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IBTEX No. 253 of 2016 Dec 16, 2016

USD 67.82 | EUR 70.76 | GBP 84.25 | JPY 0.57

Cotton Market Update

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

Rs./Bale	Rs./Candy	USD Cent/lb
18453	38600	**72.56**

Domestic Futures Price (Ex. Gin), December

Rs./Bale	Rs./Candy	USD Cent/lb
19220	40204	**75.58**

International Futures Price

NY ICE USD Cents/lb (March 2017)	71.92
ZCE Yuan/MT (January 2017)	15,585
ZCE Cotton: USD Cents/lb	**86.66**
Cotlook A Index – Physical	**80.20**

Cotton & currency guide: Cotton traded steady on Thursday's trading session. The most active December contract ended the session at Rs. 19050 down by Rs.20 from the previous close. Market is moderately steady this entire week while in the global front ICE March has been moving in the range of 71 to 72 cents.

We believe overall trend for cotton is steady for now. As we approach to next week fresh arrivals may continue to weigh on the local markets amid steady demand. We believe cotton price to remain sideways to lower on today's trading session. This morning ICE cotton is seen trading at 71.67 cents/lb and believe to see it coming down to 71.30 cents. Also the ZCE cotton is seen trading steady around 15580 Yuan/MT

Interior asking rates for Shankar-6 have advanced by Rs.150 since yesterday, to be placed at ₹39,150 per candy, ex-gin. At the prevailing exchange rate, today's equivalent value is approximately 73.90 US cents per lb. Punjab J-34 has also moved higher, to Rs. 4,150 per maund (74.65 cents per lb).Nationwide, daily seed cotton arrivals are estimated at over 160,000 lint equivalent bales (170 kgs), including 60,000 from Maharashtra and 43,000 from Gujarat.

Overall we expect cotton price to trade sideways on today's trading session. The trading range would be Rs. 18900 to Rs. 19200 per bale.

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

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INTERNATIONAL NEWS

European Parliament backs textiles trade deal with Uzbekistan, welcomes end to child labour

The European Parliament members backed a textiles trade deal with Uzbekistan on Wednesday, acknowledging its efforts to eradicate child labour. But they also urged it to take further steps to end all other forms of forced labour, e.g. by students and civil servants, in its cotton harvest, said the press service of the European Parliament.

“This consent is the result of the progress and commitments made by Uzbekistan in the fight against forced and child labour. But as adult forced labour remains a strong concern, we will follow the situation closely and if there are serious human rights violations or any regress on these issues, MEPs will not hesitate to ask the Council and the Commission to suspend the entire partnership agreement”, rapporteur Maria Arena (S&D, BE) said after the vote.

The draft recommendation was passed by 564 votes to 100, with 41 abstentions.

MEPs gave their consent to include textiles in the 1999 EU-Uzbekistan Partnership and Cooperation Agreement (PCA). This sought to encourage the Uzbek government to pursue full eradication of all forms of forced labour and to further strengthen its cooperation with the EU.

In a separate non-legislative resolution voted on Wednesday, MEPs welcome the fact that Uzbekistan has started to work with the International Labour Organization (ILO), pointing out that it has almost fully eradicated child labour in the past three years. They nonetheless urge the authorities to step up a national awareness-raising campaign to wipe out the practice entirely.

MEPs also welcome Uzbekistan’s progress in reducing forced labour in cooperation with the ILO, but note that NGOs are still reporting massive forced mobilisation of students and public employees during the cotton harvest, as well as the interrogation of citizens who speak out about the harvest and the persecution of human rights defenders.

MEPs will therefore continue to monitor developments and may ultimately ask the EU Commission and Council to suspend the agreement, if the authorities fail to follow through on their commitment to abolish forced labour.

In December 2011, Parliament adopted an interim report postponing its decision on consent pending an improvement in the human rights situation in Uzbekistan.

The ILO has since carried out three monitoring missions which revealed that child labour has been virtually eradicated. In its latest report of 2015, the ILO identified a number of indicators linked to abusive work conditions and controversial recruitment processes, which are currently being addressed by the Uzbek government.

Source: akipress.com– Dec 15, 2016

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Everest Textile USA to Invest $18.5 Million in New North Carolina Apparel Facility

Everest Textile USA is strengthening North Carolina's garment sector.

The Taiwan-based sports apparel company is opening a manufacturing facility in Rutherford County and investing $18.5 million in the new site over the next five years. Everest Textile USA's factory will bring 610 jobs to the Forest City vicinity and will be company's first manufacturing facility outside of Asia.

"North Carolina's outstanding business climate offers great advantages to global manufacturers such as Everest Textiles," said Governor Pat McCrory. He added, "We are thrilled that this innovation-based textile company has selected our state and its tradition of high-quality manufacturing to build its presence in the Americas."

The new facility will be facilitated by a Job Development Grant (JDIG), which was ensured by North Carolina's Economic Investment Committee on Dec. 6. Under the JDIG, Everest Textile USA is eligible to receive approximately $3 million in total reimbursements.

Verification by the NC Commerce and NC Revenue will determine the annual payment installments, depending upon Everest Textile USA's job creation and investment targets. The company's investment aims to boost the State of North Carolina's overall tax benefit.

Everest Textile USA plans to hire an administrative team, operators and supervisors once the facility opens. Approximately $15.8 million annual payroll will be generated by the new manufacturing center, which will improve the local economy.

"As a native North Carolinian, it is exciting to see Everest Textile USA investing in the state and people of North Carolina, while also creating innovative products," Everest Textile U.S. legal counsel Michael Chen said. "This project will be a tremendous opportunity for all parties involved."

Everest Textile USA's new investment follows North Carolina's recent manufacturing boom. Since 2011, over 19,000 industrial jobs have been added to the state. As North Carolina reclaims its textile manufacturing title back, Everest Textile USA and other international apparel companies will be at the forefront of this industry change up.

Source: sourcingjournalonline.com– Dec 14, 2016

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Pakistan: Generalised scheme of preferences plus

Diplomatic relations between Pakistan and the European Union was established in 1962. The first co-operation was initiated in 1976, followed by a formal Commercial Co-operation Agreement in 1986 and Co-operation Agreement, 2004 which plays a crucial role in closer relationship in promoting trade and investment. Pakistan-EU bilateral trade relations are governed by the Co-operation Agreement from 2004.

Enhancing bilateral trade and investment is also part of the EU-Pakistan 5-year Engagement Plan from 2012. Pakistan is a major beneficiary of the trading opportunities offered by the EU Generalised Scheme of Preferences (GSP) from 1 January 2014.

The GSP is a formal system of exemption from the more general rules of the World Trade Organisation (WTO), (formerly GAT T). Specifically, it's a system of exemption from the most favoured nation principle (MFN) that obliges WTO member countries to treat the imports of all other WTO member countries no worse than they treat the imports of their "most favoured" trading partner.

In essence, MFN requires WTO member countries to treat imports coming from all other WTO member countries equally, that is, by imposing equal tariffs on them, etc. GSP exempts WTO member countries from MFN for the purpose of lowering tariffs for the least developed countries, without also lowering tariffs for rich countries.

The GSP Plus status allowed almost 20 percent of Pakistani exports to enter the EU market at zero tariff and 70 per cent at preferential rates. 406 members of the European Parliament expressed their support for Pakistan while 186 lawmakers voted against the status, which has been granted till 2017. This status would enable Pakistan to export more than US $1 billion worth of products to the international markets.

Only the textile industry would earn profits of more than Rs 1 trillion per year. Pakistan benefits from generous tariff preferences under the GSP+ arrangement aiming to support sustainable development and good governance. In order to maintain GSP+ Pakistan has to keep ratification and effectively implement 27 core international conventions on human and labour right, environmental protection and good governance.

The EU is Pakistan's largest trading partner after the United States. The total trade between Pakistan and EU is almost US $11 billion. Out of which US $6.6 billion is Pakistan's export to EU and US $4.2 billion is Pakistan's import from EU. The trade is in favour of Pakistan. Pakistani exports to the EU are dominated by textiles and clothing as well as leather products.

Textiles and clothing account for just under 75% of Pakistan's exports to the EU. The imports from the EU to Pakistan mainly comprise finished products like mechanical and electrical machinery, chemical and pharmaceuticals. This trade concession was meant to provide a major boost to our exports, given that EU accounts for 25 per cent of Pakistan's total exports.

Yet, while neighbouring countries like Bangladesh have managed to increase their exports to the EU due to this facility, our exports to the EU in fact declined.

To maintain and sustain the GSP plus status, Pakistan has to ratify and effectively implement 27 core international conventions on human and labor rights, environmental protection and good governance.

The extension of the EU's GSP+ preferences to Pakistan will certainly boost its competitiveness, but ultimate success in accessing the EU market in greater quantities will also largely depend on Pakistan's ability to meet EU consumers' demand, both in terms of reliable export volumes and quality, to increase its production efficiency, to invest in technologies and skilled manpower, and to be able to deflect its competitors' defensive or offensive actions.

In the recent past, the UK has decided to exit from the EU. The policy makers have forecasted that there will be no significant impact of this decision on Pakistan's trade with EU. Pakistan will demand the same package from Britain in the future or may sign an FTA for trade.

Beside trade, EU also plays a crucial role in social development. During the 1980s the EU launched a mix of infrastructure and social development projects which focused on development of roads, bridges, a fishing harbour facility, rural electricity infrastructure, livestock, education, vocational training and integrated rural development.

In the 1990s the EU streamlined towards policy-based social sector investment programmes, placing greater emphasis on human development and environmental management in line with shifts in government policy. The focus of EU activities in Pakistan in the past had remained on poverty reduction through rural development and natural resource management, education and human resource development particularly in Khyber Pakhtunkhwa (KPK) and Baluchistan.

Furthermore, EU had provided humanitarian assistance to flood victims in 2010, 2011 and 2012. Moreover, EU also helps the Pakistani students in term of provision of scholarship and study assistance in the various universities of European countries for higher education.

Moreover, in order to enhance Pakistan's capacity on WTO related issues, a trade-related technical assistance programme was also launched in 2004 with a view to streamlining procedures and processes for trade facilitation in compliance with EU norms and standards. The first phase of this project has been completed and second is going on.

Source: brecorder.com– Dec 15, 2016

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USDA Dec report forecasts US cotton crop at 16.5mn bales

In its December report, the US Department of Agriculture (USDA) has projected US cotton production for 2016 at 16.5 million bales, an increase of 2 per cent above the 2015 cotton crop.

However, the December report has kept unchanged the planted and harvested area, estimated respectively at around 10.2 million acres and 9.7 million acres in the current year.

According to USDA, the abandonment rate of 5 per cent forecast for this season is the lowest since the 2010 cotton crop.

The 2016 US cotton yield is estimated at 821 pounds per harvested acre, 7 per cent above the previous season, driven by improved conditions, particularly in the Southwest regions.

2016 upland cotton production is projected at 16.0 million bales, a massive jump as against around 12.5 million bales in 2015, while the extra-long staple (ELS) crop is forecast at 562,000 bales, which is also considerably above the 2015 ELS cotton crop.

Source: fibre2fashion.com– Dec 15, 2016

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Improving workforce skill becomes top priority ahead of automation for Vietnam

Globalisation and technology revolution are posing increasingly greater challenges for Vietnam's economy, as the country's labour force will grow from 55.5 million on 2016 to 62 million in 2025, said Deputy Minister of MoLISA Đào Hồng Lan. Hence improving workforce skills has become a top priority for Vietnam.

Vietnam will have to address to the changing technologies and skills needs in the labour market, with the changing nature of work in the era of technology, when many low-skilled workers will be at risk of losing jobs due to automation.

The Ministry of Labour, Invalids and Social Affairs (MoLISA) and the International Labour Organisation (ILO) on Tuesday organized a workshop, the theme of first National Policy Dialogue on Future of Work in Hanoi..

In order to annually increase the demand for jobs, the economy needs to create roughly 650 thousand jobs, and structural labour changes will be one of the feasible ways to increase labour productivity.

Two of the country's major and growing production sectors--textile, clothing and footwear (TCF) and electronic and electrical products (EE)--are at the heart of the debate. These are also the country's key exports, accounting for around 40 percent of the total manufacturing jobs. TCF manufacturing is predominantly characterized by labour intensive and low-skilled production.

As per the recent ILO study entitled "ASEAN in transformation" showed that 86 percent of Vietnam's TCF workers could face a high risk of automation, whereas about three quarters of wage workers in EE sector could be replaced by robots in the coming decades.

The ILO suggested Vietnam enhance relevant workforce skills through close collaboration between policymakers, employers and training institutions to modernize the skills development system to meet changing workplace dynamics and new technology innovations.

Technology will create significant opportunities for closing the productivity gap, improving competitiveness and bettering working conditions.

Source: yarnsandfibers.com– Dec 15, 2016

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Colombia keen to enhance trade ties with Pakistan

Ambassador-designate of Colombia to Pakistan Juan Alfredo Pinto Saavedra Thursday said Colombia was interested to enhance trade relations with Pakistan and the best way to achieve this goal was to develop business linkages between the private sectors of both countries.

Juan Alfredo said this while exchanging views with business community here at Islamabad Chamber of Commerce and Industry (ICCI), a statement issued here said.

He said bilateral trade between Pakistan and Colombia was nominal and its main reason was lack of information on both sides about potential areas of mutual cooperation.

Envoy said chamber of commerce and industry of both countries should sign Memoradum of Understanding (MoU) to enhance B2B linkages that would help in exploring possibilities of enhancing bilateral cooperation in trade and economic fields.

He offered his cooperation to facilitate signing of the MoU between trade bodies of both countries. He said as a first step, both countries should identify top 20 products for bilateral trade and then gradually expand the range of products to enhance two-way trade volume.

He said Colombia enjoyed a strategic location in North America and had signed 94 Free Tread Agreements (FTAs) with regional countries, thus enhancing close cooperation with it would help Pakistan in getting better market access to North American region.

Speaking on the occasion, President ICCI Khalid Iqbal Malik said the best option for Pakistan and Colombia to enhance bilateral trade was to encourage the frequent exchange of trade delegations to explore all areas of potential cooperation.

He said both countries should focus on organizing single country exhibitions and participate in each other's trade fairs, which would help in promoting trade relations.

Khalid Malik said Colombia was producing more than 66 percent of its energy through hydropower and it should share its technology and expertise with Pakistan in this field.

He said Colombia was major exporter of oil, coal, coffee, flowers and both countries had the potential to cooperate in many areas including agriculture, textiles, chemicals, minerals, gems and jewelry, technology transfer and infrastructure development.

He said Pakistani textile products were known in the international market for quality and Colombia should import textile products from Pakistan.

He assured that the ICCI would consider signing the MoU with Colombian chamber of commerce to explore new avenues of business collaboration between the two countries.

Source: brecorder.com – Dec 16, 2016

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Vietnam's cotton imports show upward trend

After a little slowdown in late financial year 2015-2016, Vietnam's cotton imports have showed an upward trend in the first few months of the current financial year (2016-17).

During the August to November period, cotton imports increased by 18 per cent year on year to 1.6 million bales.

The 12-month total (Dec. 2015-Nov. 2016) for Vietnam has now reached a record high and is expected to move higher.

Subsequently, the United States Department of Agriculture (USDA) has raised the predictions during the 2016-17 financial year for Vietnam's imports to 5.0 million bales.

The upsurge in the imports is primarily due to the fact that there is significant demand for Vietnam-produced yarn in China.

Though other countries, particularly India and Pakistan, have experienced substantial decline in their yarn exports to China; Chinese customs data from August to October show that cotton yarn imports from Vietnam was up 200,000 bales.

Source: apparelresources.com – Dec 15, 2016

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'US retailers need to localise sites for international markets'

US retail companies need to localise their websites for key international markets like the UK, Australia, Mexico and Japan, says a recent research. Although progress is being made by companies, key areas such as localised payments options, merchandising and customer service options were often found to be poor in the study that included 51 US retailers.

The new research 'Localization Report 2016' published by Practicology, eShopWorld and TranslateMedia reviewed 25 sites of international markets like the UK, Australia, Japan and Mexico. It assessed their localisation efforts in areas including use of language across the site, merchandising and offers, mobile optimization, search engine optimization, social media, customer services, shipping and returns, pricing and payment.

US retailers were particularly strong at providing customer service support in local business hours, localising pricing, and localising their foreign language sites in the cases of Mexico and Japan.

However, the same priority was not as evident in other English-language speaking countries, such as the UK and Australia. Overall the findings again demonstrate the competitive advantage to be gained from intensive localisation efforts.

Japanese websites of US retailers were the most localised, with evidence of the considerable investment by US brands in their Japanese service proposition.

Close to 96 per cent have fully localised their product details, 80 per cent have country-specific homepage merchandising, 64 per cent have fully localised site navigation, 76 per cent have country-specific offers and promotions, 88 per cent have a Japanese customer service phone number and 96 per cent offer returns by post to a Japanese address.

US retailers offer Japanese products at a premium price, with 100 per cent of retailers marking up prices for Japan's online shoppers, in comparison to their US prices.

"We have seen US retailers invest in localising their international websites in the last few years as a way of driving cross-border online sales growth. However, we feel that there are clear opportunities to go further, and provide a truly localised customer experience for their international customers in key markets," Nicola Huet, head of internationalization, Practicology.

The report also found that 52 per cent of US retailers have not localised their sites completely for their UK websites and about 96 per cent of them have done so for their Mexican sites.

About 68 per cent have completely localised their site navigation into UK and Australian English, however, only half have extended this fully to include product and description and other content on their UK sites. Close to 80 per cent retailers have fully localised their UK and Australian homepage language, with Mexican websites coming out on top with 96 per cent.

Source: fibre2fashion.com – Dec 15, 2016

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NATIONAL NEWS

Achievements of Textile Sector

The Government of India has released report on achievements made in the textiles sector under Make in India initiative on 24th November, 2016. Some of the major achievements and contribution of textiles sector are given below:

i. **FDI Inflow**: Between March, 2014 and March, 2016, the FDI equity inflow in the textiles sector added up to US Dollar 427.55 million. FDI equity inflow grew by 16% in financial year 2015-16.

ii. **Exports**: In 2015-16 the share of textiles and apparel in total exports increased to 15% from 13% in 2013-14.

iii. More than 5.3 lakh persons trained in last two years under Integrated Skill Development Scheme out of which 81% have been placed including 79% of the trained women.

iv. 19 new Textiles Park have been sanctioned over last two years with potential to facilitate investment up to Rs. 300 crores and employment to 60,000 people.

v. 200 new production units have been set up in existing textile parks in last two years with the fresh investment of Rs.1500 crores and additional employment generation of 11,000 persons.

vi. Sanction of seven new Common Effluent Treatment Plants with Zero Liquid Discharge technology in last two years covering 3000 SME units.

vii. Eight Apparel and Garment making Centers set up in all NER States and Sikkim for promoting garment manufacturing in NER.

viii. Launch of Indian Handloom Brand for providing brand value for handloom products. ix. Launch of Indian Handloom Website as a one stop platform for all services to consumers, bulk buyers and handloom producers.

x. A Special Package of Rs. 6,000 crores was launched for garmenting sector with the aim of creating one crore jobs in next three years and to attract investment worth US Dollar 11 billion.

Government has received representations from the Textile Industry to provide one-year moratorium for repayment of loans and interests. To respond to the situation, Government has launched a campaign to promote digital payment in the mission mode.

In order to increase the production of raw materials in the country, Government is implementing various policy initiatives and schemes. The Cotton Development Programme focuses on cropping system approach under National Food Security Mission (NFSM) in 15 major cotton growing states with an aim to increase production & productivity. Government announces Minimum Support Price (MSP) to protect the interest of cotton and jute farmers to avoid distress sales.

The Cotton Corporation of India and the Jute Corporation of India conduct procurement of cotton and jute from farmers respectively whenever prices fall below the MSP.

Government implements various schemes to promote production of all the raw materials for textile industry which includes promotion of R&D, technology upgradation, skill upgradation, infrastructure support towards rearing sheds, testing labs, etc. Government is also providing support for the production of raw jute under I-CARE
project.

The above information was given by the Union Textiles Minister, Smt. Smriti Zubin Irani today, in a written reply to a Lok Sabha question.

Source: business-standard.com - Dec 15, 2016

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Textile Commissioner to source data for policy formulation

To aid formulation of policies related to the textiles sector, the Textile Commissioner has been appointed as statistics officer to source information for all segments except handloom, khadi and jute.

"The Textile Commissioner has been appointed, under the Collection of Statistics Act 2008, to collect data vital for analysis of status and emerging trends in industry.

"Collection of the data across all segments of Textiles except handloom, khadi & jute will also aid in formulation of policies related to the sector," a senior official told PTI.

The Textile Commissioner has been tasked with collecting data on capacity of units, employment, raw material intake, consumption, production figures and other details.

The new National Textile Policy being firmed up by the government aims to achieve USD 300 billion textile exports by 2024-25 and create an additional 35 million jobs.

Source: indiatoday.in - Dec 15, 2016

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Textile units told to submit data

From January, all units across the textile value chain, except handloom, khadi and jute, will have to register online and provide data on production.

According to a senior official in the Ministry of Textiles, the information will be collected, not for regulation, but for the development of the textile industry. “While we have data on exports, there is no information related to the domestic textile and clothing sector.

We do not know how many units are MSMEs, how many are mills or the kinds of products they make. This system will help us know which segment is strong, those that need support, and the quality standards adopted,” the official added.

“We want to start from January 1. The systems are almost in place. The units will have to register first. There is a proforma and details such as the size of the unit, the number of workers, production, product type, fibre used and standards adopted will be collected. This will be mandatory for all the units,” the official said.

While the registration will be one-time, production details should be shared by the units every month. Units can do this online from their premises or make use of the infrastructure available at the Regional Offices of the Textile Commissioner or powerloom service centres.

Apart from this, following demonetisation of Rs. 500 and Rs. 1,000 notes, the Ministry is giving a thrust on opening bank accounts for textile workers. The estimate is that there are 60 lakh workers in the textile industry. In the last 10 days, accounts have been opened for two lakh workers.

Each industrial association has been asked to enrol specific number of workers and the exercise is expected to be completed by the end of the financial year. Master trainers are developed to train the workers to use the payment transfer applications.

The industry has welcomed these developments. According to M. Senthil Kumar, chairman of Southern India Mills’ Association, business intelligence is needed to come up with strategies for development of the industry.

Manikam Ramaswamy, former chairman of the association, adds that if data is available, better decisions can be made for the benefit of the industry.

Prabhu Damodaran, secretary of Indian Texpreneurs Federation, says the industry needs data as it will give clarity on production.

Source: thehindu.com - Dec 15, 2016

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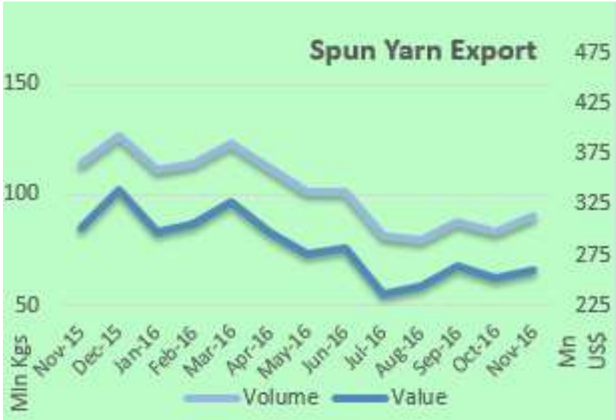
India's yarn export to China rebounds amid weakening of Vietnam



The deceleration in spun yarn exports of India slowed down in November 2016 having fallen 21 per cent in volume terms and 14 per cent in value terms. Spun yarn (all kinds) shipments were at 90.1 million kg worth US$261.1 million or INR1,733 crore, implying per unit realisation of US$2.90 per kg which was down US cents 11 from previous month and up US cents 24 as compared to November 2015.

China's cotton yarn imports from India recovered in November, and demand had stayed very strong with shipments of Indian yarns piling up in different ports like Qingdao. Cotton yarns from Vietnam are currently suffering from higher material costs, as the country needs importing its cotton.

Chinese investors could also refrain from developing spinning capacities in the Vietnam, after the TPP has been scrapped, meaning the Vietnamese apparel plants will not enjoy a duty-free access to the US market in the future.

In November 2016, 77 countries imported spun yarn from India, with China at the top accounting for 39.8 per cent of the total value with imports declining 12.5 per cent in terms of volume YoY and value edging down 4.3 per cent YoY.

Bangladesh was the second largest importer of spun yarns in November and accounted for around 12.7 per cent of all spun yarn exported from India. Export to Bangladesh was down 37.6 per cent in volumes and 32.2 per cent lower in value.

Pakistan was the third largest importer of spun yarns, which saw volume plunging 49.9 per cent while it was down 39.2 per cent in value. These three top importers together accounted for around 55.9 per cent of all spun yarns exported from India in November.

Cotton yarn export was exported to 71 countries with average unit price realization declining US cents 15 a kg from previous month and up US cents 24 from the same month a year ago.

China was the largest importer of cotton yarn from India in November, followed by Bangladesh and South Korea. The top three together accounted for more than 63 per cent of cotton yarn imported from India.

Brazil, South Africa, Israel, Hong Kong and New Zealand were among the fastest growing markets for cotton yarn, and accounted for 3.31 per cent of total cotton yarn export value. Five new destinations were added for cotton yarn export, of which, Cambodia, Ghana, and Slovenia were the major ones.

Nine countries did not import any cotton yarn from India, including Mozambique, Latvia, Costa Rica and Benin. In November 2016, significant deceleration was seen in export to Lebanon, Lithuania, Kenya, Australia and El Salvador.

Source: yarnsandfibers.com - Dec 15, 2016

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Exports up 2.29% in November; trade deficit hits 2-yr high

Exports rose for the third straight month in November, recording a growth of 2.29 per cent, though the trade deficit shot up to about two-year high of $13 billion mainly due to increase in gold imports.

Exports of engineering products rose by 14.10 per cent, petroleum by 5.73 cent and chemicals by 8.3 per cent, compared to the same month last year, according to official data released on Thursday .

Imports too increased by 10.44 per cent to $33 billion.

Rise in gold imports by 23.24 per cent to $4.36 billion in November pushed the trade deficit to a two-year high of $13 billion as against $ 10.33 billion in the same month last year.

Trade experts said they expected export growth to be negative, owing to demonetisation.

It was in November 2014 when trade deficit hit a high of $16.86 billion.

Exporters body FIEO said that although growth is encouraging, uncertain global conditions still remains a challenge. “Though the sentiment still remains low in the global market, factors like US Fed rate hike and demonetisation have also in some way added to the woes of the exporters which may be seen in the figures of coming months,” FIEO President S C Ralhan said.

The country’s merchandise exports during April-November period of the current fiscal too recorded a growth of 0.10 per cent to $174.92 billion.

Imports, however, contracted by 8.44 per cent to $241.1 billion, leaving a trade deficit of $66.17 billion as against $88.57 in April-November 2015-16. Oil imports last month grew by 5.89 per cent to $6.83 billion.

Non-oil imports rose by 11.7 per cent to $26.18 billion. Since December 2014, exports fell for 18 consecutive months till May 2016.

Shipments witnessed growth only in June this year, but again slipped in July and August.

Exports started recording positive growth from September.

The spike in gold imports in October-November 2016 and the recent rise in crude oil prices amid steady demand for fuels suggest that the current account deficit in H2 FY2017 would range between $10-15 billion, significantly exceeding the muted $3.7 billion for H1 FY2017, Aditi Nayar, Principal Economist at ICRA said.

Source: business-standard.com- Dec 16 2016

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Maharashtra bags lion's share of foreign investments

Maharashtra has cornered nearly half the foreign investments that has come to the country in the first six months of the current financial year. Of the total investment of Rs 1,44,674 crore in the country, the state has got Rs 68,409 crore investment. This was revealed by state Industries Minister Subhash Desai on Wednesday, while talking to a group of select journalists on the sidelines of the state legislature session.

"The state has achieved a percentage value of 84.5 in terms of ease of doing business. It has gone up substantially from 49.5 per cent and is expected to rise up to 90 per cent in near future," Desai said, adding, "Singapore's Asian Competitiveness Association has chosen Maharashtra for the top slot in terms of industrial progress."

"The state has become the most favourite destination for foreign investment due to its policies of providing ease of doing business, quality infrastructure, encouragement and skilled manpower," the minister said.

The investments have come mainly from Japan, England, Mauritius, USA and The Netherlands in fields like service sector, real estate and infrastructure, computer hardware and software, telecommunications, motor vehicles and medicines.

According to Desai, the state had attracted foreign investment of Rs 62,731 crore in 2015-16 as compared to Delhi's Rs 83,288 cr. Delhi has lagged behind the state in the corresponding period of April-September this year by getting only Rs 23,415 crore worth of foreign investment," Desai said.

Corresponding figures for last year and April-September this year for Tamil Nadu are Rs 29,781 crore and Rs 4,136 crore, Karnataka Rs 26,791 crore and Rs 7,216 crore, Andhra Pradesh Rs 10,315 crore and Rs 7,204 crore and Gujarat Rs 14,667 crore and Rs 2,462 crore. "These are figures only of equity. If seen along with reinvestment of profit and other capital investments, this figure becomes all the more impressive," Desai said.

On the impact of demonetisation, Desai said, "It will have some impact on medium and small medium industries for sometime but with the situation returning to normal, the sector will be back on its feet again."

He, however, wasn't able to set a time-frame for the recovery. Desai voiced optimism that demonetisation will not affect the growth of Nagpur's MIHAN project.

"The IT industry is anyway not going to be affected. So, MIHAN's IT units will get going. It is also getting new investments like another aircraft maintenance, repair and overhaul (MRO) depot to be operated by private airline Indigo."

Desai also said, "Against earlier times when textile units came up in non-cotton areas, we are setting up all ten textile parks in cotton bowls of Vidarbha and Marathwada."

Source: indianexpress.com– Dec 16, 2016

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Give gem, textile units 6 months to pay power bills

Southern Gujarat Chamber of Commerce and Industry (SGCCI) has urged state government to provide relief in payment of electricty bills to diamond and textile units.

SGCCI has written to chief minister Vijay Rupani stating that Torrent Power Ltd. and Dakshin Gujarat Vij Company Limited (DGVCL) be asked to issue electricity bills only after six months because most of the textile units, including powerloom and textile dyeing and printing mills, are shut due to the impact of demonetization.

SGCCI said various industry associations have represented to it saying that the unit owners are finding it difficult to pay the minimum electricity bills issued by the discoms.

The production of fabric has decreased by almost 80 per cent and many units are shut.

Over 60 per cent of the labour workforce in the textile industry has moved out from the city to their hometowns after the closure of the units. For those who have stayed back, the unit owners are finding it difficult to pay the wages due to severe shortage of new currency notes in the banks.

SGCCI president B S Agarwal told TOI, "Most of the banks in the city are not giving more than Rs24,000 per week. In a small powerloom unit, there are around 20 workers and paying them wages at the end of the month requires at least over Rs2 lakh."

Agarwal added, "Since the textile units fall under commercial metering, the minimum bills issued by the electricity companies runs in thousands.

However, we have urged the state government to direct the electricity companies to issue bills after six months. The impact of demonetization is likely to remain for three months at least."

Source: timesofindia.com– Dec 16, 2016

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Forex risk and 'options' for exporters

As the rupee market goes volatile, companies must adapt to newer techniques to minimise losses or reap benefits

The rupee's recent plunge against the US dollar did not help most garment exporters in Tirupur. They had booked a lot of orders around the 66.50 levels in the previous months, says a media report. The President of the Tirupur Exporters' Association (TEA), which represents the $3-billion industry, said that they would benefit only if the rupee's depreciation were sustained.

One can understand the predicament of the Tirupur exporters. On November 9, the rupee closed at 66.50. In the previous three months, its range against the dollar was a narrow 66.50/67. So, export orders would have been booked and the resultant (expected) dollar inflows would have been covered in the forward foreign exchange market on a base rate of around 66.70 to the dollar.

But, when the base rate itself moved by ₹2 to the dollar — with the rupee falling to the 68.50 levels by end November, the exporters were understandably upset at the loss of the opportunity to realise an additional ₹2 per US dollar. A move of ₹2 on a base of ₹66.50 is nearly 3 per cent. On the export order margin of say 5 per cent, that is an opportunity lost to increase profits by 60 per cent.

The rupee has since clawed back some of its losses. Nevertheless the problem of missed opportunities would keep recurring for exporters.

Opportunity loss

Identifying the opportunity loss in absolute money terms would better highlight the problem exporters face. If a medium-sized exporter (about $10-12 million), which constitutes the bulk of the TEA's membership, had forward sold, say, $3 million (that's his three months' sales) on a base rate of ₹66.70, he has lost the opportunity to realise extra profits of ₹60 lakh.

But why should he be bothered about enhancing his profits as long as he has earned his 5 per cent? What could be the benefits if the exporter had been able to avoid this opportunity loss or at least minimise it?

Each lakh of profits or avoided opportunity loss would enhance the exporter's competitiveness. In a buyers' market, the ability to avoid opportunity loss would enable the exporter to bid aggressively for orders. A garment initially quoted at $10 apiece could be offered at a lower price if one has the confidence that opportunity loss will be avoided. This is all the more critical when exporters' face weak buyer demand in the major western markets.

The exporter would also be able to better match prospective buyer demand for low(er) prices. This typically happens when buyers wrongly assume that the exporter has benefited from local currency (rupee) depreciation and therefore demand lower prices. But, of course, as the TEA President's observation shows, the Indian exporter suffers a double whammy — no benefit from rupee falling while being forced to cut prices for future orders.

Avoiding loss

It is obvious from the above numbers — as well as reactions of TEA — that avoiding or minimising the opportunity loss occasioned by rupee depreciation is extremely important for exporters. Repeated opportunity losses can potentially seriously undermine the economic health of the firm.

But should one really bother so much? Indian exporters went through such a phase during 2011-13 as well, when they endured large opportunity losses.

They are still operating. Rupee fell nearly 50 per cent then — from 45 to the 65 levels. Well, the standard disclaimer in the securities markets – that past performance need not necessarily be indicative of future performance — applies here also.

So, how to go about the task of avoiding or minimising opportunity losses? The first step is to understand the nature of volatility in the domestic foreign exchange market vis-à-vis that in global markets.

Continuous Vs sporadic

As is clear from the charts, volatility in the Euro/dollar currency pair is almost continuous. The pair keeps going up and down – by something like 3 or 4 per cent — every month. Therefore, it is commonplace for the Euro/dollar pair to start a year at one level and end the year at almost the same level — in the interim though, it would have moved all over the place. This keeps corporate finance managers on their toes almost continuously.

This is very different from what we have in the dollar/rupee market. As the rupee chart shows, volatility is peculiarly sporadic in our markets. The rupee was stuck in a narrow 66.50-67 band for much of 2016, but we have had significant moves in two discrete time periods — beginning and end of 2016. This has happened earlier — the most recent being when the rupee was stuck around the 45-46 levels in the 2009-2011 period but subsequently fell 50 per cent to the 65 levels by mid-2013.

Long periods of stability breed complacency among financial managers. It is almost like risk management has been outsourced to India's RBI. But such outsourcing is no substitute for structured risk management. Indian companies have to adapt to newer techniques and instruments in risk management. They have to look beyond the traditional forward contract (and its exchange-traded cousin, the futures contract) and employ the most simple foreign exchange insurance contracts — termed options. Simple options will be more than enough to navigate the oddities of the rupee market. Complex options that add risk and are speculative are completely unnecessary.

Source: thehindubusinessline.com– Dec 15, 2016

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