The Southern India Mills' Association
Post Box No. 3783, 41 Race Course, Coimbatore - 641 018
Phone: 0422 4225333 | Fax: 0422 4225366
E-mail: info@simamills.org | Web: www.simamills.org

NEWS CLIPPINGS –14-01-2019

Govt. plans technology centres for MSMEs	The Hindu https://www.thehindu.com/todays-paper/tp-business/govt-plans-technology-centres-for-msmes/article25988511.ece

The Ministry of Micro, Small and Medium Enterprises (MSME) will develop 20 technology centres, along with extension centres across the country in another 3-5 years.

According to Sudhir Garg, Joint Secretary of the Union Ministry of MSME, these centres would come up at an investment of Rs. 200 crore each. There are plans to have about 100 extension centres, each at an investment of Rs. 20 crore. "We are identifying locations. These will come up in the next three to five years. The aim is to ensure that maximum [number of] units are benefited from the facilities," he said.

As many as 18 tool rooms are operational in the country and 15 more are in different stages of development or have started functioning. These tool rooms are specific to electronics, general engineering and high-end engineering sectors. They have modern technology machinery and testing equipment and the services are offered to industries at a competitive price.

With the development of technologies such as virtual reality and augmented reality, the manufacturing units in the MSME sector need to have access to these. The Ministry is creating trained manpower in virtual reality through the National Small Industries Corporation (NSIC). It has also developed training modules that use virtual reality and these will be launched across the country through the NSIC in a couple of months.

"We are training people in augmented reality too," he said.

RBI warns of NPA spike in MUDRA loans	The Hindu https://www.thehindu.com/todays-paper/tp-business/rbi-warns-of-npa-spike-in-mudra-loans/article25988524.ece

The Reserve Bank of India (RBI) has raised a red flag over spike in non—peforming assets (NPAs) under the government's flagship scheme to support micro enterprises in the country — the Pradhan Mantri Mudra Yojana.

Finance Ministry sources said, the RBI has cautioned that the scheme might turn out to be the next big source of NPAs that have plagued the banking system. RBI said that bad loans under PMMY had risen to Rs. 11,000 crore. The caution comes at a time when the country's financial system is reeling under severe stress due to IL&FS crisis.

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
20478	42800	77.26
Domestic Futures (Ex-Gin) November		
Rs/Bale	Rs/Candy	USD Cent/lb
20680	43221	78.02
International Futures		
NY ICE USD Cents/lb. (Mar 2019)		72.49
ZCE Cotton: Yuan/MT (May 2019)		15160
ZCE Cotton: USD Cents/lb.		101.68
Basis Difference (Domestic spot – ICE March)		4.77
Cotlook A Index - Physical		82.40(-0.20)
WTI Crude :USD/Barrel		51.59
B. Currency		
USD/INR	Close	Previous Close
Spot	70.58	70.49
USD Index	95.68	

Cotton Guide

The previous week we saw significant changes in ICE Future Prices. We saw a drastic drop in ICE March futures on the 8th of January, subsequently a substantial rise was noted on the 9thhovering around the figure of 72 cents/lb. This kind of price movement is definitely not linked to any of the Fundamental factors, rather it was linked to the Geopolitical factors which ended in only conversations and no actions. Last week ICE March futures saw a high of 73.85 cents/lb and a low of 71.64 cents/lb. ICE March settled at 72.49 cents which is a drop of (-36) points or almost 0.50%. Total Open Interest during the week increased by around 3000 contracts with a figure of 227,154 ending on Friday. If no positive news on the geopolitical front arises then we expect ICE march to be in a consolidated phase this week.

MCX contracts fluctuated in both directions. The MCX January contract reached a high of 21,185 Rs/Bale on Monday and touched a low of 20,670 Rs/Bale on Friday. The charts clearly indicated that despite a fresh bullish tone, the market favored the bears during the end of the week.

Arrivals will be lower today on the occasion of the Indian festival - Makar Sankranti. The arrivals on Friday were estimated to be around 175,000 lint equivalent bales (source cotlook) including 47000 in Maharashtra, 41000 in Gujarat and 31000 in Andhra Pradesh. Cotlook Index A has been adjusted to 82.40 cents/lb which is a drop of -0.20

points.

Due to the lack of export, there is considerable amount of stock lying with the market participants especially with the ginners. Thus the Domestic Indian prices are expected to be under pressure. The prices of Shankar 6 dropped to around 600 Rs/Candy last week. The Indian tone on cotton prices seems to appear flat.

The world cotton crop production figures are estimated to be lower whereas Cotton consumption is seen to be on the rise. Although the consumption figure still remains uncertain due to the prevailing competition by the synthetic fibres and unforeseeable International developments. It has been noticed in the past that whenever there is uncertainty, the market favors the bears.

A descend is seen when we speak about the quality of cotton from the United States. The USDA classing offices remain open amid the US Government shutdown and it has been noticed that only 60% of the classed volume was found to be tenderable along with staple length being shorter for West Texas cotton. It seems that the US is not offering any high grade with long staple lengths. The cotton available from the US at the moment is found to be of higher leaf grade and lower color grade.

On the technical front ICE cotton is hovering in the band of 70.60-74.10 since last 2 weeks. In the weekly charts price is trading at the lower band of the downward sloping channel support, at the same time price also formed an indecision candle stick (doji) suggesting cautiousness in trade point of view. Meanwhile the momentum indicator Stochastic is also hovering near the oversold territory suggesting a restricted downside in ICE March future contract. For the above it is expected that price would consolidate in the broader range of 70.50-74.10 range. Only a close below 70.50 could bring renewed selling pressure in price towards 69.80-69.60 levels. Likewise above 74.20, crucial resistance exists around 75.35 and 76.20 levels. In the domestic markets trading range for Jan future will be 20300-21240 Rs/Bale.

Currency Guide

Indian rupee may witness choppy trade amid lack of clear cues but general bias is on the weaker side. Weighing on rupee is disappointing economic data. India's industrial production rose 0.5% on the year in November as against market expectations of 3.6% growth. Also weighing on rupee is halt in recent rise in global equity markets. The rally came to a halt amid concerns about US government shutdown which has continued since Dec.22. Brexit uncertainty is high ahead of a Parliamentary vote on Jan.15. US-China trade talks ended on a positive note but without any concrete measures. The recent rise in crude oil price has also rekindled deficit concerns. Brent crude is holding above $60 per barrel supported by production cuts by OPEC and allies which will rebalance the global market. However, the general outlook for US dollar remains weak amid subdued inflation and Fed's patient stance on interest rate hike. Rupee may witness choppy trade amid lack of cues but general upbeat outlook for crude will pressurize the currency. USDINR may trade in a range of 70.25-70.75 and bias may be on the upside. Further cues will come from CPI data later today.

Growth pangs: Deficit, exports projections cloud economic outlook	Financial Express https://www.financialexpress.com/opinion/deficit-exports-projections-cloud-growth-outlook/1442669/

Overall government spend is projected to decelerate to 7.4% in H2, from 10.5% in H1, while an even sharper deceleration can be expected if the deficit target is to be met

Attempting forecasts ("nowcasts" as they are now called) of most economic variables for a contemporary year based on data available at best for 8 months out of 12 is anyway a fairly heroic and sanguine exercise. Applying this process to a system as complex as India's, with sparse data capture, under-enumerated, is a fraught exercise. The process for the official projections should be understood prior to an attempt at interpreting the data. The first advance estimates (AE) for a fiscal year (FY) are released on January 7, followed by provisional estimates (PE) for the prior year (i.e. FY18) on the 31st of the same month and then the second AE on February 28. These estimates are based on extrapolations of the data relevant for individual sectors, available variably from April to October or November, but adjusted for H2 to H1 ratios of the previous few years. FY19 GDP growth is expected at 7.2%, and the underlying measure of economic activity, gross value added (GVA, which we think is the better measure of economic activity), is estimated at 7%. This was the market consensus, and our own forecast as well. For us, though, our internals were wrong; the actual manufacturing sector growth was lower than expected, but higher construction segment sector growth offset that, balancing each other out. Trends in the three main components of GDP growth—agriculture, industry and services—are shown in the attached graphic. While services have been the most consistent contributor to growth, industry, particularly manufacturing, seems to be reviving in FY19.

However, the more interesting narrative of the GDP estimate is from the demand side, which is an even more difficult exercise, as it comes with multiple assumptions. Three aspects are notable.

Firstly, the contribution of fixed investment (gross capital formation, or GCF) is estimated to rise significantly, contributing 4 percentage points of the total 7.2% in FY19 (vs 2.9 points of the total 6.7% in FY18). This contribution was 3.6 points of the 7.7% growth in H1FY19, implying that contribution is likely to be 4.4 points of the implied 6.7% in H2FY19 growth. GCF growth was 10.8% in H1. Which sectors might the high capex (GCF) spends be emanating from? Matching growth estimates from the output and demand projections suggest that this might be construction, electricity, and to an extent, manufacturing. That is an expectation of a strong and accelerating capex activity. A capex recovery in selected sectors was indeed becoming more visible (engineering, electrical equipment, pumps, motors, bearings, abrasives, etc), and was corroborated by the capital goods component of the Index of Industrial Production (IIP) data till October. However, the prospect of it accelerating in H2 is somewhat open to scepticism, particularly given concerns of a global slowdown (via weaker trade), little room for a fiscal stimulus given constrained capacity of governments to spend and rising interest rates increasing borrowing costs. Secondly, the growth of net exports (i.e. exports minus imports) is projected to be -2.2% in FY19, much better than the -6.8% in FY18. However, net export growth is projected to be 1.4% in H2FY19 vs -5.9% in H1. The bulk of this change is forecasted to be from lower import growth. Might part of this be emanating from expectations of lower crude prices? The rationale for this is not clear. One, these real growth numbers are deflated with the appropriate inflation indices. Two, with lower pump prices, consumption of petrol products might actually increase. Overall, higher net exports are adding

0.7points to the 7.2% growth forecast.

Thirdly, government consumption growth is also projected to slow down in H2 to 8.1% from 10.1% in H1, while overall government spends are projected to decelerate even more sharply to 7.4% in H2FY19 from 10.5% in H1. This is indeed likely to happen, with an additional concern being an even sharper deceleration than expected, if the Centre’s fiscal deficit is to be held at 3.3% of GDP.

Hence, based on the three factors above, there is a marked downside risk to the FY19 projections. There is yet another puzzle on the deflators, which are inflation measures that translate nominal (real + inflation) growths to real. Roughly, the (non-agriculture) GDP deflator is comprised of 40% WPI, 30% CPI and 30% volume indicators. The GDP deflators have tended to move more closely with the WPI inflation over the past couple of years, introducing a bias (admittedly small) in the real GDP growth. Although in FY19, this bias is downwards, and growth should actually be a few percentage points higher.

The nominal growth is projected to be 12.3% in FY19 (vs 10.1% in FY18), implying a GDP deflator of 4.8% in FY19 vs 3.1% in FY18. One implication is that this implies a higher FY19 nominal GDP level than the FY19 budget estimate (based on a 11.5% projected nominal growth) projected in February 2018. This will allow the Central government to spend a bit more—probably around Rs 4,000 crore—while adhering to the 3.3% fiscal deficit, but this is nowhere close to a stimulus which might now be needed.

Govt may provide RoSL benefits to certain sectors under incentive package for exporters	**Times of India** https://timesofindia.indiatimes.com/business/india-business/govt-may-provide-rosl-benefits-to-certain-sectors-under-incentive-package-for-exporters/articleshow/67509843.cms

The Government may extend the Remission of State Levies (RoSL) to sectors including chemical and engineering as part of the proposed incentive package for exporters to boost the country's outbound shipments, an official said.

Currently , RoSL, which is to offset indirect taxes levied by states such as stamp duty, petroleum tax, electricity duty and mandi tax that were embedded in exports, is provided to textile exporters.

The Commerce Ministry is working on an incentive package for labour intensive sectors to promote shipments and address issues of exporters. It is holding meetings with the finance ministry on the matter.

As part of the package, the ministry is proposing several steps such as funds for rebate of levies, creating system for online refund of GST and expansion of Niryat Bandhu Scheme, the official said.

Under this Scheme, mentoring is provided to the first- generation entrepreneurs.

Recently. Commerce and Industry Minister Suresh Prabhu said the ministry would provide support to exporters are they facing several challenges.

We are preparing a package which will ensure that exporters woes are addressed properly. They have been challenges for the export sector over a period of time and one big challenge is creidt he said.

He also said the package would f

New industrial policy linking global supply chain on the anvil: Suresh Prabhu	Indian Express https://indianexpress.com/article/business/economy/new-industrial-policy-linking-global-supply-chain-on-the-anvil-suresh-prabhu-5535808/

Stressing the need for Indian industry tapping global supply chains, Prabhu said, "Manufacturing cannot happen end to end in one geography. It has to be part of a global value chain and global supply chain. That is why we are discussing a new industrial policy which is awaiting Cabinet approval, focusing on how to develop mutually beneficial value chain and supply chains."

Union Minister of Commerce, Industry and Civil Aviation Suresh Prabhu on Saturday said the government is coming out with a new industrial policy which will link the country with the global supply-chain that will be mutually beneficial. The new industrial policy, aimed at developing global value chains and boosting India's manufacturing competitiveness, is awaiting the Cabinet approval, he said while addressing the CII Partnership Summit.

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Growth in India's merchandise exports slumped to 0.8 per cent in November from 17.86 per cent in October, the result of an unfavourable base effect, as the trade deficit narrowed benefitting from a sharp fall in crude oil prices. World Bank last week said India is expected to remain the fastest growing emerging market economy. It has kept India's growth forecast unchanged at 7.3 per cent in FY19 while the economy is expected to grow at 7.5 per cent in the next 3 years.

After identifying 12 'champion sectors' which can attract investments, the government has prepared a list of 150 global companies sitting with huge cash balance which will be targeted to get investments, Prabhu said.

Textile units welcome relaxations for MSMEs	The Hindu https://www.thehindu.com/todays-paper/tp-national/tp-tamilnadu/textile-units-welcome-relaxations-for-msmes/article25975978.ece

Textile and clothing exporters, especially those in the Micro, Small and Medium-scale Enterprises (MSMEs) category, have welcomed the GST relaxations announced on Thursday.

K.V. Srinivasan, chairman of the Cotton Textiles Export Promotion Council, has said in a press release that the expansion of the Composition Scheme from the turnover threshold of Rs. 1 crore to Rs. 1.5 crore will be a relief to several small-scale tax payers.

They would now have to pay the tax on a quarterly basis and file the returns annually. The small-scale tax payers who were so far unable to file the returns on time would benefit from this. The GST exemption limit had also been increased from Rs. 20 lakh to Rs. 40 lakh. This would help the small or medium scale textile exporters and encourage growth in the textile sector.

According to A. Sakthivel, vice-chairman of the Apparel Export Promotion Council, the increase in GST exemption limit will benefit the knitwear industry and the MSMEs in Tirupur.

Units catering to the domestic or export market and have turnover of less than Rs. 40 lakh will now be exempted. There are many such units in the knitting, embroidery, and stitching activities and these do job work for larger units, he said.

Merchant exporters included in interest equalisation scheme, says RBI	**Business Line** https://www.thehindubusinessline.com/economy/merchant-exporters-included-in-interest-equalisation-scheme-says-rbi/article25979083.ece

The Reserve Bank of India (RBI) on Friday notified that the Government has decided to include merchant exporters under the ongoing Interest Equalisation Scheme for Pre and Post Shipment Rupee Export Credit with effect from January 2.

This move will allow merchant exporters interest equalisation at the rate of three per cent on credit for export of products covered under 416 tariff lines identified under the Scheme.

Under the scheme, banks will reduce the interest rate charged to the eligible exporters as per RBI's extant guidelines on interest rates on advances by the rate of interest equalisation provided by Government of India.

The interest equalisation benefit will be available from the date of disbursement up to the date of repayment or up to the date beyond which the outstanding export credit becomes overdue.

Top fabric makers queue up to set up units at Solapur	**The Hindu** https://www.thehindu.com/business/Industry/top-fabric-makers-queue-up-to-set-up-units-at-solapur/article25973160.ece

District may attract investments worth ₹1,000 crore

Leading fabric manufacturers Reliance Industries, Raymond Ltd., Siyaram Silk Mills, Wadia Group and Valji Group have expressed interest in investing in garment stitching units in Solapur district of Maharashtra to capitalise on the demand for ready-made uniforms from schools and corporates, an industry official said.

“They all are keen to invest in Solapur,” said Amit Kumar Jain, joint secretary, Solapur Garment Manufacturers’ Association. The association recently organised a fabric manufacturers’ fair to attract investments.

“Of late, Solapur has been gaining prominence as a sourcing hub for ready-made school and corporate uniforms. We expect Solapur to attract investments of ₹1,000 crore by 2022,” he said.

Mafatlal Industries had already started a stitching unit with 200 machines to make ready-made uniforms in Solapur, he added.

"Reliance, Raymond, Siyaram Silk Mills, Wadia Group, Valji Group and Mumbai-based Qmax World, Rupam Exports Amber Home, which make shirts for the European market, are next in the line," he added.

Making uniforms

Currently, Solapur has about 400 stitching units making school and corporate uniforms. The association's target is to scale it up to 2,000 units by 2022.

According to S.R. Gaikwad, Director of Textiles, Government of India, Solapur has the potential to become the uniform hub of the country.

"The Central government will extend all support in achieving the goal set by the Maharashtra (government)," Mr. Gaikwad said.

H.K.Govindraj, Principal Secretary, Textiles Department, Maharashtra said, "Maharashtra government has chalked out plans for cluster parks and textile parks for Solapur which will help the Solapur industry to achieve its goal."

Textile units welcome relaxations for MSMEs	**The Hindu** https://www.thehindu.com/news/cities/Coimbatore/textile-units-welcome-relaxations-for-msmes/article25977247.ece

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Government working on bilateral trade pacts with more nations to push exports: Suresh Prabhu	Business Today https://www.businesstoday.in/top-story/government-working-on-bilateral-trade-pacts-with-more-nations-to-push-exports-suresh-prabhu/story/309751.html

Given the rising challenge to the free trade, Commerce and Industry Minister Suresh Prabhu said Sunday that while the aim is to open up more for free trade and make WTO more efficient, the government is also keen to work on bilateral trade with more nations.

"One of the big challenges before the world is protectionism. We as a country are supporting open trade with all the countries...but we also want to develop bilateral trade agreements with many countries. For each of the geographies we are keen to have free trade agreements with the countries in Latin America, Africa, Southeast Asia," he said, adding that New Delhi already has trade pacts with ASEAN and some other countries.

Addressing a CII event, he also said there has been an ongoing discussion with Sri Lanka for a Comprehensive Economic Partnership Agreement (CEPA).

For countries in Africa like Angola, he said such association can be in the form of technical assistance, financial assistance and a trade agreement which will not initially have any ambitious targets but will be a win-win for both the parties.

Prabhu, who is also the Civil Aviation Minister, said the United Arab Emirates and Saudi Arabia have decided to use India as a base for their food security.

"This is happening at an interesting time because we just had made a policy for agriculture exports which has identified food items that can be exported," he said.

He informed that this year the country would be producing 290 million tonnes of farm produce as per advance estimates, and 305-310 million tonnes of horticultural items.

"In the export policy, we have decided to remove all restrictions on organic products and processed products. Both the UAE and Saudi want to invest in both organic as well as food processing industries. This will be a win-win situation for the UAE, Saudi, and other GCC countries but also for us, particularly for our farmers, who want better prices to their produce," he said.

Saudi Arabia has said it can make investment in logistics, food parks and make sector-specific investment in food processing, Prabhu said.

The farm export policy will go a long way in reducing wastage, the minister said.

On the Udan policy, he said the government will announce its phase III in the next few days, which will also focus on air cargo. On January 15, the government will be announcing the first air cargo policy, Prabhu added.

The UAE and Saudi Arabia are keen to invest in all these infrastructure initiatives, he said.

Technical textile industry to touch $30 billion: Voltas	Fibre 2 Fashion https://www.fibre2fashion.com/news/textile-news/technical-textile-industry-to-touch-30-billion-voltas-246697-newsdetails.htm

The technical textile industry in India has the potential to grow at a rate of 15-20 per cent annually to touch $30 billion over the next five years. Despite the huge potential, the investment in technical textiles sector has not gained much momentum in the past, according to a top official of the textile machinery division of Voltas Limited.

“There have been sporadic investments to manufacture in artificial leather, hygiene textiles, medical textiles and geotextiles, etc. However, India may need to accelerate investments quickly to encash the opportunities, as otherwise it would be taken over by other competing countries,” said C Kamatchisundaram, vp-textile machinery division, Voltas, in an interview to Fibre2Fashion.

Voltas’s textile machinery division is a leading technology provider in India with a product suite including capital equipment, machinery, accessories, allied machinery and services for spinning, knitting, weaving, processing and finishing sectors. The company offers latest technology machines from globally reputed machine manufacturers like LMW, Terrot, Brueckner, Thies, Reggiani, Benninger, Shima Seiki, etc, in each part of the textile value chain. In the spinning machinery market, its principal-LMW holds a market share of more than 55 per cent and is used to make yarn meant for technical textiles, which include yarns made from specialty fibres like Kevlar, Nomex, etc.

The company has a footprint across India through its branches located in 16 locations, which are strategically positioned close to the textile clusters. It is an India-focused organisation and has its customer base mainly in India. The major clients of Voltas include Vardhaman, Trident, Nahar, Garg, Winsome, DCM in the north; Arvind, Welspun, RSWM, Sangam, Sintex, Shri Vallabh Pittie, Technocraft, Morarji in the west and Premier, Precot, GTN, Surya Group, Shanmugavel Group, GHCL, Thiagarajar group, Mohan Spintex in the south. The company has also partnered with machinery manufacturers in India and across the globe to bring technology solutions and services to the Indian textiles industry.

Voltas has partnered with Shandong RIfa, the largest manufacturer of airjet and rapier machines in the world, and has already created an installed base of more than 1,500 machines in the country at various clusters. The weaving machine manufactured by Shandong Rifa enables customers to produce almost at the level of European machines but with much less cost in investment.

India's share in handmade carpets & rugs is 35%: CEPC	Fibre 2 Fashion https://www.fibre2fashion.com/news/textile-news/india-s-share-in-handmade-carpets-rugs-is-35-cepc--246699-newsdetails.htm

The total global market size of both machine woven and handmade carpets and floor covering is about $35-40 billion per annum and handmade rugs have a share of about $5 billion in it. India has a share of about $1.6 billion, or about 35 per cent in the handmade carpets and rugs category, according to Carpet Export Promotion Council (CEPC).

The domestic export market of India currently stands at about $2.2 million for handmade rugs. The major markets for carpets made in India are the US (45 per cent share or $0.8 billion), EU and UK (20 per cent share each), told Mahavir

Pratap Sharma, chairman, CEPC, in an interview to Fibre2Fashion.

New fibres and technologies like linen, hemp, jute and blended materials are trending in the global carpet industry. Also, hand tools have made strong inroads into the process of finishing and added much needed improvement on the finish and time required for the industry.

“There are many initiatives which CEPC has planned for 2019-20. It has launched a new social media marketing and branding campaign. It is also planning to open warehouses in China, and provide a permanent place for Indian exporters to stock their merchandise to sell in mainland China,” said Sharma. “Besides, CEPC is making itself more socially and environmentally compliant and adept for the future. Lastly, CEPC has come out with a weaver training programme, especially for women.”

“Indian manufacturers are very adaptive to new colours, designs, raw materials and products. And this trend will continue to grow in the right direction,” added Sharma.

CEPC is a non-profit organisation set up by the ministry of textiles to promote export of carpets, handmade knotted carpets, rugs, floor coverings and other allied products. With over 2,500 members across the country, CEPC helps sourcing needs of an importer anywhere in the world and selling needs of Indian exporters

Garment exporters hail GST exemption tweak	**Deccan Chronicle** https://www.deccanchronicle.com/nation/current-affairs/120119/garment-exporters-hail-gst-exemption-tweak.html

The garment exporters of Tirupur and other parts of western districts have welcomed the Central Government’s move of raising the Goods and Services Tax (GST) exemption limit from Rs 20 lakh to Rs 40 lakh.

Union Minister of Finance Arun Jaitley had announced increasing the GST exemption limit from Rs 20 lakh to Rs 40 lakh on Thursday. This was almost instantly welcomed by garment exporters in Tirupur and Coimbatore region.

Mr. A Sakthivel, Vice Chairman, Apparel Export Promotion Council (AEPC), said, “this will definitely help Tirupur Knitwear industry, MSMEs in particular who are doing turnover up to 40 lakh. It will be helpful for industries, especially catering for exports and domestic. Small units who are involved in the process of knitting, embroidery, stitching units and mostly doing job work basis will also benefit a lot with this announcement.”

GST will improve our competitiveness	**Business Line** https://www.thehindubusinessline.com/opinion/gst-will-improve-our-competitiveness/article25986404.ece

The economy will benefit as the tax is ushering in higher transparency, lowering transaction costs and improving compliance

Once again, the GST Council has made important modifications to the GST regime that will reinforce its growth potency. By raising thresholds, lowering frequency of returns and including services under the composition scheme, the Council has boosted ‘ease of doing business’ for small enterprises.

India's reform journey took a huge leap forward with introduction of the GST. Bringing together Central and State governments and integrating numerous indirect taxes, GST is a far-reaching tax system and, as such, it is only to be expected that its full rollout would require an adjustment period.

Undeniable gains

GST has finally transformed India into one unified marketplace. For the first time, manufactured goods and services are on the same tax platform and all products and services are subject to the same tax rates throughout the country.

GST dismantled inter-State tax barriers for seamless transportation. Artificial distortions in the supply chain, as for example, creating depots in all States to avoid central sales tax, are behind us now. India successfully managed to get two GSTs to flow together in a unique structure which has not been seen in other countries.

Average monthly revenues have been on the uptrend over the last 18 months.

The number of returns filed has gone up from 3.76 million for August 2017 to 7.2 million in December 2018.

This reflects a rising culture of compliance. Manufacturers and traders who had remained out of the tax net now find it advantageous to be part of the formal supply chain under GST. Today, about 11.7 million enterprises are registered, with over five million of these being new registrations.

Under the composition scheme where smaller enterprises pay as per fixed tax rates, another 1.8 million have signed up.

The recent decisions of the GST Council are likely to cut the number of enterprises covered under GST from April; however, this is outweighed by the relief provided to these small units.

The rising coverage is despite the fact that adhering to GST means large-scale change in processes, formats of invoices, tax accounting and coordination up and down the supply chain.

Encouragingly, many operational issues have been addressed on a real-time basis by the GST Council of State finance ministers chaired by the Union Finance Minister. Over 32 meetings, they have considered detailed inputs from industry and provided workable solutions. These have greatly raised confidence in the system.

Input tax credit refunds are generally quick and regular, streamlining the whole supply chain. Initial technical issues on the GST Network are also largely resolved.

Deferment of GSTR 2 and introduction of the simplified new return filing model have brought in efficiency. Special drives have addressed delays in refund of IGST on exports and accumulated input tax credits due to inverted tax structure.

For consumers, the overall benefits have been significant. Tax rates have been continuously reduced on key items, leaving only about 30 items in the highest bracket and most mass consumption goods in the lower categories.

Elimination of cascading taxation and lower logistics costs have stabilised prices. Further, consumer protection through anti-profiteering provisions has ensured that the benefits of input tax credit or reduction in tax rates are passed on to the consumers.

As the entire ecosystem becomes accustomed to this regime, an efficient business environment will emerge with higher transparency, lower transaction costs and better compliance.

Some tweaks needed

Going forward, some provisions of the GST laws need to be simplified and inconsistencies should be removed. Petroleum products, alcohol, electricity and real estate may be brought under GST ambit for providing seamless input tax credit across sectors. The number of rates too can be reduced to just three slabs, standard rates on items of mass consumption, demerit goods in the highest tax category, and certain items at a lower slab.

The government is already working on these issues and in time to come, GST would not only benefit businesses and consumers but also strengthen India's competitiveness in the global marketplace. On the whole, GST is moving towards a stable compliance environment, buoyancy in tax revenues, expansion of tax base and formalisation of the economy, achieving its vision as a transformative tax.

As More Trump Tariffs Loom, Data Shows Grim Outlook	**Bloom berg.Com** https://www.bloomberg.com/news/articles/2019-01-10/as-clock-ticks-to-more-trump-tariffs-data-shows-grim-outlook

With seven weeks to go until a deadline that could see the U.S. ramp up tariffs on Chinese goods once again, the economic damage wrought by the months-long trade war is becoming clearer even as a pathway to a lasting resolution remains muddied.

While Chinese goods going to the U.S. initially held up in the face of higher tariffs due to so-called front-loading, their value slumped in the final quarter of 2018, according to the latest available data. For sales going the other direction, the crunch was more immediate. In both cases, further declines are on the cards if the talks fail to produce a resolution.

Negotiators from both the U.S. and China expressed optimism after mid-level talks wrapped in Beijing this week, boosting sentiment across global markets. Still, the path forward remains unclear: Another round of talks hasn't been scheduled, and the government shutdown in the U.S. has dominated President Donald Trump's attention.

Both Trump and Chinese Vice President Wang Qishan were slated to appear later this month at the World Economic Forum in Davos, Switzerland, providing an opportunity for high-level dialogue. But the shutdown may yet prevent Trump's appearance, according to a report in the Wall Street Journal.

Companies in both countries just want to see a deal get done.

“We urge both governments to use the time remaining in the 90-day negotiating period to make tangible progress on the important issues at the core of the current dispute: equal treatment of foreign companies in China, as well as China’s intellectual property and technology transfer policies,” said Jake Parker, vice president of China operations at the U.S.-China Business Council in Beijing. “Uncertainty is bad for business.”

As evidence mounts by the day that the slowdown in China’s economy is worsening, policy makers in Beijing are focusing on getting rid of the duties that Trump has leveled on Chinese goods since last year, according to a former high-level official briefed on the government’s thinking. U.S. officials appear to want to maintain the pressure of tariffs, the official said.

China’s Rekindled Deflation Fears Add to Global Growth Concerns

China and the U.S. will move ahead with trade talks as scheduled, Ministry of Commerce Spokesman Gao Feng told reporters in Beijing at a regular weekly briefing Thursday, without giving any further details over when they would take place. He wouldn’t confirm reports that Vice Premier Liu He will visit the U.S. soon to meet U.S. Trade Representative Robert Lighthizer.

Meanwhile, the economic risks are growing. Economists now see the threat of deflation in China after producer price inflation slowed sharply in December, to the weakest pace since 2016.

Trump Said to Want Trade Deal With China to Boost Stock Market

That would not only squeeze corporate profitability at home, but also put pressure on global price gains, as export prices usually follow those at factory gate. With industrial output and retail sales growth both at the weakest levels in a decade, China’s woes would also mean softer demand for imports, hurting other economies including the U.S.

A reduction in Chinese imports of U.S. goods came quickly after the retaliatory imposition of tariffs, the data show. Without a breakthrough in talks, U.S. corporations are likely to experience a deepening decline in their Chinese sales, with Bank of America Merrill Lynch analysts even seeing an “informal boycott” in place.

Tariff Consequences

The full year numbers will look somewhat different, partly because China has resumed purchases of U.S. soybeans and other goods. Even if the current truce is made permanent and the tariffs are eventually rolled back, the damage to many companies may already be done.

China’s trade data for the full year of 2018 is due to be released on Jan. 14, and economists see year-on-year export growth slowing in December from November.

The Trump administration is pushing for a way to make sure China delivers on its commitments in any deal. Trump and Xi have given their officials until March 1 to reach an accord on “structural changes” to China’s economy on issues such as the forced transfer of American technology, intellectual-property rights and non-tariff barriers.

“The hard work of addressing structural issues to create a level playing field in China do not appear to have been resolved,” said Lester Ross, a policy committee chief at the American Chamber of Commerce and also partner-in-charge at the Beijing office of law firm WilmerHale. “And China going forward will likely still want to increase the diversification of its sources of supply even for agricultural commodities.”

The 90-day time frame is a tight window in which to nail down deep changes to China’s economic model, reforms which past U.S. administrations advocated for years and U.S. lawmakers on both sides of the aisle support.

Even so, progress in talks signals that an interim deal that suspends new tariff hikes is possible, according to Louis Kuijs, head of Asia economics at Oxford Economics in Hong Kong.

“The earlier escalation of the trade conflict between the U.S. and China and souring bilateral relations appear to have given way to a more conciliatory approach since early December,” he wrote in a note Thursday. “However, we do not see the U.S. fully removing the specter of tariff hikes any time soon.”

China's Liu Said to Visit U.S. on Jan. 30 to 31 for Trade Talks	**Bloom Berg.com** https://www.bloomberg.com/news/articles/2019-01-11/china-s-liu-said-to-visit-u-s-on-jan-30-to-31-for-trade-talks

Chinese Vice Premier Liu He is set to visit Washington on January 30 and 31 for further trade talks, according to people familiar with the plans, signaling progress in efforts to tamp down the dispute.

Liu would meet with U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin, according to the people, who declined to be named because the details haven’t been made public. The visit’s timing could still change, one of the people said. The Wall Street Journal reported the dates earlier.

Mnuchin had flagged the trip to reporters on Thursday in Washington, saying that “the current intent” is for Liu to visit later in the month and that he doesn’t expect the partial government shutdown to interfere with those plans.

Liu is a key economic adviser to President Xi Jinping and is in charge of the talks with the U.S. This would be his second trip to Washington to talk trade, after he had appeared to reach an agreement with the U.S. in May, only for Trump to back away from it.

Negotiators from both the U.S. and China expressed optimism after mid-level talks wrapped up in Beijing this week, bolstering sentiment across global markets. Liu made a surprise appearance at the first day of those talks.

The history of the negotiations

However, neither side has give any detail as to what was agreed at the meetings. There are about seven weeks before the U.S.-imposed deadline for a deal, after which President Donald Trump may order a resumption of tariff hikes.

The economic damage to China from the dispute is becoming clearer, with exports of tariffed goods to the U.S. slumping in the fourth quarter of last year. And while China has resumed purchases of some U.S. products such as soybeans and cut tariffs on U.S. car exports temporarily, that could stop if no deal is made.

Trump is also increasingly eager to strike a deal with China soon in an effort to perk up financial markets that have slumped on concerns over the trade war, according to people familiar with internal White House deliberations.

China and the U.S. will move ahead with the trade talks as scheduled, Chinese Ministry of Commerce spokesman Gao Feng told reporters in Beijing at a regular weekly briefing on Thursday. He didn't give any further details about when they would take place.

M&S sees 14% rise from online Clothing & Home revenue	**Fibre 2 Fashion.com** https://www.fibre2fashion.com/news/apparel-news/m-s-sees-14-rise-from-online-clothing-home-revenue-246703-newsdetails.htm

Marks and Spencer (M&S) has witnessed 14 per cent revenue growth from its online Clothing & Home segment during the third quarter of fiscal 2018. The growth during the quarter was driven by improvements to proposition and operations. While, Clothing & Home revenue also reflected lower footfall to stores, partly as a result of increasing pace of closures.

In Clothing & Home, M&S is at the early stages of far reaching changes in range, in style, customer focus and channel mix. "Our objective is to reshape our buy, deliver market leading value and focus on stylish and wearable wardrobe 'Must-Haves' as we grow our business with family aged customers seeking style, quality and value," Steve Rowe, chief executive officer, said. Improvements to its online proposition and operations have helped to mitigate lower footfall to stores resulting from, in part, the increasing pace of change in the store estate. Its Clothing & Home online sales performance was strong, supported by an increased focus on digital marketing together with improvements to its delivery proposition and our operations at Castle Donington. Womenswear online growth has significantly outperformed driven by areas including dresses and knitwear reflecting our 'Must-Haves' and social media campaigns. A solid performance in October and on-going actions to improve the flow of stock in its supply chain resulted in a c.25 per cent reduction in stock in to the December sale. Its planned reduction in stock carrying levels meant that stock into sale was the lowest in five years