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USD 67.47 | EUR 72.21 | GBP 85.36 | JPY 0.60

Cotton Market Update

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

Rs./Bale	Rs./Candy	USD Cent/lb
18501	38700	**72.99**

Domestic Futures Price (Ex. Gin), December

Rs./Bale	Rs./Candy	USD Cent/lb
19040	39827	**75.11**

International Futures Price

NY ICE USD Cents/lb (March 2017)	71. 05
ZCE Yuan/MT (January 2017)	15,685
ZCE Cotton: USD Cents/lb	**88.84**
Cotlook A Index – Physical	**79.80**

Cotton & currency guide: Cotton price in India traded down on Wednesday. The spot shankar-6 variety traded lower to Rs. 39150 per candy ex-gin equivalent 73.50 cents/lb.

The price has been declining gradually with higher new crop arrivals and tepid demand. On Wednesday the ICE futures for March cotton ended tad higher at 71.05 cents down by 28 cents from the previous day's close.

This morning ICE cotton is seen trading steady at 71.11 cents and the Chinese counterpart is almost at 15600 Yuan/MT.

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

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INTERNATIONAL NEWS

USA: Textile and Apparel Imports Rise as Shipments from Vietnam, Indonesia, Korea Surge

The Department of Commerce's Office of Textiles and Apparel reports that monthly imports of cotton, wool, manmade fiber, silk blend, and non-cotton vegetable fiber textile and apparel products totaled 5.68 billion square meter equivalents in October, up 3.5 percent from September and 1.4 percent from October 2015.

Country	Oct. imports (SME)	Monthly change (%)	Year-on-year change (%)
China	2.96 billion	+5.7	+6.9
Vietnam	431.6 million	+21.4	+11.0
India	408.1 million	+1.4	+7.6
Mexico	204.4 million	+1.2	+1.2
Pakistan	188.5 million	-2.9	-24.0
Bangladesh	149.2 million	-13.6	-24.2
Indonesia	144.4 million	+16.1	-7.5
South Korea	136.1 million	+11.2	+20.9
Canada	90.0 million	+3.6	-1.6
Honduras	88.1 million	-12.0	-11.6

Textile imports totaled 3.21 billion SME, up 8.4 percent from September and 2.4 percent from the previous year, while apparel imports of 2.47 billion SME were down 2.4 percent from September and unchanged from a year earlier.

Total year-to-date imports were 53.0 billion SME, down 2.0 percent from the previous year, as textile imports fell 2.4 percent to 30.1 billion SME and apparel imports lost 1.4 percent to 22.9 billion SME.

For the year ending in October, imports of textiles and apparel totaled 62.4 billion SME, down 1.3 percent from the same period a year earlier, as textile imports dropped 2.0 percent to 35.6 billion SME and apparel imports fell 0.2 percent to 26.9 billion SME.

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

Source: strtrade.com– Dec 08, 2016

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Price-competitiveness is crucial for China yarn market

Kikani Exports, India based yarn supplier with 12 years of experience in exporting to China, has a fully-equipped testing laboratory with latest technology for fibre and yarn quality assurance from the Uster Group, a high-technology instrument manufacturer for quality certification in textiles. Kikani MD **Vrajesh Kikani** *shares his views on China yarn market.*

As a leading exporter of yarn to China, what according to you is the major factor impacting China yarn trade?

Exporting yarn to China is both a massive opportunity and a tremendous challenge. Price competitiveness is the most crucial factor in China trade along with control of sourcing, control of quality, and control of costs.

What according to you is the biggest difference between China and other export markets in the volume of business available?

In China the volumes are huge. We started selling there in 2004, with about 60 tons per month. That increased over time to as much as 4,000 tons per month by 2014, but in the past year the market has been more depressed, so we have recently been at a level of around 2,000 tons.

What kind of quality strategy do you deploy in your in-house spinning methods?

Kikani has put in place a carefully-planned strategy to ensure consistent control of every aspect. It begins with sourcing – the right yarns at the right price from reliable spinners. Latest technology and process control is also necessary.

Can tell you about the latest Uster technology used in spinning yarns in Kikani mills?

We rely on Uster guidelines, ensuring our quality consistency within defect tolerances below 5 per cent.

Staff training for quality management is also a priority, and we implement both routine quality checks and random audits. The new mill, in the Ahmedabad District of Gujarat, started up in 2015, expanding to 29,376 spindles and 4,320 TFO drums by the end of the year.

What special kind of yarn do you produce?

A special advantage for knitting yarn is Kikani's focus on a Gujarat cotton type known as Shankar 6, which is said to have the lowest contamination rate of the entire Indian crop – although still high compared with cottons from the USA or Australia.

Talking about contamination in Indian cotton, what is Kikani Exports doing to tackle the issue?

Contamination by foreign matter is a serious issue, and there is a constant need to monitor and control it. Kikani uses a combination of the latest Uster JOSSI MAGIC EYE detection in the blow room and Uster QUANTUM 3 (PP option) clearers on its winders.

What kinds of yarn do you specially trade off to China?

Kikani's yarn range includes both carded and combed variants, across as count range of Ne 16 to Ne 40 ring spun, including compact, and Ne 6 to Ne 24 in OE-spun. Most yarns are 100 per cent virgin cotton or blends with waste cottons.

What do you expect in the future from China yarn market?

The current tough market environment will become even tougher in the future. Our volumes into China will come down for sure, because of increasing competition from Vietnam and other countries, as they have preferential duty structures.

Source: fibre2fashion.com– Dec 07, 2016

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Pakistan: Cotton price moves higher

Cotton prices on Wednesday moved higher on reports of Pakistan rejecting the landed Indian cotton and that around 10,000 bales at the ports have to be returned by importers at their cost.

This shocked the local textile industry which had been advocating for allowing import of cotton from India on being cheaper owing to geographical proximity and a traditional supplier of cotton to Pakistan.

The following are Wednesday's Karachi Cotton Association (KCA) official spot rates for the crop (2016-17) local dealings in Pak rupees for base grade 3 staple length 1-1/16" micronair value between 3.8 to 4.9 NCL.

Rate for	Ex-Gin Price	Upcountry Expenses	Spot rate Ex-Karachi
37.324kg	6,250	135	6,385
Equivalent 40kg	6,698	145	6,843

According to reports coming from Mumbai where a three-day annual conference on cotton was concluded on Wednesday, cotton traders in India generally felt that their government should also take similar measures to teach a lesson to Pakistan.

However, the market took the report of rejection of imported India cotton as a setback because it was being strongly felt that it would work as a double-edged sword, brokers said.

The ginners on their part, brokers said, have started to hold back their stocks in order to fetch better prices in the coming days. As a result, prices moved higher and spinners strived to get hold of big-lot deals.

The Karachi Cotton Association left its spot rate unchanged. Major deals on the ready counter were: 2,000 bales from Saleh Pat (Rs6,275 to Rs6,300), 1,200 bales Rohri (Rs6,450), 1,800 bales Dharki (Rs6,500), 1,000 bales Ghotki (Rs6,500), 1,400 bales Haroonabad (Rs6,300 to Rs6,350), 1,600 bales Kabirwala (Rs6,625), 800 bales Yazman Mandi (Rs6,450 to Rs6,500), 800 bales Layyah (Rs6,550) and 800 bales Shujabad (Rs6,450).

Source: dawn.com– Dec 08, 2016

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Report: Labor Standards Still Low in Myanmar

Despite the rise in Myanmar's relevance as a garment manufacturing locale, labor standards are still subpar there.

In a new report out by Progressive Voice (PV) Myanmar, "Raising the Bottom," the workers' rights advocacy organization said despite the increase in jobs to keep up with recent demand, labor standards remain low.

"Myanmar has a long way to go for this industry to be sustainable as factory workers, the majority of whom are women, bear the brunt of an extremely competitive global market in which labor standards remain below internationally recognized human rights and labor standards," the report noted.

When looking at working hours, PV found that 95 percent of the 199 factory workers interviewed for the report regularly work six days a week, and 88 percent work 10 or more hours per day.

Workers are also unlikely to refuse overtime.

"This is for various reasons including not knowing whether or not they can say no, the need for any extra overtime pay to supplement a salary that fails to meet rising living costs, or sometimes as a result of coercion or intimidation," according to the report.

Management discourages taking time off, such that 61 percent of workers said the "fine" for taking days off was 5,000 Burmese kyat ($3.81), and 36 percent said the fine was at least double that. The penalty is a disproportionate one, considering the daily minimum wage is an already too low 3,600 kyat ($2.74).

Myanmar implemented its minimum wage policy in September 2015 and since then, workers have said conditions are more harsh in terms of expected output, and regulations are strict. Many workers said they lost their bonuses and benefits as a result of the instituted minimum wage.

Awareness of trade unions is also low. Thirty-three percent of workers surveyed said a union exists at their factory, and just 8 percent reported being a member of one. Of those workers who are aware of the unions, 22 percent said they wouldn't feel safe joining for fear of being let go.

On a more positive note, workers (87 percent of whom are women) said they feel safe in their workplaces when it comes to sexual harassment or gender-based mistreatment, largely because their coworkers and supervisors are overwhelmingly female.

The findings don't stray far from labor challenges in other sourcing countries, but for Myanmar, the report comes at a time when companies are still deciding whether to consider it as a viable sourcing option, and as the U.S. works to help improve the nation's viability.

President Obama said in September, that the U.S. would lift remaining sanctions imposed on Myanmar to help facilitate trade. He also mentioned plans to restore the country's Generalized System of Preferences (GSP) benefits as an added investment incentive.

But if Myanmar doesn't get its labor standards right, growth in its garment sector could be slow going.

"The pressures of the global market are such that Myanmar risks joining a 'race to the bottom,'" the report noted. "For factory owners, the pressure to exist and make a profit mean that they need to extract as much labor from their workers as possible. There is a pressing need to produce as cheaply and as quickly as possible."

Fast fashion has forced factory owners to pass the pressure to get things done quick and cheap onto their workers.

"If this means forcing workers to do overtime, or threatening them with dismissal if they take a day off, then this is something many factory owners and managers will do," according to PV.

Some factory owners will try to cut costs to keep prices low for buyers by not putting adequate resources in their onsite clinics or not cleaning or updating restroom facilities for workers.

What's more, trade liberalization has made it even easier to move capital around and for buyers to chase cheap for their sourcing.

"It is on this point where opportunities should be pursued for transnational connections between labor groups and trade unions in the Asia region, working together for their mutual benefit," PV said in its report. "By resisting this capital flight together they can collectively raise the bottom of labor standards, regionally and globally."

Source: sourcingjournalonline.com - Dec 07, 2016

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China: Cotton yarn price unable to follow cotton higher

Fiber and yarn prices have moved in different ways in the last days in China, with cotton staying stable, polyester rising and viscose declining.

Xinjiang supremacy

Cotton fiber prices had recently risen, in line with a relatively low level in available quantities outside Xinjiang.

The remote province is now accounting for large share of the cotton production in China, after having been heavily subsidized, to the detriment of other cotton areas.

Spinning capacities have also been sharply expanded in Xinjiang in the meantime, benefiting from proximity with raw materials, with consecutive disruptions in "exports" to other provinces, as a result.

Cotton stable, polyester rising

Cotton yarn producers have not been able to raise their prices in line with the higher material costs, meaning their margins have declined (see our new series of below tables and charts comparing fiber and yarn prices in the last three months).

On the polyester market, staple fiber prices are jumping to higher levels, having gained nearly 3% in the last seven days.

Yarn prices are far from fully following the same trends, with margins dropping for 100% PSF yarns, as a result.

On the viscose front by contrast, a recent fall of fiber prices has helped spinners in restoring their margins, after yarn offers have been kept unchanged.

Fiber prices are now returning to lower levels after a short-lived attempt to raise the VSF prices.

Source: rsdmc.com - Dec 08, 2016

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China's economy on track to meet growth expectations

China's GDP has grown at 6.7 per cent in the first three quarters of 2016, and is on track to meet growth expectations. China's economy is maintaining a stable and progressive trend even in its current phase of upgrade and transformation due to supply-side reform and a series of other policies implemented by the government, Chinese media reports said.

Both producer price index (PPI) and manufacturing purchasing managers index (PMI) are on the rise according to the data from the National Bureau of Statistics. Commodity price index has also increased in the second half of this year.

Data from the ministry of commerce shows that 22,580 foreign-invested enterprises were set up from January to October, registering an increase of 7.4 per cent. The total foreign investment is also continually rising.

Meanwhile, the quality of China's economy is likely to continue improving trend because of the ongoing reduction of capacity, stocks, leverage, and costs, and efforts to make up for the weakest links.

Source: fibre2fashion.com - Dec 08, 2016

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Taiwanese textile maker to invest $18.5 mn in a fabric plant in Forest City

Everest Textiles, Taiwan based maker of high performance sports apparel will invest $18.5 million over five years to bring a sports fabric weaving and finishing operation at a site in Forest City. This will create employment for 610 at the manufacturing facility. This was announced by Governor Pat McCrory, North Carolina Commerce Secretary John E. Skvarla, III, and the Economic Development Partnership of North Carolina (EDPNC).

This innovation-based textile company has selected their state and its tradition of high-quality manufacturing to build its presence in the Americas. As North Carolina's outstanding business climate offers great advantages to global manufacturers such as Everest Textiles, said Governor McCrory.

Everest Textiles USA, a unit of Everest Textile Co. Ltd. in Tainan City, Taiwan, expects to start production of the fabric during the second or third quarter next year, said Tom Johnson, interim director of the Rutherford County Economic Development Commission.

Everest Textiles will take over an existing building in Forest City, which measures almost 400,000 square feet, to create the plant. Workers there will weave, dye and finish the fabric, which will be used in sports apparel.

It's the first U.S. operation for Everest Textile Co. The Taiwanese company now supplies apparel companies including Nike, Columbia and Patagonia from factories in Taiwan, China and Thailand.

Scott Chen, vice president of Everest Textile Co., said that the company is known for innovation. Everest positions itself as one of the leading global enterprises and commits to contribute to human society by providing innovative, environmentally friendly and comfortable textile products to the industry and consumers.

Everest Textiles qualifies for about $3.1 million in state and local incentives. The largest is a $3 million state Job Development Investment Grant that will be paid to Everest Textiles over 12 years.

The company plans to employ operators, supervisors and an administrative team. Once fully operational, the facility will add nearly $15.8 million annual payroll impact to the local economy.

Source: yarnsandfibers.com - Dec 07, 2016

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Indonesia: Government to streamline raw material imports for textile industry

The government plans to streamline the process of importing raw materials for textile and textile products (TPT) in an effort to rejuvenate the labor-intensive industry, which has been struggling with fierce global competition.

Speaking at a limited Cabinet meeting on Tuesday, President Joko "Jokowi" Widodo instructed the relevant ministries to ease import procedures to improve the competitiveness of local businesses with regional competitors like Vietnam, which has no import tariff, as opposed to Indonesia's fees of 5-20 percent.

"[We must] simplify the import procedures for TPT raw materials to lift the burden off businesses," he said.

Data from the Geneva-based International Trade Center show that the value of Indonesia's apparel and clothing accessories exports declined by almost 4 percent to US$3.3 billion last year from 3.42 billion in 2014.

Jokowi said the TPT industry was in need of immediate revitalization to push further industrialization.

"Many industrialized countries in Asia, like Japan, China and South Korea, started their industrialization [efforts] by developing the TPT manufacturing [industry]," he said.

Source: thejakartapost.com - Dec 07, 2016

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American Apparel to Close Nine Stores by the End of December

American Apparel LLC is handing out pink slips to workers at nine of its stores, including its outlets in Georgetown and Tribeca, this holiday season as the struggling retailer readies itself for a January auction of its business. The company said in a court filing Wednesday it intends to shut down the nine poorly performing stores by the end of the month—before a planned auction of more than 90 of the company's remaining stores.

The retailer is throwing in the towel at the nine locations because these stores are likely to be left behind by any retail purchaser, said restructuring adviser Joseph D'Ascoli in a filing with the U.S. Bankruptcy Court in Wilmington, Del.

"Additionally, store managers at several of these stores have resigned, increasing the challenge of continuing to operate them during the holiday season," said Mr. D'Ascoli, who is a managing director at Berkeley Research Group.

A store manager at one of the locations impacted by the news said Wednesday the company stood for something greater than just clothes. The news, which she found out last week, came as a surprise.

"My store closing was a complete shock. I was really hurt," the store manager said.

American Apparel expects to receive bids for at least some of its remaining retail outlets at the January auction, according to a person familiar with the process. In the case of a sale, the buyer would likely purchase about 50 of the top-performing stores, this person said. The nine stores being closed aren't in that group.

The company will seek bankruptcy court approval to hold store-closing sales at the nine locations on Dec. 19.

American Apparel, which employs some 4,700 people in North America, sought chapter 11 protection in November, its second filing in a little over a year, after its turnaround strategy failed to take hold.

The company has a $66 million bid for its brand name in hand from Gildan Activewear Inc., which it is putting to the test at a Jan. 9 auction.

While Gildan also has the option to buy American Apparel's manufacturing operations, its corporate headquarters and inventory, it doesn't yet have a firm offer for its chain of 110 stores. Bids for some or all of the assets are due Jan. 6.

The store closings comes on the heels of news that American Apparel has notified nearly 3,500 of its California-based manufacturing and wholesale employees that they may lose their jobs in connection with the bankruptcy. On Tuesday, a company spokeswoman said the federally required layoff notices "were purely a legal precaution and layoffs are not certain."

In addition to the Tribeca and Georgetown outlets, the following American Apparel stores are slated for closing by the end of the month: Seattle, Atlanta, Dallas, Memphis, Santa Cruz, Calif., Evanston, Ill., and Burlington, Vt. The company has also placed its 13 U.K. outlets into the equivalent of chapter 11 bankruptcy protection and is shutting them down.

American Apparel Chief Executive Paula Schneider left the company in October, less than two years after she was brought in to replace Dov Charney , the company's founder and former CEO, who was ousted in December 2014 over allegations of misconduct.

The Los Angeles-based clothing manufacturer and retail chain has long grappled with shrinking sales, an outsize store footprint as well as sexual-harassment litigation tied to Mr. Charney, who founded American Apparel as a wholesale T-shirt business in 1998.

American Apparel filed for chapter 11 in October 2015 and emerged, after fending off a rival bid from Mr. Charney, in February as a private company under the control of its bondholders, including the hedge fund Standard General L.P.

Source: wsj.com - Dec 07, 2016

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NATIONAL NEWS

Govt approves reforms to boost jobs, exports in made-ups

Government today approved reforms in the apparel Made-ups sector, aimed at creating large scale direct and indirect employment of up to 11 lakh persons over the next three years and boosting exports.

The decision was taken at a meeting of the Union Cabinet chaired by Prime Minister Narendra Modi here.

The reforms have been approved within the approved budget of Rs 6,006 crore for the apparel package which was announced earlier this year.

"The interventions are expected to boost employment in the textile sector and create employment for up to 11 lakh persons, lead to increase in exports and enhance benefits to the workers in the textile and apparel sector," an official statement said.

These include providing production incentive through enhanced Technology Upgradation Fund Scheme (TUFS) subsidy of additional 10 per cent for Made-ups similar to what is provided to garments based on the additional production and employment after a period of 3 years.

It also includes extension of Pradhan Mantri Paridhan Rozgar Protsahan Yojana (PMPRPY) Scheme (for apparel) to made-ups sector for providing additional 3.67 per cent share of employer's contribution in addition to 8.33 per cent already covered under Pradhan Mantri Rozgar Protsahan Yojana (PMRPY) for all new employees enrolling in EPFO for the first three years of their employment as a special incentive to Made-ups sector.

The reform interventions also include extension of Rebate of State Levies (ROSL) (for apparel) scheme to made-ups sector for enhanced duty drawback on exports of Made-ups.

Moreover, labour laws have been simplified by increasing permissible overtime up to 100 hours per quarter in Made-ups manufacturing sector and making employees' contribution to EPF optional for employees earning less than Rs 15,000 per month.

"Textile Industry welcomes the govt's initiative to support the Made-ups sector. This will help India achieve a triple-of creating huge employment, earning forex and creating traction for fabrics and yarn sectors.

Since the maximum sourcing for made-up sector from domestic industry, it will also help in the Make in India initiative," Binoy Job, Secretary General, Confederation of Indian Textile Industry (CITI) told PTI.

The made-ups segment of textiles include products like bedsheets, blankets, curtains, crochet laces, pillow covers, towels, zari, embroidery articles and other articles.

It is the second largest employment generator after apparels in the entire textiles value chain.

Source: business-standard.com- Dec 08 2016

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New Texprocil chairman bats for increased UPI adoption

Ujwal Lahoti, the new Cotton Textile Export Promotion Council (Texprocil) chairman has requested exporters to adopt Unified Payments Interface (UPI) as a step towards cashless mode of payment and maintaining transparency in transactions.

UPI is an open and inclusive digital payment platform developed by the National Payment Corporation of India (NPCI).

Lahoti, who is the executive chairman of Lahoti Overseas, took charge as the chairman of Texprocil with effect from November 21 after the completion of the tenure of RK Dalmia, senior president of Century Textiles & Industries.

“We have also requested the government to take measures like increasing the working capital limits by 50 per cent, increase the moratorium period from 2 months to one year for repayment of loans and increase cash withdrawal limits for SME units based on their withdrawal record,” said Lahoti in a statement.

We need to focus on intensifying business in the new and emerging markets of Africa, South America and Middle East, he said. In order to sustain economic activity and employment, we have requested the Centre to encourage exports and have also urged them to extend the benefit of 3 per cent Interest Equalisation Scheme to cotton yarn and merchant exporters.

Further, request has also been made for urgent policy support such as increase in the entitlement under Merchandise Exports from India Scheme for export of yarn, fabrics and made ups to EU.

Commenting on the election of Republican Donald Trump as the new US president, Lahoti said, “Considering the election rhetoric and campaign promises especially relating to trade agreements like NAFTA and the Trans-Pacific Partnership (TPP), we can expect some changes in trading patterns.”

Source: fibre2fashion.com- Dec 07, 2016

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Textile industry welcomes announcements

The textile industry has welcomed the announcements of the Union Government on Wednesday for the made-ups segment.

The cabinet approved a time-bound package of Rs. 6006 crore to boost employment and exports of made-ups.

It included enhanced support under the Technology Upgradation Fund scheme, extension of the PMPRPY scheme, and rebate of State levies for units into production of made-ups.

This is a long-pending demand of the industry that will benefit the made-ups segment, said chairman of Southern India Mills’ Association M. Senthil Kumar. The Indian Texpreneurs Federation also welcomed the package.

Source: thehindu.com- Dec 08 2016

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Pakistan rejects 10,000 bales of Indian cotton consignment

Amidst Indo-Pak tensions, Pakistan has rejected a consignment of 10,000 bales of cotton worth $ 3.3 million from India citing violation of plant quarantine rules by importers.

The shipment of ginned cotton at Karachi Port was imported by seven textile mills. It was rejected by the Plant Quarantine and Certification Services Office, Ministry of National Food Security and Research Department of Plant Protection, Dawn News reported.

The rejection sent shock waves in Pakistan's textile industry which has been striving for permission to import cotton from India, the report said.

Last year, 2.7 million bales worth $ 800 million were imported from India to make up for the shortfall after cotton crop failure.

The customs deputy collector informed that the consignment was imported in violation of the 'Pakistan Plant Quarantine Act 1976 and Rules 1967' and said the consignment would be returned to India at the expense of importers.

The private sector has imported around 1.2 million cotton bales from different countries and orders for 0.3 million bales of Indian cotton have been placed, according to officials.

Source: economictimes.com– Dec 07, 2016

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Defying expectations, RBI keeps repo rate unchanged

Defying market expectations, the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) today decided to keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.25 per cent.

Consequently, the reverse repo rate under the LAF remains unchanged at 5.75 per cent, and the MSF rate and the Bank Rate at 6.75 per cent.

“The decision of the MPC is consistent with an accommodative stance of monetary policy in consonance with the objective of achieving consumer price index (CPI) inflation at 5 per cent by Q4 of 2016-17 and the medium-term target of 4 per cent within a band of +/- 2 per cent, while supporting growth," the fifth Bi-monthly Monetary Policy Statement, 2016-17 Resolution of the MPC said.

In its assessment of the current economic and monetary situation, MPC said global growth picked up modestly in the second half of 2016, after weakening in the first half. "Activity in advanced economies (AEs) improved hesitantly, led by a rebound in the US.

In the emerging market economies (EMEs), growth has moderated, but policy stimulus in China and some easing of stress in the larger commodity exporters shored up momentum."

World trade is beginning to emerge out of a trough that bottomed out in July-August and shows signs of stabilising. Inflation has ticked up in some AEs, though well below target, and is easing in several EMEs. Expectations of reflationary fiscal policies in the US, Japan and China, and the waning of downward pressures on EMEs in recession are tempered by still-prevalent political risks in the euro area and the UK, emerging geo-political risks and the spectre of financial market volatility.

Speaking about domestic front, the MPC said the growth of real gross value added (GVA) in Q2 of 2016-17 turned out to be lower than projected on account of a deeper than expected slowdown in industrial activity. Manufacturing slowed down both sequentially and on an annual basis, with weak demand conditions and the firming up of input costs dragging down the profitability of corporations.

Gross fixed capital formation contracted for the third consecutive quarter. Although government final consumption expenditure slowed sequentially, it supported private final consumption expenditure, the mainstay of aggregate demand. The contribution of net exports to aggregate demand remained positive, but on account of a sharper contraction in imports relative to exports.

"The bi-monthly review is set against the backdrop of heightened uncertainty.

Globally, the imminent tightening of monetary policy in the US is triggering bouts of high volatility in financial markets, with the possibility of large spillovers that could have macroeconomic implications for EMEs.

In India, while supply disruptions in the backwash of currency replacement may drag down growth this year, it is important to analyse more information and experience before judging their full effects and their persistence – short-term developments that influence the outlook disproportionately warrant caution with respect to setting the monetary policy stance," MPC said.

Source: fibre2fashion.com– Dec 07, 2016

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KVIC, Raymond partner to launch khadi globally

The Khadi & Village Industries Commission (KVIC) has partnered with fabric and apparel major Raymond to launch khadi as the 'fashion fabric' across the world. This new clothing line will be launched as 'Khadi by Raymond'. The association is also expected to generate incremental employment of around 2.10 lakh man-hours for spinners and weavers.

This khadi brand will be available at KVIC outlets and Raymond shops across the country from February 2017, according to media reports. It can also be purchased online. This initiative will help promote the khadi industry in the rural areas and will also bridge the urban rural gap.

The agreement was signed by KVIC CEO Usha Suresh and Raymond CEO Sanjay Behl in the presence of KVIC chairman Vinai Kumar Saxena and Raymond chairman and managing director Gautam Singhania.

Raymond will provide design know-how to the khadi manufacturing units to craft readymade garments. "Khadi is looking for an economic revolution and Raymond has technical expertise as well as significant global presence," said Behl.

Promotion of khadi at international level will offer customers a wide array of fabric garments such as suits, jackets, shirts and trousers that will available in quality trends and designs, according to Behl.

Source: fibre2fashion.com– Dec 07, 2016

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SEZs not likely to be allowed to sell locally at concessional import duty

Units in special economic zones (SEZs) looking for import duty exemption in the forthcoming Budget for selling their products in the domestic market may be in for disappointment.

The Commerce Ministry, which had proposed that SEZs be allowed to sell their items locally by paying concessional import duties which is hitherto allowed to India's free trade partner countries, has almost given up its claim as the Finance Ministry has ruled that it could lead to heavy revenue leakages, an official said.

"We do not expect duty exemption for domestic sale of SEZ goods to be announced in the Budget as the Finance Ministry is not in favour of it," he added.

According to the Finance Ministry, if SEZ units are allowed to sell items in the domestic market at zero or low import duties offered to FTA partners, third country items could come in without duties being paid.

"It is feared that SEZ units could import items from countries with which we don't have FTAs at zero import duties (as SEZs are exempted from paying duties on imported items) and then re-sell it in the domestic market at much lower duty rates (which could also be zero).

It would defeat the purpose of encouraging SEZ production and also cause revenue leakage," the official said.

The Commerce Ministry had earlier suggested that the government should come up with a mechanism that would specify conditions including rules of origin with minimum value addition requirement to establish and certify that an item is actually produced in a SEZ unit and not imported from another country before it is allowed to be sold in the local market at concessional import duties.

However, the Finance Ministry did not find the mechanism convincing as it argued that it would be difficult to monitor if the rules of origin were being respected.

SEZ units were keen that they should be allowed to sell in the domestic market at concessional import duties to compete with FTA partner countries and make their operations more lucrative.

With investments into the SEZs drying up following the imposition of minimum alternate tax (MAT) and Dividend Distribution Tax (DDT) in 2011, the Commerce Ministry has been looking at ways to make the zones more attractive to investors.

A total of 204 SEZs are operational in the country and 408 SEZs have been formally approved. Total investment in SEZs is over $50 billion and the zones are providing direct employment to over 1.5 million persons, according to government figures.

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