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The Cotton Textiles Export Promotion Council [TEXPROCIL]
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IBTEX No. 140 of 2017 July 07, 2017

USD 64.75 | EUR 73.91 | GBP 83.95 | JPY 0.57

Cotton Market

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

Rs./Bale	Rs./Candy	USD Cent/lb
20007	41850	**82.41**

Domestic Futures Price (Ex. Gin), July

Rs./Bale	Rs./Candy	USD Cent/lb
20440	42756	**84.20**

International Futures Price

NY ICE USD Cents/lb (Dec 2017)	68.97
ZCE Cotton: Yuan/MT (Sept 2017)	15,625
ZCE Cotton: USD Cents/lb	**83.06**
Cotlook A Index – Physical	**83**

Cotton & currency guide:

Cotton price continues to witness high volatility, after the sharp pull back on Wednesday price continued to gain during the Thursday's trading session. ICE Cotton Dec contract gained from the lows of 67.21 and made a high of 68.44 and settled at 68.35c/lb. Price gained by 69 points during the session.

The decline in USA crop condition as per the latest report led the recovery in the global market.

The crop condition was lowered at 54% compared to 57% in prior week. The crop conditions numbers are declining since last couple of weeks which may raise concern on the cotton production.

World output will be 24.57m tons, compared with 24.01m estimated last month, International Cotton Advisory Committee in Washington stated in its report. Production continues to recover as planting climbs 7% y/y to 24.6m acres, including expansion in U.S., China and India.

Global demand will be 24.73m tons, up from 24.6m estimated in June. Ending stockpiles seen at 17.15m tons, up from 16.41my year earlier, output was 22.93m tons, demand 24.31m and stockpiles 17.3m.

The trading range for the day would be 20200 to 20500 for July MCX future, the bias for the day is neutral.

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

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INTERNATIONAL NEWS

EU, Japan seal free trade in signal to Trump

Japan and the European Union agreed on Thursday to a free trade pact, creating the world's biggest open economic area and signalling resistance to what they see as U.S. President Donald Trump's protectionist turn.

Signed in Brussels on the eve of meetings with Trump at a summit in Hamburg, the "political agreement" between two economies accounting for a third of global GDP is heavy with symbolism. It leaves some areas of negotiation still to finish, though officials insist the key snags have been overcome.

"Ahead of the G20 summit tomorrow, I believe Japan and the EU are demonstrating our strong political will to fly the flag for free trade against a shift toward protectionism," Japanese Prime Minister Shinzo Abe told a joint news conference with EU institutional chiefs Donald Tusk and Jean-Claude Juncker.

"It is a strong message to the world."

In the works for four years, it has been pushed over the line towards a final treaty signature in the coming months by the election of Trump and his moves to ditch a Pacific trade pact that included Japan and leave talks with the EU in limbo.

"Although some are saying that the time of isolationism and disintegration is coming again, we are demonstrating that this is not the case," European Council President Tusk said.

"There is no protection in protectionism," added Juncker, the president of the executive European Commission, who played down any suggestion there would be further negotiating problems and said he hoped the treaty could go into effect early in 2019.

Alarm over "America First"

Fears of cheaper import competition for European carmakers and Japanese dairy producers were among the thorniest issues, but officials said the two sides were driven by a shared alarm at Trump's apparent shift away from multilateral open trading systems towards an aggressive "America First" policy.

Tariffs on much of their bilateral trade -- which Abe noted accounts for some 40 percent of total world commerce -- will be phased out over some years and other economic areas, such as Japan's public tender system, will be opened up.

Source: nikkei.com- July 06, 2017

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Free trade with China doesn’t put Canadian interests first

If there is a guiding principle for Canadian foreign and trade policy, it’s that it must put Canadian interests first. It naturally follows that Canada should not pursue partnerships that threaten our security or our economy.

When it comes to trade, Canada’s Conservatives believe Canada’s strength has always been linked to opening trade with the world, and seeking out partners with whom we are most compatible. Not every country shares Canada’s commitment to a free-market economy, protections for workers and the environment, protection of intellectual property and transparent governance.

This is why the Conservatives oppose Justin Trudeau’s rush to sign a bilateral free-trade agreement with the People’s Republic of China.

Without a doubt, Canada has been enriched by generations of immigrants from China, and today’s Chinese-Canadian communities are vibrant across our country. In the past, Conservative governments have worked hard to build economic opportunities with China. Measures such as the establishment of a renminbi currency trading hub in Toronto and the signing of a Foreign Investment Protection Agreement with China were concrete steps towards building a mutually beneficial trade relationship.

Still, Canada maintained a strategic economic engagement with China under the Conservative government, aimed at advancing our interests without ignoring the risks. Stephen Harper told the Globe in 2014: “the objective is not to have the best possible relationship we can have with China in terms of getting along…Our policy is to have the best relationship that is in Canadians’ interests.”

The Trudeau Liberals’ inability to defend Canadians’ interests raises grave doubts about their competence at the free-trade negotiating table. Before even getting to the table, they have, in fact, been making concessions over the last several months which give the appearance of appeasement.

The Liberals have allowed the sale of sensitive Canadian technology firms to companies with close links to the Chinese state, in one case overturning the previous Conservative government’s decision to block the sale on national security grounds, and in another dispensing with the national security review altogether.

These concessions come as the Chinese government continues to ask Canada for even more. Beijing is demanding full and open access to Canadian natural-resources sector as part of a trade deal, while dismissing Canadian concerns over national security and human rights as “protectionism.” Beijing also wants an extradition treaty, which could subject people in Canada to China’s harsh and unfair justice system, infamous for its use of torture and the death penalty.

As the Chinese government makes these ever-increasing demands, our new ambassador, a former Liberal cabinet minister, is in Beijing saying, “move faster!” He represents a Prime Minister who has never disavowed his admiration for “China’s basic dictatorship.”

Allowing Chinese state-owned enterprises unfettered access to the Canadian economy is not in our economic interest. We have seen how perverse incentives and inefficiencies can plague Canadian government-run enterprises, even when they are trying to advance our interests. Why would we then allow Chinese government-run enterprises, solely focused on the political interests of Beijing, to decide who gets hired, who gets fired and what investments are made?

There is a better alternative available here, which still involves engaging China commercially, but which protects our economic interests. We should pursue closer trading and strategic relationships with like-minded democracies in the Asia-Pacific region.

If China eventually seeks to join a trading bloc dominated by democracies, it will be they, and not us, making concessions. However, the Trudeau Liberal approach of unilaterally pursuing trade with China, without the partnership of our allies, leaves us much more vulnerable.

Conservatives do not want to see further concessions by the Trudeau Liberal government to conclude with a deal that gives the benefits to the Chinese government, and makes Canadian workers and businesses pay the price.

It's time for Canada to take a step back and think clearly about the costs and benefits to Canadians. Standing up for Canada is not a sign of hostility towards China. It's in our national interest to do so.

Source: theglobeandmail.com- July 06, 2017

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China trade with North Korea up but imports off

China's trade with North Korea has risen despite Beijing's promise to enforce U.N. sanctions over the North's nuclear program, but Chinese purchases of most North Korean exports have fallen.

Customs data show total trade in the first five months of this year rose 15 percent from a year earlier, driven by North Korea's purchases of Chinese oil and consumer goods. China bought more iron ore but suspended purchases of coal, a key North Korean revenue source.

Trump wants Beijing to use its status as North Korea's only significant ally, trading partner and aid donor to pressure it to renounce nuclear development. Chinese leaders express growing frustration with North Korea but have resisted pressure to push harder for fear leader Kim Jong Un's government might collapse.

Total trade in the first five months of this year was just over 14 billion yuan ($2.1 billion), a tiny sum for China, the world's biggest trader. But the relationship with North Korea, which shares a border with China, is politically significant.

"Unless North Korea starts a war against China or some other country, China will not cut off all trade," said Shi Yinhong, an international relations specialist at People's University in Beijing.

"Some (economic) activities are not for making money but for political concerns, so the people in Pyongyang will want to listen to us sometimes when we talk," said Shi. "The United States does that too."

Trump might use this week's meeting of leaders of the Group of 20 major economies in Germany to lobby for support, said Rajiv Biswas, chief Asia-Pacific economist for IHS Markit.

"A key focus is likely to be on imposing sanctions on additional banks and companies that are considered to be involved in facilitating illicit North Korean financial activity," Biswas said in an email.

Stepped-up sanctions against North Korea include a U.N. Security Council decision on June 3 to expand a travel ban to cover more people involved in the North's nuclear weapons program.

Sanctions on North Korea's Koryo Bank and two companies were tightened. A Chinese bank accused by Washington of helping North Korea hide prohibited financial activity was barred from the U.S. financial system on June 29.

"Global banks are likely to step up their compliance measures in order to ensure that their counterparty banks are not involved in any illicit transactions," Biswas said. Washington also might target remittances by North Koreans working abroad or Chinese and other companies that deal with North Korea, Biswas said.

On Wednesday, Trump cited a Chinese Customs agency statement that two-way trade with North Korea rose 36.8 percent from a year earlier in the first quarter of the year.

That appeared to be at odds with Chinese data that showed a rise of 7.4 percent. But the Customs agency said Thursday in an emailed response to questions that the change was bigger due to a revision in last year's figures that was not published. It gave no other details.

Beijing suspended coal imports in February following North Korea's fifth nuclear test in November in defiance of U.N. demands. The following month, Chinese imports from North Korea plunged 35 percent.

Meanwhile, Chinese purchases of North Korean iron ore, another key export for the mineral-rich country, rose 34 percent from a year earlier in the first five months of the year, according to a South Korean industry group, the Korea International Trade Association.

Chinese oil sales to North Korea rose 18 percent in the first five months of the year to $35 million, according to KITA. Other top Chinese exports included telephone equipment, textiles, soybean oil and vehicles.

In a show of frustration, Beijing agreed for the first time in March 2016 to enforce U.N. sanctions following North Korea's test of a missile possibly capable of carrying a nuclear warhead.

China banned coal imports the following month but allowed some purchases for civilian use. That reflected Beijing's strategy of trying to press North Korea to comply without destabilizing its economy.

Without coal sales, trade growth is driven instead by rising Chinese exports to North Korea, leaving the North with a widening trade deficit. In May, three-quarters of total trade consisted of Chinese exports to North Korea.

China still has the right to sell goods that are not under U.N. sanctions, such as food, pesticides and fertilizer, said Chen Xiaohe, an international relations specialist at People's University.

"Cutting off all trade may lead to famine," Chen said.

Source: abcnews.go.com- July 06, 2017

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Pakistan: PRGMEA, CCCT to promote textile trade

The Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA) and China Chamber of Commerce for Import and Export of Textile and Apparel (CCCT) will promote trade between textile and apparel companies in Pakistan and China.

The two organisations had signed a memorandum of understanding (MoU) to this effect back in March 2016.

The delegation of CCCT led by Wang Vu, vice chairman of the association, visited Pakistan to discuss the implementation of the MoU. The decision to promote trade between the two nations was taken at a meeting held between the two organisations in the presence of commerce minister Khurram Dastgir and Board of Investment (BOI) chairman Dr Miftah Ismail.

Dastgir briefed the Chinese delegation about the garment and textile sector of Pakistan and urged them to invest in various sectors in Pakistan for mutual benefit.

Ismail said that Pakistan provides a level-playing field to local as well as foreign investors and all sectors are open to investment.

The meeting between PRGMEA and CCCT will help build mutually beneficial dimensions, said Jiaz Khokhar, PRGMEA Central chairman. He said that this is the first of its kind agreement for the Pakistan garment sector association with overseas stakeholders.

Vu said that Pakistan, one of the top 5 cotton producers in the world has growth potential for value-added garments and apparel sector. As per the MoU, CCCT cooperated with the Ecommerce Gateway from Pakistan and was the co-organiser of Textile Asia and CFT Asia in China.

Source: fibre2fashion.com- July 06, 2017

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Ethiopia: Textile Paving Path to Industrialization

Ethiopian textile sector is attracting top international firms amid nation's bid to industrialize. The incumbent believes, textile would benefit large number of people and paves the way for nation to join middle income status in the very near future.

Textile is a preferable gateway for developing countries in their quest to step into industrialization because of the ease in entry. The industry was apparently one of the few key drivers of the industrial revolution in Britain and Germany. The textile industries in these countires not only were the driving forces behind the Industrial Revolution, but also revolutionized the world economy in the 18th century.

The country has launched a strategy to make the most of its potential in the textile sector. On top of the industry's innate behavior of marketability that would suffice to ensure speedy growth, electric power abundance and a growing human and material capital are seen as advantages to reinforce textile industry in Ethiopia, Bantihun Gesese, Corporate Communications Director at Textile Industry Development Institute told The Ethiopian Herald.

Accordingly, the industry is witnessing rapid growth, as a number of domestic and multinational firms are being engaged in productions of textile, garments and apparel for domestic and global markets, added Bantihun.

The sector would facilitate technology transfer and capacity development through training, and experience sharing. It is also considered as a springboard to boost the manufacturing sector and export trade.

In the path to industrialize Ethiopia, the textile is considered to be prominent in boosting export, creating job opportunities, and accruing great deal of knowledge and experience as a model to other sectors as well, Industrial Parks Corporation CEO Sisay Gemechu stated during a press briefing for launching Hawassa Industrial Park.

For instance, he added, Africa's largest industrial park set up in Hawassa, which is exclusively reserved for textile and apparel manufacturing is expected to remarkably boost hard currency earnings and employment.

This flagship industrial park is designed to make it capable of hosting gigantic multinational firms. The experiences gained from its operation would be used as baseline for the nation's ongoing industrial efforts, asserted Sisay.

The Hawassa industrial park is a testimony that textile has been given due attention by the government. "The other impressive matter in this industrial park is the zero-liquid-discharge policy employed in line with the nation's Climate Resilient Green Economy strategy. The state-of-the-art waste treatment plant, which is the first of its kind in Africa, is installed in the textile industries at Hawassa and will be expanded to other industrial zones too", according to Sisay.

At the moment a number of other industrial parks are nearing completion, and the successes gained in the textile industry in terms of attracting anchor investors would be important for other manufacturing industries as well, not only in reinforcing nation's industrialization but also ensuring climate resilience.

For Ethiopian Investment Commission Commissioner Fitsum Arega penetrating into the "insanely competitive" global market requires the availability of strong domestic and international manufacturers.

"Hence, to successfully make our way to the international market, it is crucial to attract multinational companies. Especially companies that have established their profile in the global market are vital, as the move marked a special status for the country creating wonder among the business community" underscored Fitsum.

With the favorable conditions created at Hawassa for textile and apparel production about 18 high profile companies have entered the hub, and six has already begun exporting. The rest are also gearing up to kick off either production or export.

The other striking thing in this industrial park, according to Fitsum is the integration of the products in a complementary manner. For instance, there are companies like PVH that manufacture readymade apparels and its firms get their textile inputs from a gigantic Chinese textile manufacturer in the same premises.

As these companies are providing training to their newly recruited staff at different levels inside the country and abroad, a huge deal of knowledge and experience could be drawn from the operation that eventually guarantees an accumulated know-how for the infant industrialization.

In support of Ethiopia's ongoing industrialization, German Development Agency, GIZ has launched a program that focuses on safeguarding better and fair conditions for industrial parks' employees while at the same time introducing new and forward looking perspectives for nation's industrialization process, GIZ Country Director Matthias Rompel told The Ethiopian Herald.

"The program will launch a number of capacity building training for workers in the textile industry mainly in industrial parks as well as the host communities where the projects reside, creating awareness regarding environmental and social protections", said Rompel, ensuring GIZ's commitment to strive in sustaining nation's industrialization efforts through technical support.

The contribution of the manufacturing sector to the economy has been lagging behind, barely creating job opportunities contrary to its potential in overhauling the agricultural sector, said Arkebe Oqubay, speaking at the same press briefing.

This, according to him, highlights the importance of focusing on transforming the manufacturing sector. "Maintaining the economic growth that has been attested requires structural change on key areas of the economy in a way it secures value addition, boost export and create adequate jobs", said Arkebe.

Arkebe added, letting the sector of textile lead the way to the much needed industrialization is the best way as the sector is labor intensive with excellent market value products and ample raw materials in the country.

With about 194 medium and high level textile and apparel manufacturers gone operational so far in the country, the sector has created job opportunities to nearly 90,000 citizens and secured hard currency revenue of 81 million USD in the last eleven months only.

Source: allafrica.com - July 06, 2017

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Pakistan: Cotton yarn worth $1.134b exported in 11 months industry

Cotton yarn worth US$ 1.134 billion exported during 11 months of last financial year (2016-17) as compared the exports of the corresponding period of last year.

During the period from July-May, 2016-17, about 413,749 metric tons of cotton yarn worth US$ 1.134 billion exported as compared the exports of 392,302 metric tons valuing US$ 1.176 billion of same period last year, said data of Pakistan Bureau of Statistics.

The exports of cotton yarn during the period under review decreased by 3.64 percent as against the exports of the same period of last year.

However, the exports of cotton carded or combe recorded increase of 71.94 percent and reached at US$ 239,000 as compared the exports of US$ US$ 14,000 of same period of last year.

In last eleven months,237 metric tons of cotton carded or combed exported from the country as against the 143 metric tons of same period last year.

During the period from July-May, 2016-17, about 23,451 metric tons of raw cotton worth US$ 40.169 million were exported as compared the exports of 48,961 metric tons valuing US$ 75.996 million of same period of last year.

Meanwhile, bed wear exports from the country grew by 3.22 percent and reached at US$ 1.922 billion as compared the exports of US$ 1.86 billion of same period of last year.

In last eleven months of financial year 2016-17, about 318,070 metric tons of bed wear exported as compared the exports of 303,054 metric tons of same period of last year.

However, textile group exports from the country during last eleven months of financial year 2016-17 had recorded 1.98 percent negative growth and were recorded at US$ 11.234 billion as compared the exports of US$ 11.46 billion of same period last year.

Source: customstoday.com.pk- July 06, 2017

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World cotton output to grow 2nd consecutive season: ICAC

Global cotton production is expected to grow for the second consecutive season by 7 per cent to 24.6 million tons in 2017-18. This is due to the projected 7 per cent expansion of world cotton area, which is likely to increase to 31.8 million hectares. However, the cotton area would still remain below the previous ten-year average of 32.3 million hectares.

World cotton production has recovered in 2016-17 after declining by 19 per cent to 21.3 million tons in 2015-16, which was the lowest volume since 2002-03. This was a result of both a 9 per cent contraction in area due to low cotton prices and a 10 per cent fall in the world average yield.

In 2017-18, India will likely be the world's largest producer for the third consecutive season with production growing by 6 per cent to 6.1 million tons, the International Cotton Advisory Committee (ICAC) said in its latest report. "An early and adequate monsoon, a higher minimum support price, and the prospect of better returns from cotton compared to competing crops have encouraged farmers in India to expand area by 8 per cent to 11.3 million hectares," the report said.

In China, cotton area is expected to expand by 3 per cent to 3.2 million hectares due to high cotton prices and the new subsidy announced during the planting season. Assuming an average yield of 1,558 kg-ha, production could increase to 5 million tons, ICAC said.

Production in the US is forecast to increase by 12 per cent to 4.2 million tons, which is the largest volume since 2007-08. High prices, sufficient soil moisture in dryland areas and beneficial weather during planting is driving the increase in area and production, according to the report.

After two seasons of decline, cotton area in Pakistan is projected to grow by 8 per cent to 2.7 million hectares. Production could reach 2 million tons, assuming an average yield of 741 kg-ha, up by 11 per cent from 2016-17.

Meanwhile, based on expectations of growth in the global economy, world cotton consumption is expected to increase by 2 per cent to 24.7 million tons. China leads as the world's largest consumer of cotton, though its mill use remains unchanged from 2016-17 at 7.7 million tons.

High domestic and international cotton prices and constrained supply are likely to limit any growth. After a 3 per cent decline last season, India's consumption is forecast to recover by 3 per cent to 5.3 million tons. Pakistan's consumption is expected to increase by 3 per cent to 2.3 million tons. Mill use in Bangladesh and Vietnam is projected to rise by 5 per cent to 1.5 million tons and 7 per cent to 1.3 million tons, respectively.

In terms of exports, the US is expected to continue as the world's largest exporter of cotton in 2017-18 despite a projected 7 per cent reduction in exports to 2.9 million tons. This is due largely to the fact that there will be a much larger supply of cotton from other countries on the global market compared to 2016-17.

As a result, its share of world exports is expected to fall from 50 per cent in 2016-17 to 37 per cent in 2017-18. After declining by 28 per cent to 900,000 tons in 2016-17, exports from India are projected to rise by 2 per cent to 930,000 tons. While imports in China will likely be limited by quota, they are projected to increase by 1 per cent to 1.1 million tons. Imports by Bangladesh are expected to increase by 7 per cent to 1.5 million tons and Vietnam by 8 per cent to 1.3 million tons.

World ending stocks are forecast to decline by 1 per cent to 17.1 million tons in 2017-18. China's stocks are expected to decline by 18 per cent to 7.6 million tons, and its share of world stocks is expected to decline to 44 per cent, which would be the first time since 2011-12 that it held less than half of global stocks. Stocks held outside of China are expected to rise by 17 per cent to 9.6 million tons. "This would be one of the highest volumes on record and indicates that prices should fall," the report said.

Source: fibre2fashion.com - July 06, 2017

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Vietnam garment sector export experienced robust growth, not sustainable yet

Vietnam's garment and textiles export in the first half of the year grew 11.3 percent year-on-year to 14.58 billion USD, outstripping its competitors in garment export growth in the period. The country earned 6 billion USD from exports to the US, surging nearly 9 percent, 2.3 billion USD from shipments to the EU, up 8 percent and 1.5 billion USD from Japan, up 12 percent. But according to experts the growth has not been sustainable yet.

Le Tien Truong, Deputy General Director of the Vietnam Garment and Textile Group (Vinatex), said that the results proved a praiseworthy effort made by the garment sector in the context of the unstable global economy.

Demand for textile products from key importers like the US, the EU and Japan tapered off in the first six months of the year. However, Vietnam's garment exports to those markets experienced robust achievements, Truong said.

As the most tremendous hurdle for Vietnamese garments is foreign competitors, especially China with large scale production and low costs, Vietnamese enterprises need to join the global supply chain with fastidious requirements of quality, prices and time of good delivery.

Poor orientations, which fail to meet long-term development of local enterprises, are a great inner difficulty for the garment and textiles industry. In addition, unsound competition between domestic and FDI businesses has been on the cards.

The shortage of high-quality human resources, limitations in product development, capital access, marketing and foreign languages and high input costs also challenge the sector.

The garment sector recommended relevant authorities to support training programmes in original design manufacturer (ODM) business and information and technology while outlining rational policies on job creation, minimum wages and exchange rate.

Creating favourable conditions for enterprises to get access to soft loans and preventing smuggled goods are significant activities to support domestic garment and textiles businesses.

Truong said that the trade protectionism policy of the US President Donald Trump administration and interest rate adjustment from the US Federal Reserve will threaten sustainable export growth. There is a high possibility that Vietnam's competitors will further devaluate domestic currencies to support exports as they did in 2016.

According to the Trade Map, China experienced a decline of more than 5 percent year-on-year, while Bangladesh saw a drop of 3.5 percent and Indonesia, 5 percent.

Source: yarnsandfibers.com - July 05, 2017

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U.S. Trade Gap Narrows as Exports Rise to Highest in Two Years

The U.S. trade deficit narrowed in May as American companies exported the most since April 2015, underscoring an improving global economy, Commerce Department data showed Thursday.

With exports rising and imports falling, the Commerce Department released a report on Thursday showing that the U.S. trade deficit narrowed in the month of May.

The report said the trade deficit narrowed to $46.5 billion in May from $47.6 billion in April. Economists had expected the deficit to narrow to $46.2 billion.

The Commerce Department said the value of exports rose by 0.4 percent to $192.0 billion in May from $191.2 billion in April.

On the other hand, the report said the value of imports edged down by 0.1 percent to $238.5 billion in May from $238.8 billion in April.

Decreases in imports of cell phones and other household goods and passenger cars were partly offset by an increase in imports of capital goods.

The Commerce Department also said the goods deficit narrowed to $67.5 billion in May from $68.4 billion in April, while the services surplus widened to $21.0 billion from $20.8 billion.

Source: bloomberg.com - July 06, 2017

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China-U.S. trade talks near 100 days jarred by North Korean test

For China, the most important achievement of the 100 days of trade talks with the U.S. now coming to a close might be keeping its counterpart at the table.

Negotiations due to end on July 16 have yielded some progress already, such as getting American beef back in Chinese stores, a small step toward addressing the $347 billion U.S. deficit on $578.6 billion in trade last year.

But even amid continued engagement, major breakthroughs look less likely with President Xi Jinping complaining of a “negative” turn in relations just before his expected meeting with Donald Trump this week, and escalating tension over North Korea that the U.S. links to trade.

For the world’s second-largest economy, the talks are a goodwill gesture to maintain friendly economic ties and avoid White House ire, said Wang Youxin, an analyst at Bank of China’s Institute of International Finance in Beijing. “We make some concessions, give them a sweetener,” he said.

The lifting of China’s 14-year ban on U.S. beef imports is one of the initial deals, dubbed “early harvests,” that allow both sides to say they’re making progress.

Related benefits include a surge in U.S. crude oil imports since April and an increase in the purchase of American liquid natural gas.

In addition, China has approved two out of eight biotechnology product applications from the U.S., and the central bank said this week it will allow foreign-owned financial services firms to compile and issue credit ratings in the domestic bond market.

“The talks show China understands U.S. concerns — we’re paying attention, we’re willing to cooperate, and we’re determined to produce deliverables,” said Wei Jianguo, a former vice commerce minister and now vice chairman of the China Center for International Economic Exchanges, a Beijing-based think tank.

The negotiation style fits Trump’s temperament and can help send positive messages, he said.

Still, that dialog is being interrupted by the standoff between the U.S. and North Korea over the latter’s nuclear program. After Pyongyang’s testing of a intercontinental ballistic missile this week, Trump has linked his frustration over the regime to his willingness to compromise on trade with China.

“Trade between China and North Korea grew almost 40 percent in the first quarter. So much for China working with us — but we had to give it a try!” Trump said Wednesday on Twitter.

Ministry of Commerce data show trade with North Korea rose 13.7 percent in the first five months from a year earlier. Exports rose 32 percent while imports contracted 9.3 percent.

“Trump and China have had a good start, but now it’s hit a bump on the North Korea issue,” said Wang Huiyao, director of Beijing-based think tank China Center For Globalization. “There are opportunities for China and the U.S. to sit down and talk to find a way out as the 100-day trade talks are still ongoing, Xi and Trump are set to meet at G-20, and Trump is going to visit China this year. China-U.S. trade is the basis of bilateral relations and none can afford a trade war. The world can’t either.”

“China’s economic relations with the U.S. are always not just about the economic issues, and there are always other interests involved. The recent North Korea provocations could possibly exert some negative impact, as Trump may get impatient and anxious and start to pressure China,” Song

Hong, a senior fellow at the Chinese Academy of Social Sciences, which advises the government on policy.

The 100-day talks are making good progress, according to Zhu Guangyao, China's vice finance minister. The two nations have contacts "every morning and every evening," Zhu said at a press conference at the G-20 meeting in Hamburg on Thursday. China has also studied Trump's books on how to do deals, Zhu, who is also a lead negotiator in the trade talks, said.

Some Chinese analysts share the view that what truly matters about the 100-day talks is keeping both sides together at the negotiation table and avoiding a trade war, according to Lu Zhengwei, chief economist at Industrial Bank Co. in Shanghai.

Agriculture and energy are the trade domains most likely to show additional progress, according to Lester Ross, a partner in the Beijing office of U.S. law firm WilmerHale who also leads the policy committee of the American Chamber of Commerce in China.

China's commerce ministry said in a May report that it wants to increase U.S. agricultural imports such as soybeans and cotton, along with energy products including liquid natural gas, crude oil and refined oil, plus aircraft, integrated circuits and machine tools.

Such gains are less impressive in a broader context of the world's largest trading nation: China's customs data show total beef imports stood at $2.5 billion in 2016, while crude purchases totaled $116.5 billion — and machinery imports came in at $771.4 billion.

Allowing foreign credit rating firms to compete in the domestic market was a long-awaited step that's part of a broader reform plan to open up the financial system.

The trade plan could erode some of China's trade surplus with the U.S., and to a larger extent if the imports boost expands to more sectors, said Wang. But the bigger challenge in the negotiations will be to persuade China to further open service sectors including education, finance and health care, he said.

Ross said American businesses are more worried about asymmetric market access, in which they're blocked from operating or acquiring in large swathes of the economy while Chinese companies are mostly unencumbered in the U.S. Bigger Chinese commitments are needed to lower barriers for the U.S. firms, he said, calling the new foreign investment guidelines "limited progress" toward leveling the playing field.

"The 100-day trade plan could very well be a trap for the U.S.," said James McGregor, China chairman of business advisory firm Apco Worldwide Inc. and a former AmCham chairman. "After a few concessions on each side, then China may consider that things are back to business as usual with the various industrial and technology policies that are very threatening to the future of the U.S. businesses."

In the lead-up to Xi meeting Trump on the sidelines of the G-20 summit in Hamburg, old disputes are resurfacing and cooling the warmth that followed their Florida summit. The U.S. has in recent days made a naval patrol past a Chinese-controlled islet, announced an arms sale to Taiwan, ranked China among major human-trafficking offenders, and called on Beijing to let ailing Noble Peace Prize winner Liu Xiaobo seek cancer treatment abroad.

"Ties are also affected by some negative elements, and the Chinese side has already expressed our stance to the U.S.," Xi told Trump, state television reported Monday.

Those issues aside, economic relations are still a long way from the worst-case scenario. Trump, elected last year after more than two decades of criticizing China's trade policy and a campaign full of promises to fight it, has eased off threats since meeting Xi at Mar-a-Lago.

"Reversals in Trump's attitude are like a negotiation tactic, or bluff, to get a better deal," said Lu. China and the U.S. may "draw their swords," he said, but won't really fight.

Source: mysanantonio.com - July 06, 2017

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NATIONAL NEWS

GST shows legacy issues make for difficult policy transitions

Major policy transitions are tricky even where the net gain is positive. In India, policy transitions can be even trickier. There are legacy issues to contend with at every turn. Then there can be announcements with no follow-up, such as when a minimum support price is declared without any tracking of the acreage response and the corresponding warehousing requirement. Farm unrest was sure to follow.

The transition to a nationwide goods and services tax (GST) on 1 July wisely provides an adjustment window until September during which glitches can hopefully be sorted out. The decisions taken by the GST Council on the issues falling within its very broad purview—the rate structure among them—have been as streamlined as they can be considering the number of parties whose consent had to be secured.

All except one, having to do with the taxation of the financial sector, on which more further below. There are some obvious transition issues in terms of the robustness of the information technology platform for such a data-intensive taxation system. These have been signalled several times by many commentators, but the network seems confident it can hold up. There are access issues in remote areas. There is also worry about how the anti-profiteering provision will be implemented.

I never thought that the GST could actually carry collateral damage of any severity, but was alerted to it by a passing news item. The damage is not a consequence of the GST itself, nor of any decisions taken by the GST council, which has functioned thus far in an admirably cooperative spirit. It is a consequence of the non-transparent legacy of the taxation system being replaced by the GST.

The news item was about GST impact on the textile industry (an altogether different issue has agitated textile traders, concerning the 5% GST rate on textiles replacing the earlier exemption under value-added tax). The Surat textile industry association presented the following facts on the pre-GST taxation structure on imports of textiles: 10% basic import duty, 12.5% countervailing duty (CVD) and 4% special additional duty (SAD), adding up to 26.5% (this is the summation approximation, but will do for now). Their submission was that after introduction of the GST at 5%, imports will attract duty of only 15%—the basic duty of 10% plus the GST of 5% on textiles. GST at 5% is leviable on domestic production also, leaving the nominal import wall of 10% basic duty firmly in place.

The CVD was merely supposed to compensate for excise on domestic output, and the SAD was compensation for taxes on inputs going into domestic production. So with the GST replacing those levies (with full input credit), there should have been no problem, right? But in the textile case, as this submission brings to light, there was no excise on domestic production of textile fabric! The 12.5 % CVD turns out to have been a spurious addition to the basic duty, compensating for domestic excise that was not in fact leviable on textiles.

The 4% SAD by contrast seems to have understated the incidence of input taxation, which by one (unverified) estimate stood at 11.5%. Adding CVD and SAD, the compensating levy on imports stood at 16.5% pre-GST, when it really should have been 11.5% (remember, excise on output was zero). So domestic producers were getting 5% more protection than the nominal import duty of 10%. Now that GST has rationalized the import wall to the basic duty of 10%, the Surat textile industry rightly fears for its survival.

Should we be ramping up import duties (the basic levy) in order to hold the protection level constant in textile and other such cases? Textiles are among the most employment-intensive sectors in Indian manufacturing. Transiting out of an admittedly non-transparent regime will lay off large numbers of workers, with no immediate absorption possibilities in other sectors of manufacturing.

How did this mess happen? It is merely one of the many quirks of the policy legacy in India. The matching of CVD to excise should have been done transparently and accurately in the pre-GST era by the Central Board of Excise and Customs (CBEC). If the domestic industry wanted higher protection than the basic customs duty, it should have been done by ramping up the basic duty itself, not through the back door with a spurious CVD.

Frankly, this revelation caught me by surprise, although it is by no means the first time that I have learned about the taxation structure in India from industry associations.

Indirect taxes in India have suffered from so many exemptions inserted into the small print, that any aerial overview of the rate structure never yielded the worm's-eye view of the rates as they actually applied on the ground. Often those exemptions were at the behest of industry lobbies themselves, but the best way to learn about them was from calculations of tax incidence submitted by industry associations.

Two-and-a-half years have elapsed since the Constitution Amendment Bill to enable GST was presented to Parliament. One might have expected the CBEC to call a review meeting during this very long period to assess the implications of lack of alignment between the CVD-SAD level and the domestic levies they were meant to compensate for. The actual GST rate to be settled on textile fabric by the GST council would not have been of any relevance. Why do these arms of government not see problems looming on the horizon? For that matter, why did the textile association itself not sound its concern and get the matter sorted out earlier?

The textile story itself may well end happily. The alert has reached the proper quarters, and it seems possible that the basic import duty will be hiked up to 15%, which fortunately lies within the tariff bounds registered with the World Trade Organization. The textile industry is a major employer. And we most certainly do not need to add yet another sector to the list (steel, telecom, power) already contributing to the stressed assets of the banking system.

Which gets me to the one problem I do have with the configuration of taxation worked out by the GST Council, having to do with the taxation of the financial sector. Banks in India have a presence in all or most states. The GST now requires banks to register in each state, and compute their turnover taxable to GST separately in each state jurisdiction.

Maybe not an impossible task, but it does impose huge incremental demands on the banking system in terms of internal accounting arrangements and manpower attention. There was no time for training bank officials for this, although I do see advertisements for GST training modules under the National Skill Development Mission. Banks will most likely outsource the task to the big four accounting multinationals. They never had it so good.

Banks have been under severe stress over the past few years quite independently of the overarching problem of declining asset quality, which continues to worsen as documented in the latest Financial Stability Report issued on 30 June. The additional stress has resulted from a sequence of policy transitions, each of which imposed a sharp unanticipated load on the duties of bank staff. Even commendable initiatives like the Pradhan Mantri Jan Dhan Yojana (PMJDY) for financial inclusion were done with no advance preparation.

PMJDY completely absorbed the front end of banks for essentially the first six months of calendar 2015. The voluminous application for a new account had to be filled in by bank staff themselves, who further had to cope with problems of names on Aadhaar and ration cards being altogether different for the same individual, and applicants not having a postal address to which the account passbook could be mailed.

The further task of linking these accounts to direct benefit transfers of various kinds was borne principally by banks. Then there are the various insurance benefits attached to the new accounts, claims for which immediately started pouring in after the opening of an account, all of which are handled at the front end by bank staff.

Demonetisation completely took over all bank staff, not just those at the front end, for essentially the last two months of calendar 2016. Hapless bank staff bore the brunt of public wrath over non-functioning ATM outlets, in addition to the work of collecting and counting stacks of demonetised currency. Many faced abuse and even violence from irate customers. Routine functioning ground to a halt. One customer who had run out of cheque leaves with which to withdraw cash from the counter, the only option in those early days, was told issuance of new cheque books had been indefinitely halted.

Then there is the procedural burden of the farm loan waiver schemes announced by at least four state governments, with more to follow, of having to prepare lists of loans falling within the parameters of each scheme. A little-known feature of these schemes is that farmers themselves lose from incremental lending for farming being put on hold while the waiver is under process, which can take up to two years or even more.

Now with GST, there are the state jurisdictional boundaries along which bank turnover has to be carved. The cost of outsourcing this task to the accounting multinationals will have to be borne by—well, banks.

The final straw is the steep jump in provisioning requirements—introduced in late June—on loans referred to the National Company Law Tribunal for bankruptcy proceedings. This change is puzzling both in terms of the manner of its issuance (not through a public circular, the common channel for regulatory announcements) and in its impact, which will be counter-productive. Surely, this last imposition can be reversed.

Source: livemint.com- July 07, 2017

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West Bengal to focus on five textile sub-sectors

The government and industry leaders of the Indian state of West Bengal have zeroed in on five sub-sectors of the textile value chain. The state is among the top producers in these segments, which will receive a boost in the form of government help.

The five sub-sectors are hosiery and innerwear, linen, workwear, textiles machinery, and technical textiles.

Of the five segments, textiles machinery manufacturing could also lead to substantial import substitution and save precious foreign exchange for the country. “India imports almost all the textiles machinery it needs and so we are looking at developing this industry in the state,” said West Bengal finance minister Amit Mitra during his visit to Mumbai to attract investment in the state’s textile sector.

During his interaction with top industry leaders, including Futures Group head Kishore Biyani, Mitra received commitments from some of India’s leading textile manufacturers to widen their operations in and around Kolkata.

If the neighbouring Bangladesh could progress to become a top supplier of apparel, there is no reason why West Bengal could not do the same, said Biyani during the meeting of Mitra with textile industry leaders.

Mitra, who also holds the industries and commerce portfolios, said West Bengal has some advantage in the labour-intensive textile sector due to availability of a large number of skilled personnel.

Source: fibre2fashion.com- July 06, 2017

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African countries invite investment from India Inc

Opportunities in sectors like textiles, food and agro-processing, agriculture, leather and leather garments, renewable energy, healthcare, pharmaceuticals and education await Indian industrialists and entrepreneurs in African countries, a business delegation that took part in a seminar organised by the Confederation of Indian Industries (CII) said here on Thursday.

Representatives from Mali, Seychelles, Uganda, Ehtiopia and Botswana attended the event. Niankoro Yeah Samake, Mali ambassador to India, said his country wishes to explore investment and business opportunities from Indian businessmen in textile, gold, education and hospitality management.

"Nearly 41% of Mali's GDP comes from agriculture that comprises fishery, crops and livestock. Almost 75% of the country's workforce is employed in agriculture.

As much 59% of our export is cotton. So, we would like to explore potential from textile industries here in Coimbatore. I have invited a delegation of texpreneurs to Mali to explore business opportunities," he said. Seychelles, a country known for tourism, is looking for Indian restaurateurs to set up business in the Island nation, high commissioner Philippe Le Gall said.

Source: nyoooz.com- July 06, 2017

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Woolmark eyeing entry into handloom clusters in Gujarat, Manipur

In order to increase the import of the premium Merino wool in India, the Australian textile major The Woolmark Company is planning an entry into the domestic handloom and weaving clusters of Gujarat and Manipur.

Arti Gudal, country manager, The Woolmark Company said that about 85 per cent of Indian wool is of carpet grade; 10 per cent is of coarse grade and only five per cent is of apparel grade. The textile and apparel industry imports a bulk of its wool from Australia.

Yet, as against China's 80 per cent share, India has merely five per cent share in Australia's Merino wool exports. They are willing to imbibe the premium Merino wool in India's handloom sector through such clusters.

In its efforts to explore other markets for wool, The Woolmark Company has entered into a collaboration with the Tiruppur Exporters' Association (TEA).

R M Shanmugham, president, Tiruppur Exporters' Association said that the Rs 26,000-crore Tirupur apparel industry is heavily dependent on cotton. However, last year the industry association started a workshop on the use of Merino wool for knitwear.

To further boost imports, The Woolmark Company has also announced the second phase of its 'Grown In Australia, Made In India' initiative. The campaign will highlight the farm-to-fashion journey of Merino wool from Australia to India. The campaign aims to connect stakeholders, including brands, manufacturers and the government across the supply chain with the consumers joining the journey from this year.

Gudal said that the campaign will be a four-month long project starting from September and ending in December. Through this initiative, they will bring to light the different stakeholders of our journey– the Kullu weavers of Himachal Pradesh, the wool shawl and knitwear industry and their collaboration with commercial brands who have endorsed Merino wool in India.

Australia is expected to produce around 300 million kg of wool in 2017-18, accounting for around 90 per cent of the global market. While a majority of India's suit and knitwear products already use Australia's premium Merino wool, the textile firm anticipates further growth in the domestic market share.

As against a total demand of 148 million kg of wool across the textile value chain, India produces only 48 million of domestic wool and imports 17 million kgs of wool worth $165 million.

Source: yarnsandfibers.com- July 06, 2017

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NIFT-TEA plans to open two outreach centres to impart skill training

Tirupur garment exporters have been promoting the NIFT-TEA Knitwear Institute situated in Tirupur, Tamil Nadu to open two outreach centres outside the state. The present plans are to set up one NIFT-TEA Skill Development Centre in Telangana and another one in Odisha, both on the invitation by the government authorities in the two respective states.

Mr. Shanmugam, who is also the chief mentor of NIFT-TEA Knitwear Institute, and his team from Tirupur had completed discussions on the planned skill development centre with K. T. Ramarao, Minister for Industry and Information Technology in the Telangana Government.

According to Tirupur Exporters Association president Raja Shanmugam, the centres will impart skill training to industrial workers on apparel manufacturing,

Mr. Shanmugam said that the training would be in the areas of tailoring, pattern making, designing and quality checking, and thereby, make the people ‘employable’ for the textile sector.

Mr. Shanmugam also hinted that plans were afoot to organise a Textile Research Conclave in Tirupur shortly. He further added that different stakeholders in the textile industry will be involved in the event which was aimed at dissemination of new technologies that came out of research.

A latest invitation has also come from Telangana for imparting skill enhancement training is in view of the textile park coming up at Warangal. On the invitation of the government officials in Odisha, training methodologies similar to Tamil Nadu would be adopted in there too.

Source: yarnsandfibers.com- July 06, 2017

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ITF urges govt to reduce GST on MMF yarn to 12%

The Indian Texpreneurs Federation (ITF) has again urged the government to reduce the Goods and Services Tax (GST) on man-made fibres (MMF) yarn from 18 per cent to 12 per cent.

The current GST rate on MMF yarn will lead to increase in fabric cost, inability of weavers to compete and de-growth. It will also not allow a weaver to take his input credit.

During railway minister Suresh Prabhu's visit to Coimbatore for taking feedback on GST, a presentation was made to him by ITF. The federation also said that reducing the MMF yarn GST to 12 per cent will result in a 100 per cent efficient MMF value chain that is capable of competing against other fibres. Weavers will also be able to claim input tax credit (ITC) on yarn if the GST is decreases.

The federation has also urged the government to reconsider GST on job work after fabric on apparel of 18 per cent as it truncates the ITC chain, considering that the GST will make weavers unable to utilise full ITC. It will also increase input cost as there's no big ITC for job workers.

By reducing the job work on apparel to 5 per cent, weavers can achieve real cascading benefits by availing full ITC on garments and receive working capital benefits for job working units, according to ITF.

The federation also said that it has taken various efforts such as continuous training for its members, launching 1st day 1st invoice campaign, handholding the entire value chain and submitting analytical data to GST Council.

The presentation was also sent to finance minister Arun Jaitley, textiles minister Smriti Irani, state finance minister of Tamil Nadu D Jayakumar and co convenors of GST committee on textiles Yogendra Garg and Sanjeev Kumar.

Source: fibre2fashion.com- July 06, 2017

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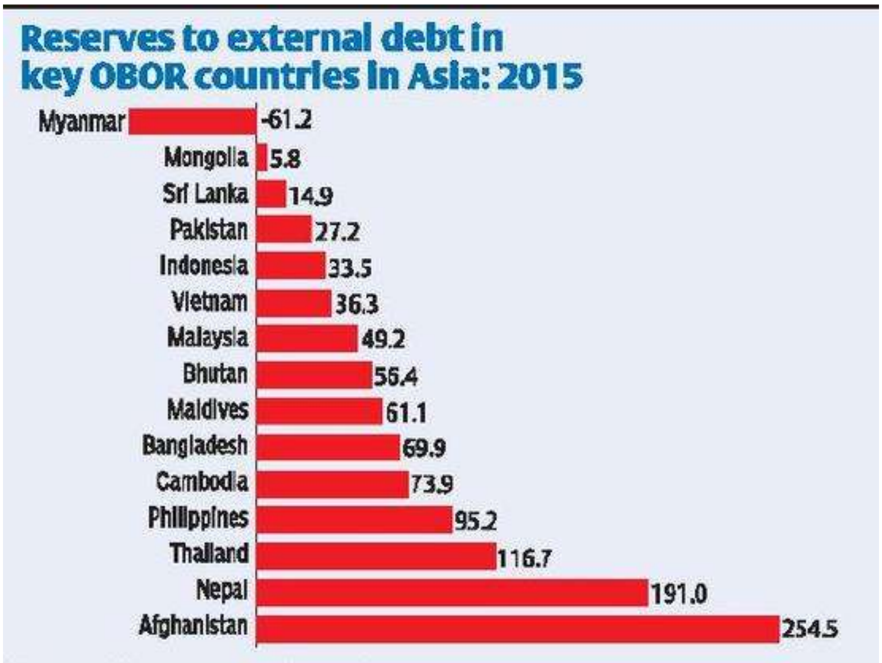
OBOR can lead to economic colonialism

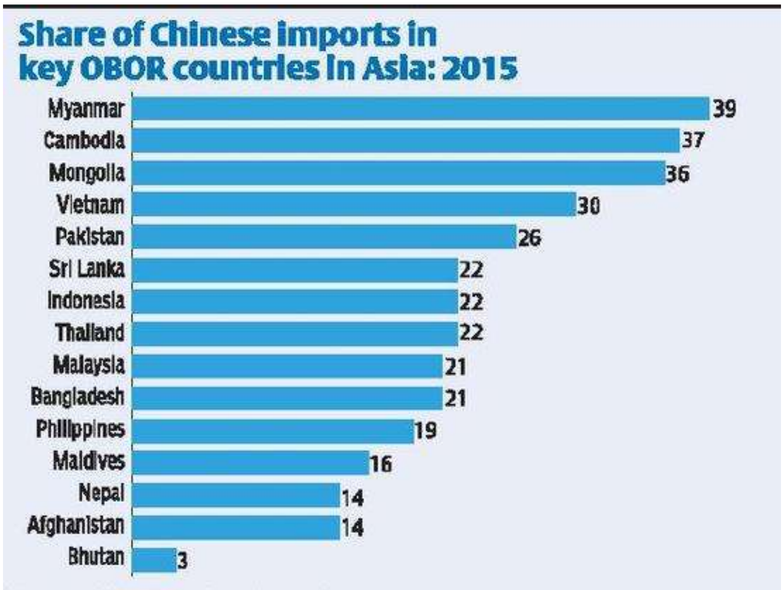


Source: Data derived of IMF; Exim Bank Research

Since the start of this century, the world has seen a shift in power balance, courtesy China's emerging economic might, which challenged a US-dominant unipolar world that had been in existence since 1991 when the Soviet Union was dissolved, officially ending the Cold War.

China, thanks to its burgeoning foreign exchange reserves, started exhibiting power and influence over economies. Chinese hegemony further got a fillip with the US ceding to its nationalistic views and becoming an inward-looking economy under Trump.

When the previous US regime was negotiating the Trans Pacific Partnership (TPP), China — inspired by the ancient Silk Route — chalked out the 'One Belt and One Road' (OBOR) strategy. The TPP soon lost its steam with the Trump deciding to move out of it and OBOR caught the imagination of the world for its sheer promise of covering over 60 countries that form almost 30 per cent of world GDP and 60 per cent of the world's population.



Expanding China

The Chinese foreign policy touts OBOR is purely an economic mission, facilitating cooperation in trade, investment, energy, developmental projects such as railway and road. But not many buy that. India, for one, perceives OBOR as a geopolitical architecture aimed at expanding Chinese influence in and around the region.

India may have a point there; OBOR has the potential to lead much of the world into a debt trap. While it is not new that China dominates the global trade market, the narrative gets further accentuated by OBOR's intent to create an infrastructure which would allow physical movement of goods, more specifically Chinese goods, to large parts of Asia and Europe including Russia.

The initiative, which is largely motivated by concerns about slowing growth in China and the desire to boost China's global influence, has the potential to create an inextricable debt trap in most of the countries which comes under the ambit of OBOR.

According to the World Bank, the growth of overseas development assistance (ODA) is slowing down globally, leading to ODA's diminishing share in gross national income (GNI) in the developing world, while multilateral development banks merely support 10 per cent of the developing world's infra spending. In least-developed countries, ODA was only 5.89 per cent of GNI in 2013, against 11.28 per cent in 1990.

Cash-rich China is, perhaps, trying to make use of this opportunity to fulfil its expansionist tactics and lure countries to fund their infrastructure needs through Chinese funds. These funds may not be in the form of a grant, and would seek a return on the long term investments made, which in some cases could accrue much higher interest rates than offered under ODA.

Chinese investments in some countries under OBOR equals a decent slice of their GDP. For example Chinese investment proposals such as the $46 billion in China-Pakistan Economic Corridor is over 15 per cent of Pakistan's GDP; the $13 billion in Uzbekistan is 25 per cent of its GDP; while the one with Bangladesh which is to the tune of $24 billion is equivalent to almost 20 per cent of Bangladesh's GDP.

Debt trap

This pattern of growing investments by China would increase the external debt of the OBOR economies towards China. An analysis of the Asian economies, mostly emerging, under OBOR's influence (where data from IMF was available), shows the average reserves to external debt as on 2015 stands at 53.3 per cent. These debts levels are bound to increase as they get more intertwined with OBOR plans.

The situation in Myanmar is grave, showing a negative 61.2 per cent external debt to reserves. According to a Parliamentarian in Myanmar, out of the $9 billion of the total foreign debts, Chinese loans amount to almost $4 billion, accounting for 44 per cent of the total external debt.

On the other hand, Mongolia, which has plunged into deep crisis with the drop in commodity prices, witnessed its economy growing by just 1 per cent in 2016, down from 17.5 per cent growth in 2011. It now has US$ 22 billion in debt, more than double the size of its economy.

Sri Lanka is a classic case of Chinese debt-trap, which can spillover to other economies as well. Sri Lanka's estimated national debt as per the data available from IMF stands at $44 billion in 2015, of which around 15 per cent is owed to China. Recently, for the Hambantota port project, Sri Lanka was coerced to borrow around $300 million from China with an interest rate of 6.3 per cent, while the World Bank and the ADB could have provided soft loans with the interest levels within 3 per cent.

Nepal and Afghanistan are, however, outliers given the fact that they are huge recipients of grants in the form of official development assistance. A brief analysis of the import pattern of the Asian participants, who have agreed to be a part of this OBOR initiative, reveals that most of the ASEAN countries, especially Myanmar, Cambodia, and Vietnam, run a Chinese-led trade deficit which is more than 30 per cent.

The OBOR initiative may act like a slow poison killing the domestic production capabilities of not only the emerging economies in Asia, but also those crisscrossing continents in Central Asia and Europe, making them heavily depended upon Chinese imports. Trade deficits are also about the jobs that we lose to overseas competitors. All these would have major political and economic implications.

Given the debt situation in most of these OBOR economies in Asia, and their inability to repay the debt, could lead the Chinese acquiring equity possession of these large tracts of infrastructure projects and thereby making inroads into the geographic space.

We may also not forget that China has perennial border disputes with almost all the countries it shares boundaries through land or sea. Another possible implications of OBOR could also be the spreading the use of Yuan as an alternate currency to the dollar. Given such multiple corollaries, the OBOR can even lead towards economic colonisation by China.

Source: thehindubusinessline.com- July 07, 2017

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Zara expansion to hit slowdown street even as Hennes and Mauritz to open 8 stores in H2

Global Fashion retailer Hennes & Mauritz plans to open eight stores in the second half of 2017, while Zara would go slow on expansion, due to lack of availability of high quality retail spaces, which can generate reasonable sales throughput, company officials said. Inditex Trent is the joint venture between Zara brand owner Inditex and Tata Group's retail arm Trent.

Zara which is present in the country for the last seven years operates 20 stores at present while H&M which entered the country two years back has 16 stores. H&M plans to open another 8 stores in the second half of 2017. Zara said that it has plans to open a few more Zara stores in India over the next three to four years in the major cities.

The primary challenge to faster expansion is the availability of high quality retail space which can generate reasonable sales throughput, Trent has said in its latest annual report. Zara reported revenues of Rs 1,023.10 crore and net profit of Rs 47.62 crore in 2016-17.

While Zara is finding it difficult to expand, its rival H&M would continue its aggressive expansion. “H&M is especially excited to expand its reach in India, a market that has tremendous potential both in Tier I & Tier II cities and now online,” Janne Einola, Country Manager at H&M India said. H&M India reported strong sales growth of Rs 445 crore for the year ending November 30, 2016. “From the earnings it is evident that H&M is performing extremely well in the country compared to its peers and is growing fast.

Affordable fashion is what is driving the sales of H&M which is at least 30% to 40% cheaper than Zara, and not surprising the company is focusing on aggressive expansion,” said Anurag Mathur, partner, Pricewaterhouse Cooper adding that fast fashion at affordable price is growing globally. Experts said that H&M has more number of customers visiting the store compared to Zara due to affordable pricing and is preferred by mall owners as an anchor tenant as the brand attracts footfalls.

Arvind Singhal, chairman, Technopak, said, “Many malls are on revenue sharing basis and given the strong sales performance shown by H&M many mall owners are ready to offer them cheaper rentals compared to its rivals, which is helping the company to focus on aggressive expansion. Further Zara clothes are much more upmarket in terms of fashion which is also a reason for the brand unable to expand in smaller cities.”

Zara at present has stores operational in cities like Delhi, Mumbai, Bangalore, Pune, Surat, Jaipur, Chandigarh, Chennai, Mohali, Hyderabad, Gurgaon and Noida.

H&M has signed leases for eight new store locations, to open in the second half of 2017, and is also planning its online shop launch in 2018. With an accumulated space of more than 160,000 sq ft, these stores will be launched in new cities as well as cities with currently operational stores, said a spokesperson of the company.

H&M will continue its strong expansion in new cities with openings planned in Coimbatore at Prozone Mall, in Indore at TI Next and in Amritsar at Mall of Amritsar. Further strengthening its presence in existing locations, there will be a sustained focus on Tier 1 cities- Mumbai will see the launch of two new stores at Le Palazzo, South Mumbai and Seawoods Grand Central Navi Mumbai making a total of five store locations.

Delhi NCR will see the opening of its sixth location at Red Mall, Ghaziabad. The brand plans to open two more store in the Southern part of the country one in Bengaluru at Vega Mall and another in Mantri Square, the city has two existing stores at VR Mall and 1MG Mall, the company said.

Source: financialexpress.com- July 07, 2017

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