.

DTG showcases new technology, state-of-the-art equipments, materials and services, as well as an excellent avenue for international suppliers and visitors to expand business to the lucrative market and accelerate Bangladeshi technological advances that will impart effective quality, high speed and competitive cost to gain that all important edge in textile and garments industry.

Source: fibre2fashion.com – Jan 16, 2017

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Pakistan: APTMA welcomes Rs 180bn package to boost exports

The All Pakistan Textile Mills Association (APTMA) has welcomed the Rs 180 billion package announced by Prime Minister Nawaz Sharif last week to boost the country's export sector. The package includes tax-free import of cotton and man-made fibre, and duty drawback on exports of fabrics, made-ups and garments against realisation of import proceeds.

Addressing a press conference, APTMA chairman Aamir Fayyaz said he had four meetings with the prime minister over the last four months, where he apprised him of the worsening textile exports due to high cost of doing business.

"The prime minister was kind enough to hold lengthy discussions in each meeting in order to devise the export-led growth strategy," Fayyaz said.

"We explained him about high cost of doing business that had impacted export sector viability and also apprised the government of the support extended by the competing countries like India, Bangladesh and Vietnam to their export industries."

Syed Ali Ahsan, chairman, APTMA Punjab, said the package would boost Pakistan's exports and positive results would be visible in the next six month. He added that though the issue of energy availability had been resolved to an extent, the issue of high cost of energy was yet to be resolved. He urged the government to provide power at Rs 7/kWh, and gas including RLNG at Rs 600 per MMBTU to the textile industry across the country.

Under the Rs 180 billion package, duty drawback on exports have been announced at 4 per cent on greige fabric, 5 per cent on processed fabric, 6 per cent on home textile made-ups, and 7 per cent on garments against realisation of import proceeds. The package also abolishes sales tax levied on import of textile machinery.

Source: fibre2fashion.com – Jan 16, 2017

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Frankfurt fair: Bangladeshi home textile manufacturers praised

"I am highly satisfied with the participation of Bangladeshi textile manufacturers. They made a beautiful display of quality products," said Detlef Braun, an executive board member of Messe Frankfurt, the organiser of the Heimtextil 2017.

He was visiting the Bangladesh stalls at the expo which was held on January 10-13 in Frankfurt of Germany.

A total of 23 Bangladeshi home textile manufacturers exhibitors participated in the fair under the auspices of the Export Promotion Bureau. A total of 2,886 exhibitors showcased their products in the four-day fair, Messe Frankfurt Bangladesh said in a statement. Last year, the fair witnessed 69,000 visitors and 2,866 exhibitors, it said.

"From last 16 years we are participating in Heimtextil and received good response from the buyers," said Abdullah Muhamad Zubair of home textile manufacturer Zabir And Zubair.

"The fair is a very good platform to promote their products to the global retailers," he said.

"On the first day, the fair ground was not much crowded due to (bad) weather but we are expecting more visitors in the coming days. We have done three successful meetings already." Said

Arafat Rasheed, Company Director of Apex weaving, said they had launched a new brand of product, especially for teenagers.

Hussain Mehmood, chairman of Bangladesh Terry Towel and Linen Manufacturers and Exporters Association (BTTLMEA), said Bangladesh's home textile has huge potentials to grow and "if government comes up with policy support, it will grow further,"

Syed Masoom Chaudhury, commercial counselor of the Bangladesh Embassy in Berlin, visited Bangladesh stalls in the fair.

Source: dhakatribune.com – Jan 16, 2017

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US cotton exports forecast to surge 35% in 2016-17

In the 2016-17 cotton marketing season, US cotton exports are expected to surge 35 per cent, at a time when world trade forecast may be similar to the previous marketing year.

At the same time, US market share of world cotton trade is forecast to rise steeply, as exports have risen 66 per cent year on year in the first five months of the marketing year.

The higher cotton export growth was primarily driven by higher exports to China, Indonesia, Vietnam, and other smaller countries, except for Turkey.

The total cotton export commitment to China from the US is nearly five times as against the same time last year, although China's current marketing season imports are projected to grow only marginally.

Likewise, US commitments to Vietnam have nearly doubled compared to the previous season, while Vietnam's import forecast is a growth of only 10 per cent. Commitments to Indonesia have also more than doubled, while its imports are expected to remain unchanged.

However, Turkey's US cotton imports are expected to decline sharply due to a larger domestic crop and resultantly, commitments to Turkey are down, but US market share is likely to remain stable.

Source: fibre2fashion.com - Jan 16, 2017

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'Textiles at centre of Taiwan's new trade arrangements'

Textiles should be at the heart of Taiwan's thinking while developing new global trade arrangements and strategies, according to president Tsai Ing-wen. She felt that there is considerable development potential for the textile sector in Central America, according to a statement released by her office during her recent four-nation tour to the region.

"This is the time to begin thinking about new arrangements and new strategies, starting with the textile sector," Ing-wen said, according to the statement.

During her week-long state visit to Honduras, Nicaragua, Guatemala and El Salvador, Ing-wen said that these Central American nations have free trade agreements with the US, which could be advantageous for Taiwanese manufacturers.

Chan Cheng-tien, Taiwan Textile Federation chairman, was also part of the Taiwanese delegation that toured these nations.

Source: fibre2fashion.com - Jan 16, 2017

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Italy: Italian menswear segment projected to grow 0.9% in 2016

Driven by slow growth in exports, the Italian menswear is projected to grow slower at a modest 0.9 per cent sales growth in 2016 and reach around €9 billion as against revenue growth of 1.4 per cent in 2015. These estimates were presented at Pitti Uomo 91 organised by Sistema Moda Italia (SMI), the Italian fashion and textile industry association.

"But while export growth declined, those businesses catering to the domestic market did well," the fashion trade body observed.

Italian textile and fashion manufacturing output however, is forecast to recover by growing 1.2 per cent in 2016, compared to a decline of 3.5 per cent it posted in 2015.

According to SMI, Italian export sales are expected to be up 1.9 per cent and touch nearly €5.8 billion in 2016, down from 2.3 per cent increase in 2015, while imports are projected to dip by 0.5 per cent and amount to €4 billion.

Source: fibre2fashion.com - Jan 16, 2017

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Malaysia: Textile sector not a 'sunset industry'

Contrary to widespread perception in Malaysia's business circles, the country's textile sector, a shadow of its past glory due to rising costs and loss of competitive edge, is not a "sunset" industry.

Indeed, the textile industry should be promoted and encouraged to flourish, experts say. This is the verdict of a number of experts at the just-concluded Heimtextil 2017 trade fair in Frankfurt, the world's biggest event for home textile industry.

A single Malaysian company, Fernex Sdn Bhd, from Selangor displayed its bedding products mainly pillows amid the huge contingent of exhibitors from other Asian countries such as Singapore, Taiwan, Hong Kong and South Korea, as well as China, India, Pakistan, Bangladesh and Vietnam.

"I don't think it is a sunset industry," said Helmut Geisler, a German agent who sources a number of home-textile products from Asia for big German trading houses and department stores, and has a good knowledge of the Southeast Asian market.

"The problem, in my personal view, is that many Malaysian textile companies are probably not aware of this fair or they are deterred by the high costs of participation.

"It's also one way to make yourself known to international buyers, particularly at a time of recession.

"By participating in a trade fair, you can strengthen your foothold within the market," he explained.

Slower economic growth has, of course, hit Asian exports while the Brexit issue and uncertainty of the US market under the new Donald Trump administration have added to their anxiety.

German buyers advise Malaysian companies to see the Heimtextil as an eye opener for those wanting to enter a sophisticated market, urging Malaysia's textile association and other organisations to send a fact-finding mission to see the event's inherent business potential.

"While many experts expect the slowdown to continue for some time, you have to position yourself in the market when the recovery process starts," one buyer said.

Olaf Schmidt, vice president (textile fairs and textile technologies) at Messe Frankfurt GmbH, which organises the Heimtextil show, was equally perplexed by Malaysia's low-key presence at the show.

"After all, Heimtextil is the international platform for export contacts.

"If Malaysia's textile industry wants to succeed, it cannot ignore this event despite the global economic crisis which is making companies resort to austerity measures, including job cuts," he said.

But such austerity measures should not exclude participation in trade fairs," Schmidt emphasised in an interview with Bernama.

Even as many countries hit by slower growth in some of their traditional markets have had a decline in sales before and during the Christmas season when consumer buying is at its peak, this period in Germany had been "satisfactory", said Schmidt.

Malaysia's main exports to Germany include electronic and electrical products, electrical machines, printers, machinery parts and components, rubber products and optical lenses.

But Malaysia also has good potential to sell value-added textile products, including technical textiles particularly functional textiles which other equally expensive producing countries such as Taiwan, Singapore and Turkey are doing.

"The Heimtextil is not just a German fair.

It has a large international profile and you meet buyers here from every corner of the world under one roof.

"We also see a growing trend of buyers from Asia, the Middle East and North America coming here to buy and get the latest trends, designs and technology in the textile sector," said Schmidt, an internationally renowned expert on the global textile industry.

Malaysians, he added, could learn a great deal by observing the trends in textile printing, weaving and designing, and new concepts such as digital printing which was showcased at the show

Source: theborneopost.com - Jan 16, 2017

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NATIONAL NEWS

Producing contamination free cotton biggest task: CCI

Producing contamination free cotton is the biggest task for the country, according to the Cotton Corporation of India (CCI). Due to this issue, Indian cotton is sold on discounted rates in comparison to equivalent foreign cotton. The problem is significant at farm level due to small land holdings by farmers, manual picking and different climatic conditions.

"Indian cotton also gets contaminated with various foreign materials like jute twine, dust, plastic, fibre, varietal admixture and more due to poor handling at farm level and during processing of cotton in ginning and pressing factories," MM Chockalingam, chairman and managing director (I/C), CCI told Fibre2Fashion in an exclusive interview.

Ministry of agriculture is making various efforts for providing necessary training to cotton farmers and issuing advisory notice at farm level to avoid contamination.

"Ministry of textiles is also taking this issue very seriously and proposed various measures in its 12th five year plan by reviving the Mini Mission (MM) III & IV under technology mission on cotton-II in such a way that the least contaminated cotton may be available to the textile industry and farmers may get remunerative prices for their produce," added Chockalingam.

Under MM-III, besides developing the infrastructure of market yards, the focus is on providing training to farmers on modern farm practices and handling indigenous technology for plucking kapas faster without adding contamination through prototype kapas plucker machine.

This will not only help farmers in reducing their input cost of labour, but will also prevent contamination at farm level, according to the CCI chief.

As for MM-IV, besides modernisation of ginning and pressing factories with sensors for removal of contamination, the focus is to introduce bale-by-bale third party testing and certification systems.

Once it is implemented, these measures will ensure removal of contamination at all stages and Indian cotton will fetch better prices, making Indian cotton capable of competing at world level with quality adhering to international standards, he explained.

Chockalingam also said that the government has adopted various measures like technology mission on cotton, integrated cotton cultivation, high density planting system and instrument based quality evaluation. This has led India to become one of the largest cotton growing states with reasonably good quality of cotton. With enhanced research efforts made by the government, basic fibre parameters as well as quality of ginning and pressing have also shown tremendous improvements.

Source: fibre2fashion.com- Jan 16, 2017

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Blended yarn price remains range bound in Asia

In Qianqing, PC (65/35) 32s yarn prices rolled over in the first week of January (however, prices were up US cents 2 a kg due to weak US$) while 45s PC combed yarn prices were stable on the week (up US cents 3 a kg due to weak US$).

Blended yarn prices have remained stable in the week in China, in line with a weakness in demand, whereas fiber prices were far from receding.

Spinners were forced to maintain their offers in order to keep maintain their already low margins. They were also complaining over the large volume of foreign yarns entering the country, especially from India.

In India, PC yarn prices firmed up rising PSF and cotton cost while PV yarns rolled over on stable VSF values. Spinning and yarn trading was recovering slowly from the disruption triggered by demonetization policy.

In Pakistan, PC yarn prices were lifted by rising PSF and cotton prices as trading on the cotton market was limited on low stocks with ginners.

20s and 30s PC yarn prices gained PakRs1-2 per pound or US cent 2-4 a kg on the week.

PV 30s yarn prices also gained PakRe1 per pound or US cent 2 a kg during the week.

Source: yarnsandfibers.com- Jan 16, 2017

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Labour intensive sectors may get easy credit flow soon

Labour intensive sectors like gems & jewellery and textiles may soon get easy flow of credit as the government is working on the issue on account of demonetisation.

Top officers from the Department of Industrial Policy and Promotion (DIPP) and Department of Financial Services among others will meet on January 23 to discuss the issue.

"The deliberations would be on finding ways and means to increase availability of credit to the labour intensive sectors so that they can create more jobs and deal with the impact of demonetisation," an official said.

The official said that representatives of other concerned departments besides certain bankers would attend the meeting.

The sectors which would participate include footwear, auto components and construction.

The cash crunch following demonetisation of Rs 500 and Rs 1,000 has hurt these sectors.

The sectors are important as they create large number of jobs in the country and also contribute significantly in the country's economic growth.

Source: moneycontrol.com – Jan 16, 2017

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Odisha steps up efforts to implement Rs 2 lakh cr investments

After bagging investment intentions of Rs 2.03 lakh crore at the Make in Odisha conclave held in Bhubaneswar last year, Odisha government has stepped up efforts to implement the same at the earliest.

"In a follow-up to the Make in Odisha event, we are reaching out to those who committed investments at the meet, to urge them to implement their proposals at the earliest and to assure them all support from our side. We have met the investors in New Delhi and Mumbai and will soon hold such meetings with others in Kolkata, Bengaluru and Hyderabad," said an Ipicol (Industrial Promotion & Investment Corporation of Odisha Limited), the nodal agency to usher in fresh investment in the state.

Odisha has set a target to implement fresh investments of at least Rs 1.5 lakh crore in the next three years out of the Rs 2.03 crore investment intentions promised at the Make In Odisha summit.

Out of the total investment proposals received at the meet, metals & minerals sector was the top investment grosser with Rs 97,911 crore. Infrastructure followed next with proposals worth Rs 38,443 crore, power & renewable energy (Rs 29,932 crore) and fertilisers, chemicals & petrochemicals and plastics (Rs 27,023 crore).

Other sectors also bagged sizeable investments -- manufacturing (Rs 2,685 crore), tourism (Rs 2,076 crore), food processing (Rs 2,101 crore), IT & electronics system design and manufacturing or ESDM (Rs 1,500 crore), textiles and handloom (Rs 172 crore).

Odisha government, in its Vision 2025 Goal, aims to draw investments worth Rs 2.5 lakh crore, primarily in five thrust sectors with an employment potential of three million.

The thrust sectors are IT & electronics manufacturing, downstream & ancillary, food processing, petroleum, chemicals & petrochemicals and textiles & apparel.

An official said, the implementation of projects at the ground level always remains a sore point as the commitment made at Bengaluru and Mumbai events are yet to take off. Handholding the investors is a step in this regard to speed up the implementation of the projects, he added.

Source: freepressjournal.in – Jan 17, 2017

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'We expect budget to boost employment'

It is the time of the year when expectations about the Budget take centre-stage. While there are hopes and apprehensions on the extent to which the Budget provisions would revive investment and demand, questions abound on how the Budget can be inclusive in its approach and delineate a roadmap for creation of job opportunities. Besides, the Budget would have provisions to push up living standards of the common citizen. All this and more is likely to be unveiled in the forthcoming Budget.

The Union Budget 2017-18 is being announced at a time when the economy is seeing a growth rate exceeding 7% during this fiscal. At the same time, inflation is down and the current account deficit is under control. Our monsoons have been good. As a result, food-grain production is estimated to rise to an all-time high of 135 millon tonnes in the kharif season.

Sowing is also robust in the rabi season which in turn is expected to stimulate the rural economy and improve purchasing power. And, the political consensus to usher in the GST augers well for future growth and inclusion. While demonetisation is expected to inhibit the GDP growth rate, this is likely to be a blip in the growth trajectory for a quarter or two as the underlying fundamentals are largely positive.

Jobless growth

Despite the above, our economy has been facing challenges on the employment front with job opportunities not commensurate with the rate of growth. Every year, 10 -12 million young people join the labour force and 5 million people leave agriculture to join the non-agriculture sectors. Thus, there exists a total demand of 15- 17 million new jobs per annum.

Hence, creating job opportunities for the youth every year is one of the biggest challenges for the Budget. We look forward to a tool-kit of policies which would help improve employment intensity in the economy.

Employment growth could be given a boost through investments in manufacturing and infrastructure. In the infrastructure space, capital expenditure in key projects like roads, railways, power as well as agri-infrastructure like irrigation, cold storage, warehousing and public housing projects in clusters would kick-start a virtuous cycle of employment-intensive growth.

Budget data reveals that capital expenditure is budgeted to increase by 5% in FY17 after an increase of more than 25% in FY16. It is imperative that this slowdown in public investments be reversed in FY2018.

Renewed attention to manufacturing and the 'Make-in-India' initiatives could be a major driver of growth and job-creation. The government has been in favour of setting up manufacturing zones as well as sector- and product-specific clusters. We look forward to the Budget to announce a few clusters especially in areas which generate employment.

Focus on MSMEs

Within manufacturing, the major employers are the MSMEs and hence it is necessary to nurture them by providing incentives for growth. The Government's initiative on Start-Up India and Stand Up India are some ways to enhance the competitiveness of new firms in the MSME domain, which in turn would create entrepreneurship and jobs.

The Budget should encourage creation of start-ups by removing the burden of State regulation and thereby reducing compliance costs and the tax burden of successful start-ups. A start-up could be defined as any firm less than 5 years old with no further qualification.

For providing quality jobs in existing firms, the Government should extend the policy framework provided for textile and apparels to all sectors. This provides for fixed-term employment contracts to workers and state support for employers' provident fund contributions in the first year.

Specific reform policies should also be contemplated in the Budget for top the ten job-creating sectors such as tourism, IT, healthcare, textiles, and food processing, among others.

Innovation fund

Technology is a major enabler for growth of business and innovation is becoming critical to enhance manufacturing productivity and employment. For promoting MSME innovation, a National Innovation Fund could be created with a sizeable corpus of at least ₹10,000 crore to provide seed-funding to industry for innovation and R&D projects.

There is also a need for a National Technology strategy for the next 10 years with clear outcomes in critical sectors such as Defence, Aerospace, Electronics, and Capital Goods. Such a strategic approach exists in Taiwan and South Korea.

Tax deduction is available for employment generation under section 80JJAA of the Income Tax Act in respect of costs incurred on any employee whose total emolument is less than or equal to ₹25,000 per month. This cap on salary is very low especially in the case of the software industry and should be suitably enhanced, at least to ₹50,000.

Focusing on skilling and education is imperative for employability and long-term sustainability of growth. Tax deductions for investments in skill development, including provision of opportunities for training in specific skills, would encourage firms to hire workers rather than go for capital-intensive technologies. Skill training can be provided under a PPP framework and the government could consider a weighted deduction of 150% on skill development initiatives of the private sector.

To provide a boost to skill development under the 'Skill India' initiative, a portion of MGNREGA expenditure could be linked to skill development initiatives for those workers who are interested in undergoing a training course.

With such incentives, Budget 2017-18 would promote a paradigm change towards employment-oriented growth and help realise the dream of a developed India.

Source: thehindu.com- Jan 16, 2017

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GST rollout from July 1; states to control small taxpayers

The Centre and states have reached a consensus on the issue of dual control over assessees in the ninth Goods and Services Tax (GST) Council meeting by agreeing to let states control a majority of the small taxpayers. States will assess 90 per cent of taxpayers with a turnover of below Rs 1.5 crore. The Council also decided to push its rollout date to July 1.

Splitting of taxpayers between the Centre and the states will be carried out horizontally and 10 per cent of the assessees with annual turnovers of below Rs 1.5 crore will come under the Centre. The taxpayers with an annual turnover of more than Rs 1.5 crore will be shared by the two entities in 50:50 ratio.

Union finance minister Arun Jaitley said that each taxpayer will be assessed by any one authority only once.

The issue pertaining to coastal states' demand to control economic activities within 12 nautical miles has also been resolved, with Centre agreeing to give up the control of the high seas.

The Council finalised the draft supporting law at the meeting held on January 16. However, the drafts of Integrated GST (IGST), Central GST (CGST) and State GST (SGST) will be finalised in the next meeting that will take place on February 18. Following this, the Council will decide the tax slabs for taxing various goods and services.

Jaitley said that July 1 will be the realistic date for implementing the GST bill. He also added that the bill need not be implemented from the beginning of the financial year as this tax will be levied only when a sale is carried out.

Source: fibre2fashion.com- Jan 17, 2017

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Duty drawback rate restoration

Restoration of duty drawback rates on babies garments would increase the competitiveness of the garment exporting units, said Raja M Shanmugham, President,Tirupur Exporters' Association.

Hailing the move, he said the duty drawback rate has been restored to 7.6 per cent (from 7.3 per cent) and the value cap to ₹30 (up by ₹1) with immediate effect. "Exporters are operating on wafer thin margins. This will help the sector compete in the global market," he said.

Source: thehindubusinessline.com- Jan 17, 2017

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India should start shipping service to Chabahar, say experts

Logistics experts and think-tanks feel India should speed up $500-million Chabahar Port in Iran and, start a regular shipping service to the Iranian port from India.

In May 2016, Prime Minister Narendra Modi signed pacts with Iranian President Hassan Rouhani for developing the Chabahar port as India's gateway to Afghanistan, Russia and parts of Europe by land, bypassing Pakistan.

Located in the Gulf of Oman, Chabahar is in the Sistan and Baluchestan province in the South Western tip of Iran; close to the China-controlled Gwadar port in Balochistan of Pakistan. While Gwadar is a deep sea port, Chabahar needs to be developed to accommodate bigger ships.

Indian Ports Global, a joint venture between the Jawaharlal Nehru Port Trust and the Kandla Port is slated to develop two terminals and five multi-cargo berth in Phase-1 of the project.

The port suffers from last mile connectivity. India agreed to help develop a rail line from Chabahar to Zahedan, near the tri-point of Iran, Afghanistan and Pakistan, to connect Iranian railway.

Slow progress

Logistics experts having knowledge of the region, however, point out that even after seven months of the signing of the agreement, there is little activity on the ground.

Shakti Sinha, India’s former envoy to Afghanistan and Director of Nehru Museum and Library, says that the Indian establishment might be busy in preparatory work. “Normally six months to one year is spent in preparing the detailed feasibility report,” he said.

Sachin Chaturvedi, Director-General of MEA-sponsored think-tank Research and Development System for Developing Countries (RIS), however stresses that India should start a shipping service to help develop trade infrastructure at Chabahar and boost trade both with Iran and Afghanistan.

Inadequate traffic

India currently has a shipping service to Bandar Abbas in Western Iran. Apparently the service doesn’t attract adequate traffic as Iranian trade was hit due to western sanctions.

Afghanistan trade is limited to India supplying essentials like medicine and importing dry fruits, carpets etc by air. Chanturvedi says the cost of air cargo is subsidised by India.

Shipping to Chabahar

While a regular shipping service to Chabahar wouldn’t be financially viable at this juncture, Chaturvedi said that India should bear the cost to open the land route to Afghanistan without further delay. An international logistics consultant supports the view. According to him, India in the past opened such services to Yangon by initially incurring losses. But with time, it helped develop a demand for such services.

“Opening new avenues has a cost and India should show the urgency to bear it,” he said.

Source: thehindubusinessline.com- Jan 17, 2017

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