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NEWS CLIPPINGS –02-01-2019

Textiles, clothing end year on a mixed note	**The Hindu** https://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/textiles-clothing-end-year-on-a-mixed-note/article25885859.ece

Industry impacted by muted global, domestic demand

The textile and clothing industry have ended the year 2018 on a mixed note in both exports and the domestic markets, expecting a revival in 2019.

"The year 2018 has been better than 2017, but not so good," said Sanjay K. Jain, chairman, Confederation of Indian Textile Industry. International demand was largely muted because of the threat of U.S.-China trade war and uncertainties. The domestic market did not pick up as expected, especially during the last two to three months.

Exports stagnating

After nearly four years of exports stagnating at about Rs. 37 billion, textile and clothing sector is looking forward to growth this financial year. Exports between April and November this fiscal grew 7% in rupee terms compared with the year-earlier period though the growth was almost nil in dollar terms.

"This financial year, maybe we will cross it marginally. But, we need a push," he said. India's share in the global textile and clothing trade remains at 4%-5 %. It is all a matter of competitiveness. India's competitiveness should improve, he added.

Apparel exports so far this financial year is down 12 %. Annual apparel exports from India is nearly Rs. 17 billion, said A. Sakthivel, vice-chairman, Apparel Export Promotion Council, It is Rs. 34 billion from Bangladesh, Rs. 21 billion from Vietnam, and Rs. 11 billion from Cambodia.

"These countries have duty free access to many markets. "We (apparel) are not able to give competitive prices in the international market. We have a price disadvantage. We are yet to come out of the GST effect. The rupee value fluctuation is also high. The government should consider increasing the ROSL (Rebate of State Levies) rate," he says.

The overall growth could be about 5% for the year ending March 2019, said Siddhartha Rajagopal, executive director, Cotton Textiles Export Promotion Council.

Cotton textile exports are expected to be up 8% to 10%. Usually, shipments during January-March are high. Export

demand was good in patches this year. Indications are that international demand will pick up next year and this will have a positive impact on exports, he said.

What is a matter of concern is increasing imports. Import of yarn, fabric and made-ups rose 13% in April-November this year, compared with the same period last year, Mr. Jain added. Imports are mainly in the man-made fibre segment and these come from countries such as China, Indonesia, and Korea.

Production of textiles and apparel in the country rose between April and October this year as against the same period last year according to IIP data. There was negative growth in 2017 because of GST and demonetisation. The domestic demand picked up in the first six months in 2018 but slowed down after that, Mr. Jain added.

With liquidity issues and stricter norms under Amended Technology Upgradation Fund Scheme (ATUFS), investments have been slow. Margins are under stress and bank finance is difficult to come. The ATUFS norms should be relaxed and liquidity should improve for investments to revive in the sector, say industry sources.

Cotton and Currency Markets	**Kotak Commodities Research Desk** **For more details contact :** Research@kotakcommodities.com & aurobinda.gayan@kotakcommodities.com

A. Cotton		
Spot price (Ex-Gin) 28.5 to29 mm		
Rs/Bale	Rs/Candy	USD Cent/lb
20813	43500	79.53
Domestic Futures (Ex-Gin) November		
Rs/Bale	Rs/Candy	USD Cent/lb
21100	44090	80.63
International Futures		
NY ICE USD Cents/lb. (Mar 2019)		72.20
ZCE Cotton: Yuan/MT (May 2019)		14830
ZCE Cotton: USD Cents/lb.		97.79
Basis Difference (Domestic spot – ICE March)		7.33
Cotlook A Index - Physical		80.80
WTI Crude :USD/Barrel		45.80
B. Currency		
USD/INR	Close	Previous Close
Spot	69.69	69.45
USD Index	96.39	

Cotton Guide

ICE was closed yesterday due to the observance of the New Year Day. MCX was open only for the day session. The Indian domestic contracts have settled marginally higher on the first day of the year. MCX January settled at 21,100 Rs/Bale with a change of +10 Rs, MCX February settled at 21,350 Rs/Bale with a change of +20 Rs. The same amount of change +20 was witnessed for MCX March contract settling at 21,580 Rs/Bale.

Arrival figures of Cotton in India are estimated to be around 150,000 lint equivalent Bales. Prices of Shankar 6 are still hovering around 43,500 Rs/Candy. Cotlook Index A was unchanged due to a holiday. The figure was static at 80.80 CFR main Far Eastern ports.

A 3 month time period was agreed for negotiations between US and China when both the Presidents met at the G 20 summit at Argentina on December 1, 2018. It has been a month now and no positive news has come in. Talks between the two countries are scheduled on January 7, 2019. It is a complete wait and watch situation for the market participants. What bothers many is that in the Next month - February, it will be mostly a holiday laid season on the occasion of the Chinese New Year. Therefore whether a deal in such a short period of 2 months will be achieved or not is a matter of concern. In the meanwhile, while the negotiations continue, the imports of Australian cotton into China has been on the rise.

Here in India, a huge demand for US Cotton has been witnessed. The major reason for this rise is accounted to supply concerns as the Crop Figure in India is revised from 360 lakh bales to 340 lakh Bales (1 Bale = 170 Kg) and a further revision is probably expected. On one hand ICE futures have fallen substantially and on the other hand the rupee has appreciated by around 4 % in the past one month. This makes US cotton Lucrative as compared to Indian cottons' domestic prices. For this week we presume the markets to show consolidated sideways movement.

On the technical front, crucial support for ICE March future exists around 71.90 zone (76.4% Fibonacci level), only decline below could bring further selling towards 70.80 followed by 70 levels, else it looks price to retrace towards 74.00 zone as oversold RSI restricts the downside for the near term. From the above it is expected that price could trade in the range of 74.50 to 71.90 with sideways to negative bias. On the higher side above 74.00, 75.50 is the crucial resistance zone followed by 76.20. In the domestic markets trading range for Jan future will be 20960-21220 Rs/Bale.

Currency guide

Indian rupee has opened weaker by 0.28% to trade near 69.62 levels against the US dollar. Rupee weakened amid weakness in Asian equity markets today amid disappointing Chinese PMI data. The Caixin/Markit Manufacturing Purchasing Managers' index (PMI), a private survey, fell to 49.7 in December from 50.2 in November. A reading below 50 indicates contraction in the sector. Also supporting US dollar are reports that US President Donald Trump invited leaders for talks to end government shutdown. As per reports, President Trump invited the top congressional leaders from both parties to a White House briefing on border security Wednesday and suggested he wants to "make a deal" to end the government shutdown. However, supporting rupee is weaker outlook for crude oil price and measures by government to support the economy. Brent crude trades weaker near $53 per barrel amid higher global supply and

demand uncertainty amid slowdown in Chinese economy. As per reports, Indian government may ease GST rules for small companies. Reports noted that Goods and Services Tax Council, headed by Finance Minister Arun Jaitley, will consider raising sales threshold for compulsory registration from 2 million rupees to anywhere between 5 million rupees to 7.5 million rupees. Rupee has appreciated sharply in last few days and we are seeing some correction amid weakness in equity market however overall bias is on the upside owing to weaker outlook for crude and US dollar in general. USDINR may trade in a range of 69.3-69.85 and bias may be on the downside.

RBI allows one-time restructuring of MSME loans of up to Rs 25 crore	**Business Standard** https://www.business-standard.com/article/finance/rbi-allows-one-time-restructuring-of-msme-loans-of-up-to-rs-25-crore-119010200026_1.html

The Reserve Bank of India (RBI) on Tuesday introduced a one-time restructuring scheme for micro, small and medium enterprises (MSMEs) with a maximum exposure of Rs 25 crore.

The restructuring has to be implemented by March 31, 2020. Banks have to incur an additional provision of 5 per cent for these restructured accounts, the RBI said in a notification on its website.

To be eligible, the MSME account should remain a 'standard asset' as of January 1. Accounts in default can be restructured, provided their asset classification has not been downgraded.

"Any MSME account which is restructured must be downgraded to non-performing asset upon restructuring, and will slip into progressively lower asset classification and higher provisioning requirements," the RBI said.

Such an account can be considered for upgrade to 'standard' after a year, only if it demonstrates satisfactory performance, which means debt servicing should not remain due for more than 30 days.

The entity, unless already exempt, should be goods and services tax (GST)-registered. Banks and non-banking financial companies (NBFCs) will have to disclose the number of accounts restructured and the amounts involved. The lenders should have board-approved policies for the restructuring.

The restructured accounts need to be disclosed. Banks and NBFCs should have board-approved policies on restructuring.

The issue of restructuring of MSMEs under stress was first decided in the November 19 board meeting of the RBI. The central bank's board member S Gurumurthy had been a vocal supporter of a special scheme for MSMEs.

Newly appointed RBI Governor Shaktikanta Das had discussed MSME restructuring in his first meeting with bankers.

Fitch Ratings had, earlier, warned allowing restructuring of MSME loans up to Rs 25 crore would be a "step backwards", with the risks becoming apparent in the next six to nine months.

"In one way, it is a step backwards, given the RBI's previous stance to do away with all restructuring. It clearly reflects stress in the MSME sector, although we expect risk to manifest in the next six to nine months," Saswata Guha,

director (financial institutions), Fitch Ratings, had said in a report.

Guha had warned banks would not be careful in restructuring the loans, given their past records, and this would build up stress.

"There is adequate evidence in the form of $140 billion of non-performing loan stock that the sector is currently grappling with, which, in my opinion, is a direct result of the unbridled lending of the past," the rating agency had said in its report.

GST collections down for second month in a row	**The Hindu** https://www.thehindu.com/todays-paper/tp-business/gst-collections-down-for-second-month-in-a-row/article25885551.ece

At Rs. 94,726 cr. in December, it is lower than the Rs. 97,637 cr. collected in November

The government's collections from the Goods and Services Tax (GST) declined for the second month in a row to Rs. 94,726 crore in December, official data released on Tuesday showed.

Collections declined from the Rs. 97,637 crore in November, which was itself lower than the Rs. 1,00,710 crore collected in October.

"The total gross GST revenue collected in the month of December 2018 is Rs. 94,726 crore of which CGST is Rs. 16,442 crore, SGST is Rs. 22,459 crore, IGST is Rs. 47,936 crore… and cess is Rs. 7,888 crore," the government said in a statement. "The total number of GSTR 3B Returns filed for the month of November up to December 31, 2018 is 72.44 lakh."

'A bit discouraging'

"The slight dip in GST revenue collections as compared to the last two months is a bit discouraging," Abhishek Jain, tax partner at EY, said.

"This may deter the government from rationalising the rate of goods left in the 28% category like cement, auto parts, etc, in the short term," Mr. Jain added.

The GST Council had in its 31st meeting in December cut rates on 17 items and six types of services, leaving just one common use item — cement — in the 28% tax bracket. The new rates took effect from January 1, 2019.

"While the December collections are lesser than October (where it exceeded Rs. 1 lakh crore) and November, overall average collection for 2018-19 has shown marked improvement over 2017-18," Pratik Jain, partner and leader, indirect tax, PwC India, said.

"This, coupled with decent growth in income tax collections, gives a clear indication that the tax base is expanding."

Mr. Jain said the next couple of months may also see similar collections, which means that the central government might want to come up with a "more realistic" estimate of GST collections for next year.

Reserve Bank relaxes debt recast norms for MSMEs	**The Hindu** https://www.thehindu.com/todays-paper/tp-business/reserve-bank-relaxes-debt-recast-norms-for-msmes/article25885547.ece

Loans of up to Rs. 25 crore eligible for relaxation of provision

Following a demand from the government for a debt recast package for micro, small and medium enterprises (MSMEs), the Reserve Bank of India (RBI) has relaxed the provisioning norms for lenders for restructuring loans of up to Rs. 25 crore.

According to the guidelines released on Tuesday, the RBI has allowed one-time restructuring of existing loans to MSMEs that are in default but 'standard' as on January 1, 2019. Banks have to make only 5% provisioning for restructuring the loans as compared to 15-20% earlier.

The government has been asking for such a package for a long time for the MSME sector which was severely hit due to demonetisation exercise and implementation of the Goods and Services Tax (GST).

Enabling environment

"Considering the importance of MSMEs in the Indian economy, it is considered necessary at this juncture to take certain measures for creating an enabling environment for the sector," RBI said. The issue of restructuring of MSME accounts was discussed by the RBI board on November 19, 2018 . The issue also figured during RBI's recent interactions with the lenders.

"The above issue has been examined in RBI and a view has been taken to facilitate meaningful restructuring of MSME accounts that have become stressed," RBI said.

The restructuring has to be implemented by March 31, 2020, the RBI said.

"A provision of 5%, in addition to the provisions already held, shall be made in respect of accounts restructured under this scheme," the RBI said, adding that each bank or non-bank should formulate a policy for this scheme with the board's approval.

Govt. notifies new GST return forms	The Hindu https://www.thehindu.com/todays-paper/tp-business/govt-notifies-new-gst-return-forms/article25885554.ece

The government has notified new annual GST return forms, which are required to be filed by businesses registered under the Goods and Services Tax (GST) regime by June 30, 2019.

In the annual return forms, businesses have to provide consolidated details of sales, purchases and input tax credit (ITC) benefits accrued to them during the financial year of 2017-18.

The Central Board of Indirect Taxes and Customs (CBIC) on December 31, 2018, notified form GSTR-9, GSTR-9A and GSTR-9C.

GSTR-9 is the annual return form for normal taxpayers, GSTR-9A is for taxpayers under composition scheme, while GSTR-9C is a reconciliation statement.

'Bt cotton has improved farmers' lives'	Down Earth.com https://www.downtoearth.org.in/news/bt-cotton-has-improved-farmers-lives-38391

A study conducted by the Council for Social Development (CSD) on Bt cotton, titled Socio-Economic Impact Assessment of Bt cotton in India, has concluded that the genetically modified cotton has improved farmers' lives with its better yields and higher returns. The nation-wide study by the informal study group of social scientists and social workers was funded by farmers' outfit Bharat Krishak Samaj (BKS) and was released in Delhi on Thursday.

The study states that enhanced yield of cotton by 4.95 per cent has led to a substantial increase in average net returns of farmers by 375 per cent. These higher returns, in turn, have enabled farmers to spend more on health, education, nutritious food and social needs, which has improved their standard of living, the report says. A report by Down to Earth had, however, found that cotton productivity in the country has become stagnant for the past few years after the initial gains that were reported. The Bt technology, first developed by Monsanto company in 1986, came to India in 2002 when the American seed giant entered into an agreement with its Indian partner, Maharashtra Hybrid Seed Company or Mahyco.

Note of caution

The CSD study also highlights the fact that Bt cotton has increased fertilizer and water usage, that has resulted in high input costs. It says that the average consumption of fertilizers has increased from 95 kg/hectare in the pre-Bt cotton period (1996-2001) to 120 kg/hectare in the post-Bt cotton period (2002-2008). The field survey showed that farmers who used to irrigate their cotton crop three times in a cycle before Bt was introduced, have to irrigate their crop five times now, proving that it is a water-intensive crop. The average irrigation costs per hectare increased from Rs 355 per hectare in the pre-Bt cotton period to Rs 813 in post-Bt cotton period. The increase in irrigation costs is attributed

to increase in diesel cost in the country.

The study by CSD was undertaken to validate farmers' experience using Bt cotton in the nine cotton growing states of India—Maharashtra, Punjab, Haryana, Rajasthan, Madhya Pradesh, Andhra Pradesh, Karnataka, Tamil Nadu and Gujarat. During the course of study, more than 1,050 farmers and 300 agricultural labourers were surveyed across the country with inputs from secondary data sources like ministry of agriculture, economic survey and the United States' department of agriculture.

The study indicates that 94 per cent of the farmers surveyed were of the view that yields from hybrid Bt cotton seeds were higher than non-Bt cotton. Eighty-seven per cent farmers said their average returns from hybrid Bt cotton seeds were much higher than from non-Bt cotton seeds. The study claims that Bt cotton seeds considerably increased the average returns of farmers by almost 375 per cent to Rs 65,307.82 per hectare. During the report release, CSD director T Haque said: "It is very evident from the study that hybrid Bt cotton technology is scale-neutral and farmers' responses have underlined significant improvement in livelihoods, better yields and higher returns. The country has also benefited immensely as India has become a net exporter from being a net importer in recent years."

BKS president Ajay Jakhar said that the study was commissioned to assess farmers' experiences and separate truth from perception. The field research confirms that poor institutional credit, fluctuating prices for cotton are the main reasons for farmer suicides. "If you see the input cost, it's the labour cost which is more expensive and not the seed," added Jakhar. BKS claims that the study was completely funded by the farmers and no funding is accepted by the organisation either from private entities or the government.

The survey said that a high proportion of farmers (25.14 per cent) used seeds of Nuziveedu Seeds Pvt Limited, followed by Shriram Bioseeds Genetics (20.57 per cent), Rasi Seeds Private Limited (19.24 per cent), Ankur Seeds Private Limited (17.24 per cent), Bayer Biosciences Private Limited (14.95 per cent), Mahyco Limited (13.26 per cent) and Mosanto Private Limited (6.29 per cent).

Why India should expose US hypocrisy on cotton subsidies at the WTO	**Financial Express** https://www.financialexpress.com/opinion/why-india-should-expose-us-hypocrisy-on-cotton-subsidies-at-the-wto/1430900/

The US's counter-notification against India's cotton subsidies is a thinly-veiled attempt at diverting attention away from its own market-distorting practices in this sector, and shifting the blame to other countries. India should expose the hypocrisy of the US on cotton subsidy, and must continue to demand, at the WTO, steep reduction in trade-distorting support provided to farmers in developed countries.

By Sachin Kumar Sharma & Parkhi Vats

Trade and World Trade Organisation (WTO) discussions thrive on perception. Recent actions by the US seek to portray India as flouting WTO rules and distorting the global market by providing huge subsidies to cotton. Left unchallenged, the hypocrisy of the US narrative on cotton could sway WTO members, particularly the cotton-producing African countries.

So, what is the fracas on India's cotton subsidies all about? Shorn of legalese, the US has made a counter-notification

at the WTO, alleging that India's subsidies to cotton have breached the limit of 10% of the value of cotton production, as stipulated in the WTO's Agreement on Agriculture.

The US contends that, during 2010-16, India's market price support to cotton was 53% to 81% of the value of the annual production. On the other hand, in its notifications, India has claimed that the market price support has rarely exceeded 1.4% of the value of production during 2010-16.

What explains the reality behind these sharply divergent statistics? The explanation lies in three variables used in calculating the domestic support for each product under the WTO's Agreement on Agriculture.

First, which currency to use in calculating the domestic support?

Second, what is the production eligible to benefit from the minimum price support?

Third, how many units of raw cotton are required for producing one unit of lint cotton?

While India has calculated the domestic support to cotton in terms of US dollars, the US insists that the calculations should be done in Indian rupee. Contrary to what the US insists, the methodology for calculating domestic support under the Agreement on Agriculture is not prescriptive. It provides a country the flexibility to choose the currency for calculating its domestic support.

The issue of "eligible production" is more complicated. India takes the volume of cotton procured at the minimum support price to be the eligible production. The US has argued that it should be the total production of cotton. The US bases its arguments on the findings in a WTO dispute involving domestic support provided by South Korea to beef. However, the US contention is negated by the reality that the findings in a WTO dispute are specific to the facts of the case under consideration. What was relevant in the South Korea beef dispute may not necessarily apply in other situations, including India's minimum support price scheme.

On the point of conversion rate, the US contends that this figure is close to 3, while India has used a conversion rate of 2.35. The US appears to have ignored some key elements such as wastage, ginning and pressing cost, etc, that go into the calculation of the conversion rate.

In addition, what about the US's own subsidies to cotton? Historically, the US has provided extremely high subsidies to its cotton farmers, who are typically rich and also constitute a powerful political lobby. For instance, in 2001, the product-specific support to the American cotton farmers was as high as 74% of the value of cotton production in that year. The high cotton subsidies not only depressed the global prices, but also devastated the economies of some African countries—such as Chad and Mali—which are overwhelmingly dependent on cotton for their overall development.
The cost of production of cotton lint is much higher in the US ($1.88 per kg in 2015-16) than in India ($0.71 per kg in 2015-16). The US exports 80% of its cotton production and tops the list of the cotton-exporting countries, while India exported only about 16% of its cotton output in 2018.

Between 1995 and 2017, the US provided subsidy to cotton farmers worth $38 billion through several programmes, with the top 10% of the recipients guzzling 82% of the total amount of subsidy. To make matters worse, the US

dumped its highly-subsidised cotton in the international market, thereby crowding out millions of poor farmers of developing countries from the international market and undermining their livelihoods. It is no surprise, then, that in 2003, the African countries were up in arms against the US cotton subsidies. Some observers contend that the Cancun Ministerial Meeting of the WTO in 2003 collapsed because the US found it politically inconvenient to even discuss this issue. However, given the economic devastation that the US subsidies had wrecked upon the African cotton producers, this issue unleashed strong emotions among many countries at the WTO.

In addition, during the Hong Kong Ministerial Meeting of the WTO held in 2005, the US was compelled to agree to cut its cotton subsidies "specifically, ambitiously and expeditiously." However, the US dug its heels in, and 13 years have passed without any significant real reduction in the US cotton subsidies.

Here it is also relevant to mention that the rules under the Agreement on Agriculture are rigged heavily in the favour of developed countries, such as the US. While the rules constrain India to limit its cotton subsidies to 10% of its value of cotton production, the US is not constrained by any such limit. The limit on the US is for its total subsidies to all agricultural products, without getting fettered by limits on subsidies to individual products. As the limit on the total agricultural subsidies is very high for the US, effectively the US can concentrate its subsidies in just a handful of products and still continue to remain within the WTO rules.

In conclusion, the US's counter-notification against India's cotton subsidies is a thinly-veiled attempt at diverting attention away from its own market-distorting practices in this sector, and shifting the blame to other countries. The Indian government, therefore, should expose the hypocrisy of the US on cotton subsidy, and must continue to demand, at the WTO, steep reduction in trade-distorting support provided to the farmers in developed countries

China seeks talks with India on Asia trade pact: Report	**Live Mint** https://www.livemint.com/Politics/bKU1wFfvuxJuorGZHHKCcO/China-seeks-talks-with-India-on-Asia-trade-pact-Report.html

China has sought talks with India to allay concerns on a regional free trade pact it is spearheading, two people familiar with the matter said, as Beijing seeks newer markets amid the ongoing trade war with the U.S. The 16-country Regional Comprehensive Economic Agreement has been in the works for a while and China is keen to conclude it by end of 2019, the people said, asking not to be identified as the matter is not public. India's wariness about a possible flood of Chinese goods, and its demand for looser immigration rules for its tech professionals remain sticking points.

China's inability to close the trade deal highlights the continuing suspicion among its Asian trading partners over Beijing's effort to increase its influence in the region. RCEP, along with the Belt and Road Initiative to build investment and trade links with countries along the old Silk Road to Europe, is a key element in China's efforts to seize the geopolitical advantage following what many in the region see as a U.S. retreat under President Donald Trump.

India's foreign ministry didn't immediately respond to a message seeking comments. China's commerce and foreign affairs ministries didn't immediately respond to a fax.

The meeting is likely to take place before the end of this month, and New Delhi has drawn up a list of issues it will take up with Asia's largest economy. That includes providing zero-duty access to fewer Chinese goods as opposed to those offered to other members of RCEP. It also will seek a longer period to phase out levies on Chinese goods compared to 20 years offered to the others.

India's imports from China have been rising for a while with the deficit reaching $55.6 billion in 2017 compared to $48.19 billion in 2015. A resolution of the stalemate appears unlikely any time soon as RCEP member countries like Australia, India and Indonesia go into elections in 2019.

Apart from China, India is planning to reach out to key players like Singapore and Australia to seek a consensus on these issues.

India retains crown as 'world's fastest growing economy'; China a close second	**Ibtimes.com** https://www.ibtimes.co.in/india-retains-crown-worlds-fastest-growing-economy-china-close-second-789109

Indian economy's roller-coaster ride during the year gone by was best captured by the GDP growth. In the first quarter of 2018-19 ending June 30, it grew at an impressive 8.2 percent, after 7.7 percent in the first three months of the year.

India remained ahead of China to retain the tag world's fastest growing large economy withstanding several ups and downs, the spike in oil prices and global trade war like situation during 2018.

Indian economy's roller-coaster ride during the year gone by was best captured by the GDP growth. In the first quarter of 2018-19 ending June 30, it grew at an impressive 8.2 percent, after 7.7 percent in the first three months of the year.

Then it slipped to 7.1 percent in the next quarter ending September 30. Fitch Ratings slashed India's GDP growth forecast to 7.2 percent for the current fiscal, from 7.8 percent projected in September, citing higher financing cost and reduced credit availability.

According to Niti Aayog Vice-Chairman Rajiv Kumar, the focus of the government in 2019 will be to expedite reforms with a view to accelerating growth.

"India will grow at around 7.8 percent in the next calendar year and investment cycle that has already started picking-up will gather further strength and we will see more private investments," Kumar said.

Experts, however, expect that moderating growth can force the government to spend more before the next general elections and that could lead to fiscal pressures.

Global factors such as sudden zoom in crude prices (which are now easing), strengthening US dollar, slowing growth in the wake of US-China trade war and the US Federal Reserve hiking interest rate for the fourth time in a year did take the toll on India's economy.

The banking sector ruled the headlines in 2018. The year opened with India's biggest banking scam coming to light. On February 14, state-owned Punjab National Bank said it had detected Rs 11,400 crore scam where billionaire-jeweler Nirav Modi allegedly acquired fraudulent letters of undertaking from a branch in Mumbai to secure overseas credit from other Indian lenders.

The case has gathered long political traction, with the government making little progress in bringing back the absconding accused.

The year ended with a rare face-off between the Reserve Bank of India and the Central government. Urjit Patel's resignation a few weeks later was seen as a culmination of the tussle in December.

The main trigger was the government's demand to relax restrictions on weak public-sector lenders, which slowed down credit growth. For the first time, the government threatened to use its special powers under Section 7 of the RBI Act. The cycle of events at the RBI brought to the fore concerns about the RBI's autonomy.

The RBI-government tussle sent shock waves far and wide. The country's leading infrastructure finance company IL&FS defaulted on payments to lenders. It triggered panic among a large number of investors, banks and mutual funds associated with the company.

The IL&FS defaults were even being seen as India's Lehman Brothers moment that had triggered the global financial crisis in 2008. The government wanted the RBI to provide relief to non-banking finance companies impacted by the IL&FS defaults.

However, the economy witnessed a big positive development the progress made under the Insolvency and Bankruptcy Code. Tasked with helping recover unpaid corporate loans, the National Company Law Tribunal (NCLT) has helped resolve insolvency and bankruptcy proceedings involving more than Rs 60,000 crore (during Apirl-September 2018-19), and the kitty is expected to swell beyond Rs 1 lakh crore in 2019 with several big-ticket default cases pending.

A rapidly depreciating rupee and steeply rising petrol prices played havoc with India's current account deficit (CAD). It widened to 2.9 percent of the GDP in the second quarter of the fiscal compared to 1.1 percent in the year-ago period, mainly due to a large trade deficit.

"The widening of the current account deficit amidst tighter global financing conditions should put downward pressure on the currency, and we forecast the INR to weaken to 75 against the dollar by end-2019," said rating agency Fitch in a report.

Good news for the economy was India's improved ranking on the World Bank's 'ease of doing business' report for the second straight year, jumping 23 places to the 77th position on the back of reforms related to insolvency, taxation and other areas.

Collection of the Goods and Services Tax (GST) crossed the Rs 1 lakh crore mark in October, after a gap of five months, but again slipped below the mark to Rs 97,637 crore in November. Yet, it was higher than the average monthly collection in the year. The steady increase in average collection raised hopes of the monthly collection to

remain above Rs 1 lakh crore next year.

Inflation has remained well below the forecasts by the RBI, which targets to keep inflation at 4 percent in the medium term. During the April-October period, industrial output grew 5.6 percent as compared to 2.5 percent in the same period of the previous fiscal. In October, it stood at an 11-month high of 8.1 percent.

On inflation, Dun & Bradstreet in a report said: Going forward, there are concerns over fiscal slippage due to likely expenditure on pre-poll sops before the Lok Sabha elections next year. The Congress party's promise of universal farm loan waiver, if it comes to power is likely to force the hand of the BJP government, which has so far stuck to fiscal prudence.

Having witnessed controversy over the host of issues like demonetisation, implementation of GST and the government's handling of banking sector woes, the year also witnessed political slugfest over revised GDP data, which showed that growth during the previous Congress-led UPA's regime was less than what was estimated earlier.

Recalibrating data of past years, using 2011-12 as the base year instead of 2004-05, the Central Statistics Office (CSO) lowered the country's economic growth rate during the previous Congress-led UPA's regime.

Economists, including former chief economic advisor Arvind Subramanian, had questioned the involvement of the Niti Aayog in the release of GDP back series data and had also called for review by experts to clear doubts over the data.

Signs of a turnaround: on RBI's Financial Stability Report	**The Hindu** https://www.thehindu.com/opinion/editorial/signs-of-a-turnaround/article25884025.ece

Regulatory vigil should not ease after the half-yearly decline in banks' gross NPA ratio

The fog of bad loans shrouding the banking sector appears to be lifting after a long period of sustained stress. The Reserve Bank of India's Financial Stability Report reveals the first half-yearly decline in the ratio of gross non-performing assets (GNPA) to advances since September 2015. The ratio across all scheduled commercial banks has eased to 10.8% as of end-September 2018, from 11.5% in March, with both public sector and private sector lenders posting drops in the key indicator of bad loans. A stress test for credit risk at banks that models varying levels of macro-economic performance shows that for the baseline assumption, the GNPA ratio would narrow to 10.3% by March 2019. This prompted RBI Governor Shaktikanta Das to prognosticate that the sector "appears to be on course to recovery". Still, state-owned banks continue to have higher levels of bad loans than their private sector peers and are projected to show slower improvements over the second half of the fiscal. The GNPA ratio for public sector banks (PSBs) is posited to only inch lower to 14.6% by March, from 14.8% in September. One reason is that PSBs have a disproportionately higher share of bad loans from among large borrowers, who accounted for almost 55% of loans advanced by all banks as of September. The GNPA ratio for this category at PSBs was 21.6%, compared with just 7% at private banks.

Interestingly, the RBI's Prompt Corrective Action (PCA) framework, which attracted criticism including from a government appointee on the central bank's board, has significantly helped lower contagion risk to the banking

system. A contagion analysis that assumes there would be no sovereign guarantee provided for the 11 PSBs placed under the PCA curbs, in the event of a simultaneous failure, projects that solvency losses due to such failure have more than halved over the four quarters ended September: to ₹34,200 crore (3.1% of total Tier-1 capital) from ₹73,500 crore (6.8% of total Tier-1 capital). Data on banking frauds are also a cause for concern. Close to 95% of the frauds reported in the six months ended September were credit-related, with PSBs again bearing the brunt of mala fide intent on the part of borrowers. The RBI's report has justifiably spotlighted the urgent need to tighten the oversight framework for financial conglomerates in the wake of the IL&FS meltdown, which continues to ripple across the financial system, including at mutual funds and non-banking financial companies. As Mr. Das said in his foreword, "...the recent developments in NBFCs have underscored the need for greater prudence in risk-taking." Regulators and policymakers need to work together to insulate the economy from the risks of similar fiascos.

What we need is fewer schemes with adequate funding: FISME	**Business Line** https://www.thehindubusinessline.com/news/what-we-need-is-fewer-schemes-with-adequate-funding-fisme/article25883014.ece

MSMEs do need government schemes to help them overcome their problems, but not too many, says Anil Bhardwaj, Secretary General, Federation of Indian Micro, Small & Medium Enterprises (FISME). In an interview with BusinessLine, he spoke extensively about what ails the sector and how things could be set right. Excerpts:

How did the problem of credit availability become so acute for the MSME sector?

The slowdown in the economy — due to demonetisation and the sudden additional requirement of funds because of GST — created financial stress in MSMEs. More than project finance, MSMEs craved more working capital but banks were found to be unsympathetic. This was partly because of their own NPAs and enhanced capital provisioning, and partly because of a rigid RBI stance on SMA (Special Mention Account) classification of accounts. By and large, the last 18 months have been extremely stressful for MSMEs.

Has the sector recovered from the effects of demonetisation and adjusted to the GST regime?

The MSME sector is limping back (after demonetisation). The introduction of GST, though lauded by the sector by and large, has put it under the grind of adjusting to a new regime. For units which were registered with State and Central VAT in the pre-GST era, the transition was relatively easier. While MSMEs did face many process-related technical glitches in the GSTN (GST Network), these were addressed progressively. Tax slab anomalies and difficulties in filing and returns were also smoothed in consultation with businesses.

Small exporters, however, faced enormous hardships in complying with GST, and some of their IGST refund-related issues remain. Also affected are units doing job work. Their services are taxed at 28 per cent, which has made their business unviable. Hopefully, 2019, after elections, may provide even conditions for growth.

Have the government schemes for MSMEs delivered results? What more needs to be done?

The answer is 'yes' and 'no'. Some schemes are specific and hugely successful in creating an impact. Examples are the Public Procurement for Micro & Small Enterprises (MSEs) scheme, which makes it mandatory for Central agencies to procure at least 25 per cent from MSEs; the Credit Guarantee Fund for MSEs, which allows access to credit without

collateral; and the Credit Linked Capital Subsidy Scheme.

Where is the glitch then?

The continental size of the country and the huge number of MSMEs require schemes to be few in number but adequately funded. There are too many Central and State schemes that are funded poorly.

Secondly, associations need to be involved more in delivery. From marketing support to organising workshops, most of the public funds go to public bodies with little connect to MSMEs. The propensity of governments to rely on existing public institutions for delivery of scheme-funded services is not very effective.

50% of cotton procured without bill	**Tribune India** https://www.tribuneindia.com/news/haryana/50-of-cotton-procured-without-bill/707356.html

Market fees and GST worth over Rs 200 crore on cotton is being evaded in Haryana every year by hoodwinking the government through non-existent firms in connivance with some unscrupulous officials, it has come to light.

The unearthing of three non-existent firms by the Excise and Taxation Department last week has laid bare the modus operandi of evasion of market fees and GST in the procurement and trading of cotton.

Priya Industries, Meham; Pooja Industries, Mahendragarh; and Preeti Industries, Gurugram, duped the state exchequer of Rs 105.01 crore by issuing bills worth Rs 1,067.84 crore. While the first two firms, though registered for musical instruments and wheat, issued invoices for Rs 689.56 crore for cotton that attracts 5 per cent GST, the third firm raised invoices for Rs 378.28 crore largely for commodities with GST tags of 18 and 28 per cent.

How it happens

As per industry estimates, arrival of cotton in Haryana till December 31 was 12,54,500 bales, which converted into raw cotton becomes 54.45 lakh quintals (one bale of cotton is equal to 4.5 quintals of raw cotton). However, the Haryana State Agriculture Marketing Board (HSAMB) collected market fees and Haryana Rural Development Fund (HRDF) merely on 31.29 lakh quintals, which means that more than 40 per cent of total cotton has been procured without paying taxes.

Further, going by the figures of the State Agriculture Department, Haryana produces a minimum of 1 crore to 1.25 crore quintals of cotton every year given the fact that the acreage of cotton hovers between 6 lakh and 6.5 lakh hectares and average yield is 20 quintals per hectare.

But the HSAMB records show that total arrival in the state is between 40 and 45 lakh quintals.

The “Cotton Production and Balance Sheet” of the Cotton Corporation of India shows that in 2016-17, Haryana produced 20 lakh bales (90 lakh quintals of raw cotton). However, the “arrival” of cotton as per HSAMB that year was

41.48 lakh quintals.

“Every year, more than half of cotton arriving in markets is procured without bills in connivance with HSAMB officials, thus hoodwinking the Board of 2 per cent market fees and 0.8 per cent Haryana Rural Development Fund (HRDF). Later, the cotton procured without bills is sold on bills to mills by bogus transaction through non-existent firms registered specially for this purpose,” the sources revealed.

Modus operandi

The non-existent firms, which exist in records of the Excise and Taxation Department but not on the ground, procure bills of items like cement and cigarettes, which carry a GST tag of 28 per cent, or items like batteries, TMT bars, etc, with a GST tag of 18 per cent.

The bills are easily available with the dealers for a small percentage of 1 to 2, as customers rarely demand bills for these items and even if they do, it is not entered in books by such dealers.

A bogus non-existent firm having “purchase” bill for cement worth Rs 10 crore is presumed to have paid Rs 2.8 crore of GST (rate is 28 per cent) without actually purchasing the commodity or paying the tax and the firm can claim input credits for this amount.

Now, cotton being a commodity with 5 per cent GST, the firm will not invite any GST liability even after selling cotton worth Rs 56 crore to mills, as the firm can adjust input credits.

The bogus firms close their business within a few months before the authorities can lay their hands on them. Raj Kumar Beniwal, Chief Marketing Executive Officer (CMEO) of HSAMB, however, said that cotton produced in the state sometime is sold in other states and hence figures of the Agriculture Department are no guarantee that all the stocks are purchased by dealers in the state.

Black deeds on back of white gold

Cotton production in Haryana as per Agriculture Department is 1-1.25 crore quintals

Arrival of cotton in Haryana as per HSAMB records is 40-45 lakh quintals

Market fee/HRDF evasion is 2.8% of value

Bogus firms procure bills of cement, etc, with 28% GST tag and manage to sell cotton worth 5.6 times the value of bills procured as the commodity has 5% GST tag

There is GST evasion on the entire amount

Thousands losing jobs as businesses going down	The News.com https://www.thenews.com.pk/print/413309-thousands-losing-jobs-as-businesses-going-down

Prime Minister Imran Khan has been told that private businesses are on fast track of decline causing huge unemployment throughout the country, thus, seriously denting the country's economy.

Informed sources close to the prime minister said that Khan has also been advised to announce some sort of amnesty scheme to allow the business community of the country to realign themselves and their businesses in view of the "corrections" being made by the regime.

The prime minister, it is said, has also been warned that the market is almost closed and if the confidence of the business community is not revived, there will be huge unemployment in six months' time. These sources said that because of its political opponents, the PTI government should not create a situation where politics start hurting business and trade in the country.

The prime minister, according to these sources, is also concerned about the present situation and for the same reason is insisting upon creating a business friendly environment, which is critically important for job creation and employment opportunities.

A top economist, who also advises the prime minister on financial matters, confided to The News on condition of anonymity that Imran Khan is personally inclined to launch an amnesty scheme which instead of being revenue-focused should encourage businesses and investment for job creation and economy's uplift.

The source said the government's measures to check hundi and hawala, money laundering, fake accounts and corruption are the major "corrections" in our system but these are badly hitting the private businesses and causing huge unemployment. Without compromising on these "corrections" in the system, the source suggested, the government should allow the businessmen and investors here to readjust by offering amnesty.

A large number of people, associated with different professions, are losing jobs as even the government's top-most priority area -- housing business from construction to real estate and private developers -- is the most hit during the four months of the PTI's tenure.

Tassaduq Husain, Executive Director of Pakistan's top real estate marketing company Star Marketing, when approached told The News that the real estate, housing, private societies' developers, builders and construction businesses are presently in extremely bad shape owing to which a large number of people have lost their jobs during the recent months.

He said that housing societies and builders have started massive retrenchment as their businesses are badly affected because of multiple reasons. These reasons, he said, include inconsistency in government's policies, political situation, harassment by NAB and FBR, bureaucracy's reluctance to sign files and take even legitimate decisions,

rupee devaluation and high cost of construction.

Tassaduq disclosed that the situation is so bad that even the Star Marketing is facing difficulties in paying the salaries of its staff.

Pakistan Association of Automotive Parts and Accessories Manufacturers through a newspaper advertisement, which appeared on Monday, said that 1,200 jobs have already been lost in the automotive industry in the last three months. It warned if the situation continues, this very industry will lose a further 50,000 jobs soon.

Besides other reasons, the association advertisement referred to uncertain fiscal policies, increase in interest rates and cost of doing business, imposition of additional regulatory duty on raw material, restrictions on non-filers to buy new vehicles, etc, causing damage to the industry.

Despite the fact that the PTI government has been lucky enough to fetch considerable amount of assistance from its friends like Saudi Arabia, the UAE and China, still the business environment is not picking up, instead it is on decline.

According to the World Equity Index Ranking report, out of 20 worst performing stock markets of the world (in US dollar terms), Karachi SE 100 Index was the 15th worst during the period 29-12-2017 to 28-12-2018. According to a Dec 31 "Topline Market Alert" of Pakistani Brokerage House regarding Pakistan Market Performance Highlights for 2018, "Pakistan equities down 8 percent (decade's worst performance of – 27 percent in US$) during 2018 and is amongst one of the worst performing markets in the world. Trade value fell 44 percent to six years low of US$65 million a day. KSE fell for 2 consecutive calendar years, after period of 22 years. Net foreign selling in stocks stood at record more than US$530 million."

According to an expert, in terms of market's own performance it is 8 percent down during the year in PKR but from international perspective, the devaluation of Pak rupee made it last but fifth worst performing market in the world.

It is explained that adjustments in the value of rupee to certain extent would have been good but from 105 to 139, over 32 percent, was an overkill. "While we needed to address the issue of exports, with no spare production capacity for exportable goods, it would have been good to diversify export base and add more items to conventional items like cotton, rice etc as well as giving exporters targeted incentive rather than massive devaluation," the source said.

Like several other industries, the media industry in Pakistan is also facing a crisis-like situation because of declining advertisements both from public and private sectors. Thousands have already lost their jobs in the Pakistani media industry while there are a number of media outlets including some leading ones which are failing to pay the salaries of their employees.

It is said that real estate and telecom related advertisements have seen a major decline in the media, both print and electronic, besides the government's decision not only to minimise its advertisements but have a downward massive revision of its ad rates.

When contacted by The News, the spokesman for the federal government on financial issues, Dr Farrukh Saleem, rejected the impression that the slowdown was being witnessed in the construction industry.

“There is an increase in cement sale this year, which belies the impression of slowdown in construction sector,” he said.

He said the textile sector -- the biggest employer with 0.5 million job capacity -- is being revived by the government. About 100 factories which were shut down during the tenure of previous government will re-open in the next three to six months.

The representatives of textile industry are happy with a subsidized price of $6.5 per unit LNG and they have promised to re-open their factories.

He said the automotive industry is witnessing global slowdown and in Pakistan increase in car prices have also resulted in decreased sale of cars this year.

Chinese textile firm wins acclaim for helping Ethiopia's export, employment	**Xinhuanet.com** **http://www.xinhuanet.com/english/2018-12/31/c_137710772.htm**

Chinese textile production firm Antex Group has won praise from among Ethiopians as the east African country moves to strengthen its export sector.

Antex on Sunday officially started the production of export-oriented textile items inside the premises of the Chinese-built Adama Industrial Park, some 100 km south of the Ethiopian capital, Addis Ababa.

The company, which was established with an initial investment of 10 million U.S. dollars, also received widespread acclaim from Ethiopian government officials and local community members for creating about 1,500 jobs.

The group's textile products exported from Ethiopia include sportswear, lingerie and casual wear.

Antex's plant inside the Adama Industrial Park, the firm's first production line in Africa, is expected to generate an estimated 110,000 dollars from the export of its first batch of products, Group Chairman Qian Anhua told Xinhua on Sunday.

"We expect to generate close to 50 million dollars from the export of our products to the international market next year," Qian said.

The CEO of Ethiopia Industrial Park Development Corporation (IPDC), Lelise Neme, praised Antex for its success and ambition.

"The Antex Group has achieved a milestone despite facing various challenges," Neme said. "We would like to see many international markets-bound containers from the company's production line."

Neme told Antex officials that the Ethiopian government in general and IPDC in particular are "ready to help you achieve your targets."

Ethiopians who have benefited from job opportunities inside the factory also spoke highly of the firm.

Tigist Gemechu, who is now a production line coordinator after receiving robust training for six months, recalled that "it was a proud moment for me and my colleagues to witness the official inauguration of the factory."

Gemechu, who commended the "valuable life skills and disciplined work ethics" that she received from the Chinese coworkers, said that the company's future targets are achievable given the "great ambition of the company."

"Discipline at work, efficient time management and diligent work ethic are the most important qualities that I learned over the past months," she told Xinhua.

The official inauguration of Antex on Sunday came amid strong engagement of Chinese companies in Ethiopia's manufacturing sector, which includes the construction of industrial parks across the east African country.

Ethiopia has so far commissioned six Chinese-built textile and garment-orientated industrial parks across the country, which is expected to help Ethiopia achieve its annual export target of 30 billion dollars by the year 2025.

The Adama Industrial Park, which hosts the Antex Group, was built by China Civil Engineering Construction Company (CCECC). It was inaugurated by Ethiopian Prime Minister Abiy Ahmed in October this year.

Early December, Ethiopia also inaugurated the Jimma Industrial Park, which was built by China Communications Construction Company (CCCC). The Jimma Industrial Park is expected to host investors in light manufacturing sectors, mainly agro-processing, textile and apparel products, according to IPDC.

The two industrial parks alone are expected to create employment opportunitoes for more than 40,000 Ethiopian youth, according to figures from IPDC.

The construciton of industrial parks is part of the government's drive to transform Ethiopia into a manufacturing hub of Africa and to make it a middle-income economy by the year 2025.