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NEWS CLIPPINGS –17-01-2019

Export uncertainty	Business Line https://www.thehindubusinessline.com/todays-paper/tp-opinion/article26009790.ece

Predictions of a global slowdown do notaugur well for India

The feeble growth in India's merchandise exports in December (0.34 per cent) should be seen against the backdrop of the world economy slipping into a slowdown. The signs are unmistakable: China's overall December exports fell 4.4 per cent from the same period in the previous year, the sharpest monthly drop in two years. China's imports contracted 7.6 per cent in the same month, the biggest fall since July 2016. China's December trade surplus with the US fell to just below $30 billion, from $35.5 billion in November. China's falling trade surplus is likely to be part of a larger trend of sluggish trade and economic growth in advanced and emerging economies in 2019. According to the World Bank's recently released report Global Economic Prospects , growth among advanced economies is expected to "drop to 2 per cent this year", against an estimated 2.2 per cent in 2018, owing to "slowing external demand, rising borrowing costs and persistent policy uncertainties", while emerging economies too, are expected to grow at just 4.2 per cent (and India at just over 7 per cent). The latter, the report observes, have been impacted by "substantial financial market pressures" and trade tensions. India's rise in exports in 2016-17 and 2017-18 coincides with a sharp increase in world growth rates from 2.4 per cent in 2016 to 3.1 per cent in 2017. While total exports have grown by 13.79 per cent in April-December this year (goods exports by 10.18 per cent and services exports by 20.18 per cent), it remains to be seen whether this trend continues.

It is notable that the export increase in 2017-18 (about 13 per cent for goods and services put together) came about in a year when the rupee was largely firm, in the range of 64-65 to the dollar. With import-dependent exports accounting for about 40 per cent of total exports, the role of a weaker rupee in spurring exports should not be over-estimated. It is hard to say whether a weaker rupee in 2018 acted as a major boost to all exports other than services; this is despite the fact that the rupee depreciated more sharply than competing currencies. Certain sectors performed well in April-November 2018, such as chemicals, machinery and transport equipment, while textiles, agriculture, and gems and jewellery did not. GST-related glitches seem to have impacted sectors such as textiles with a large intermediary chain, despite the Centre's efforts to sort these out.

It would seem that global growth is the biggest driver of exports. Even as India seeks to negotiate trade pacts to its advantage, it should work towards improving its agri-products exports, at a time when farmers are struggling with deflation. The agri-exports policy, unveiled last month, has come at the right time. Its focus on doubling farm exports to $60 billion by 2022 by diversifying the basket of products and destinations could lift both the trade numbers as well as livelihoods of millions.

A. Cotton		
Spot price (Ex-Gin) 28.5 to29 mm		
Rs/Bale	Rs/Candy	USD Cent/lb
20478	42800	76.58
Domestic Futures (Ex-Gin) November		
Rs/Bale	Rs/Candy	USD Cent/lb
20940	43765	78.31
International Futures		
NY ICE USD Cents/lb. (March 2019)		72.37
ZCE Cotton: Yuan/MT (May 2019)		15050
ZCE Cotton: USD Cents/lb.		101.02
Basis Difference (Domestic spot – ICE March)		3.31
Cotlook A Index - Physical		81.90(-0.55)
WTI Crude :USD/Barrel		52.31
B. Currency		
USD/INR	Close	Previous Close
Spot	71.21	71.24
USD Index	96.08	

Cotton Guide

Yet another day where we saw the prices pushing towards higher settling figures. Yesterday ICE March settled with +91 points at 73.27. Likewise all the other contracts at ICE were in positive figures. One day the settlement figures are positive, the other day the settlement figures are negative. This has been happening since a few days where the prices ultimately are above 70 and below 74 cents/lb. We need to wait and watch to see till how long will this fluctuation persist. Another factor that might have been a reason for the ICE futures to move north can be attributed to the news about USDA reopening FSA offices for limited services during government shutdown.

The MCX contracts rallied with January contract showing the highest gains of +200 thus settling at 20940 Rs/Bale. The February and the March contract both settled with +190 Rs at 21200 and 21440 Rs/Bale respectively. The MCX April contract also showed a gain of +150 thus settling at 21710 RS/Bale

Arrival figures in India are at 119,000 lint equivalent bales (source Cotlook) which is now picking up after the Indian Holidays. The Cotlook Index A has been negatively revised to 81.90 i.e. a -0.55 cent/lb decline. Shankar 6 prices yesterday were lower at 42,900 Rs/Candy.

There are a few Bullish and Bearish Factors which are in the position to drive the market.

Bullish – CAI's reduction of crop estimate to 335 Lakh Bales, Weaker US Dollar, Earlier Compromise in Trade Tensions between US and China, Quality concerns of US Crop, US Fed might slow down rate increase.

Bearish – Us China unending talks, Tremendous Competition from Synthetic Fibres, Global Economy concerns, Big Crop in Brazil and Egypt, China's shift of importing cotton from USA to Brazil.

On the technical front ICE March cotton is hovering in the band of 71.50-73.80. In the daily charts prices made a bullish engulfing pattern, accompanied with the RSI reversing from the oversold zone towards the 50 mark suggests a short term pullback in the price towards 73.80-74.50. Failure to sustain above 70.50 will resume the downtrend while the immediate resistance is at around 74.50. From the above we expect prices to trade in the range of 71.50-74.60 with sideways to positive bias. Above 74.60, 75.35 and 76.20 exits as immediate resistance levels. In the domestic markets trading range for Jan future will be 20650-21150 Rs/Bale.

Currency Guide

Indian rupee may witness choppy trade but general bias remains weak. Weighing on Indian rupee is general firmness in crude oil price, mixed economic data and concerns about fiscal target. Reuters reported that Prime Minister Narendra Modi's Bharatiya Janata Party favors an expansionary fiscal policy and doesn't view the government's 3.3% deficit target for the year ending in March as "sacrosanct". Brent crude trades near $61 per barrel supported by decline in US crude oil stocks and OPEC and other producers adherence to production cuts. However, supporting rupee is stability in US and global market amid China's stimulus measures and Fed's patient stance on rate hikes. China's central bank said it will make another big cash injection through open market operations on Thursday, following its biggest-ever net liquidity injection a day earlier. On domestic front, RBI is taking measures to boost liquidity. RBI plans to buy 100 billion rupees of govt bonds via open market operations Jan. 17. Rupee has weakened sharply in last few days and lack of fresh factors may result in some choppiness however general bias remains weaker due to general strength in crude oil price

Cotton spinners record healthy recovery in profits as export demand surges	**Economic Times** https://economictimes.indiatimes.com/news/economy/foreign-trade/cotton-spinners-record-healthy-recovery-in-profits-as-export-demand-surges/articleshow/67523031.cms

The surge in export demand for cotton yarn during the initial few months of the current financial year has helped the domestic spinners record a healthy recovery from the multi-year low profitability reported during FY2018 amid multiple headwinds, according to an Icra report released on Monday.

Even though exports have started to normalise and cotton prices have softened with fresh arrivals in the recent months (though still higher vis-a-vis last year), cotton yarn realisations have exhibited stickiness which, together with movement in cotton yarn stock levels, point towards a pick-up in domestic demand. Moreover, notwithstanding the moderation in Y-o-Y growth in cotton yarn exports in the recent months, trend in absolute exports remains healthy.

Commenting on the emerging trends, Mr. Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, ICRA, says, "Healthy demand and higher cotton fibre prices (vis-a-vis last year) have shifted cotton yarn realisations into a higher trajectory this year, with realisations averaging ~13% higher vis-a-vis an 11% increase in cotton fibre prices from last year. Additional benefits of lower cost cotton stocked during the last harvest season has helped in placing the recent performance

of the cotton spinners amongst the strongest seen in more than five years in terms of gross contribution margins." Notwithstanding the volatility in Indian rupee against the US dollar during the current year, the sharp rupee depreciation between July and October 2018 also supported spinners' INR realisations and hence contribution margins.

The aggregate operating margins of ICRA's sample of 13 large spinning companies improved to two-year high of 13.7% in Q2 FY2019 vis-a-vis 12.2% in Q1 FY2019, after remaining subdued at 9-11% during the preceding five quarters. On an absolute basis, the aggregate operating profit of ICRA's sample in Q2 FY2019 stood at five-year high level, with 59% Y-o-Y growth and 9% Q-o-Q growth.

After growing at a strong pace of 50% Y-o-Y during 5M FY2019, India's cotton yarn exports normalised in the subsequent months of September and October 2018, reporting a moderation in growth to 34% Y-o-Y in 7M FY2019. The growth initially had been driven by a more than two-fold increase in exports to China - one of India's key markets for cotton yarn. Besides a low base effect, the staggering growth in exports was supported by the relative competitiveness of Indian cotton and yarn prices, providing an arbitrage opportunity to Chinese buyers.

"Despite exports retreating to normal levels in the recent months in absolute terms, ICRA expects the annual growth in India's cotton yarn exports to remain healthy at ~18-20% during FY2019 supported by a strong YoY growth of ~34% in 7M FY2019." Mr. Roy added.

A more than 90% growth in India's cotton yarn exports to China during 7M FY2019 also helped Indian spinners claw back a part of the export market lost to competing nations such as Vietnam over the past few years. However, sustainability of India's cotton yarn exports remains to be seen, given the correction in spread between domestic and international cotton prices to ~8% in the quarter ended Dec 2018 from ~16% in the quarter ended Jun 2018 and continued competitive pressures from Vietnam.

Given India's continued high dependence on China, its ability to strengthen its presence in other export markets remains crucial. Besides, incremental developments on the US-China trade row can play a key role in influencing India's export prospects, as China has a significant reliance on the US for import of cotton fibre.

Wind power sector set to get a boost	**The Hindu** https://www.thehindu.com/todays-paper/tp-national/tp-andhrapradesh/wind-power-sector-set-to-get-a-boost/article26010163.ece

Transco undertaking major support initiatives in the State

The AP-Transco's renewable energy evacuation scheme under the Power-for-All (PFA) programme, which is capable of transmitting 1,000 MW of wind energy from the generating stations to the grid, is going to give a fillip to the fledgeling wind power sector.

Besides, according to official sources, the AP-Transco has laid a 400-KV line from Jammalamadugu in Kadapa district to Uravakonda in Anantapur and is in the process of laying another line of the same capacity from Uravakonda to Hindupur, both under its Green Energy Corridor programme planned to evacuate 3,150 MW in Anantapur, Kadapa and Kurnool districts at an estimated cost of Rs. 3,375 crore.

These major infrastructure works are required to facilitate the growth of the wind energy sector from its cumulative installed capacity of nearly 4,059 MW as at the end of October 2018. Andhra Pradesh has got the highest capacity addition in five years of nearly 2,190 MW in 2016-17. With a substantial production of wind energy, the State is able to meet around 22% (Renewable Power Purchase Obligation) of its total energy requirement through renewable sources as against just 1.85% during 2013-14.

Big players

Coming to the specifics of the wind energy sector, leading manufacturers such as Suzlon, Gamesa and ReGen have set up their units in the Rayalaseema region and more players are being roped in.

A senior official of the New and Renewable Energy Development Corporation of A.P. toldThe Hindu that the wind power potential of the State was estimated by the National Institute of Wind Energy to be about 44,230 MW at 100-metre level.

To achieve synergies, the State is promoting wind-solar hybrid projects on a large scale to utilise the common infrastructure and achieve better grid stability. For this, Wind - Solar Hybrid Power Policy-2018 has just been released.

RBI eases ECB norms, lifts sector-wise limits	**Business Line** https://www.thehindubusinessline.com/todays-paper/article26009696.ece

Allows $750 m/fiscal under the automatic route; expands list of eligible borrowers

To further improve the ease of doing business in India, the Reserve Bank of India has drawn up a new external commercial borrowing (ECB) framework allowing all eligible borrowers to raise up to $750 million per financial year under the automatic route, replacing the existing sector-wise limits. The central bank has also expanded the list of eligible borrowers and recognised lenders.

To curb volatility in the forex market arising out of dollar demand for crude oil purchases, the framework provides a special dispensation to public sector oil marketing companies.

It allows them to raise ECB, with an overall ceiling of $10 billion, for working capital purposes with a minimum average maturity period (MAMP) of three years under the automatic route without mandatory hedging and individual limit requirements. The list of borrowers has been expanded to include all entities eligible to receive FDI.

Additionally, port trusts, units in SEZs, SIDBI, Exim Bank and registered entities engaged in microfinance activities can also borrow under this framework.

Maturity period

While the minimum maturity period for the ECB will be three years, the framework allows manufacturing companies to raise up to $50 million per financial year with a maturity period of one year. Further, if the ECB is raised from a foreign equity holder and utilised for working capital, general corporate purposes or repayment of rupee loans, the maturity period will be five years. This probably has been done to encourage foreign shareholders, especially in Indian airlines, to support their Indian partners. This could help Jet Airways deal with its current financial crisis.

As per the policy, call and put option, if any, cannot be exercised prior to the completion of the minimum average maturity.

Cotton yarn realisation to touch 20% this fiscal :ICRA	**Business Line** https://www.thehindubusinessline.com/economy/agri-business/cotton-yarn-realisation-to-touch-20-this-fiscal-icra/article25994269.ece

After hitting a multi-year low last fiscal, cotton yarn spinning companies' profit margins have improved in the December quarter due to revival in export and rupee depreciation. However, sustainability of profit is already threatened by rising cotton prices and competitive pressure from Vietnam and Bangladesh.

Over 90 per cent of increase in exports to China in first seven months this fiscal helped Indian spinners regain a part of the export market lost to competing nations such as Vietnam over the past few years, said the rating agency ICRA.

However, the difference between domestic and international cotton prices have fallen to eight per cent in the quarter ended December quarter from 16 per cent logged in June quarter, adding to competitive pressures from Vietnam.

Besides, incremental developments on the US-China trade row can play a key role in influencing India's export prospects, ICRA added. After growing at a strong pace of 50 per cent in five months of FY'19, India's cotton yarn exports have normalised to 34 per cent in October.

ICRA expects the annual cotton yarn exports to grow at 18-20 per cent this fiscal supported by a strong beginning.

Jayanta Roy, Senior Vice-President, ICRA, said healthy demand and higher cotton prices have shifted cotton yarn realisation into a higher trajectory this year, with realisations averaging 13 per cent higher against an 11 per cent increase in cotton prices from last year.

Maharashtra discom to create 3,200 MW solar capacity	Business Line https://www.thehindubusinessline.com/todays-paper/tp-others/tp-states/article26009838.ece

The Maharashtra State Electricity Distribution Company Ltd (MSEDCL) will create 3,200 MW of distributed solar capacity in the next two years, a senior State government official has said.

Maharashtra has 130 MW of functional scale solar projects and 320 MW of projects in the pipeline.

The decision to scale up solar power capacity was taken by Power Minister Chandrakant Bawankule at a review meeting on Wednesday. The MSEDCL has 16 zones and each zone has been tasked with installing 200 MW of solar power projects, the official said. The power will be generated in a distributed manner by installing solar panels on grampanchayat and State government buildings.

The project willl be implemented under the State Energy Conservation Policy for which initial capital of Rs. 500 crore will be raised and presented before the State Cabinet for approval, the official said.

Large solar park-based project will be implemented by Maharashtra State Power Generation Company (Mahagenco) while distributed projects will be under MSEDCL.

The Maharashtra government has been very active on the solar power front and in last June, tenders of 750 MW of grid-connected solar photovoltaic (PV) projects to cater to the agricultural feeder loads of various substations across the State were floated. A 1,000 MW floating solar power plant on Ujani Dam in Solapur is also under consideration by MSEDCL, the official added.

Coffee-table book India Series: The Textile Story unveiled	Millennium Post http://www.millenniumpost.in/features/coffee-table-bookindia-series-the-textile-story-unveiled-336615

Trendsetter Marketing Pvt. Ltd., a publishing house pioneering the production of coffee-table books, has unveiled its new publication, India Series: The Textile Story. This new coffee-table book provides an elaborate glimpse into India's vibrant textile industry, with particular emphasis on its present-day relevance in securing livelihoods and generating revenue for the national exchequer. India's textiles, handicrafts and handlooms form an important industry vertical that is not only the backbone of India's indigenous livelihoods but also garners deep appreciation from global markets. Traditional Indian designs, prints, materials, crafts, among others, have built a unique niche. Over time, this indigenous and deeply fragmented industry, spread across the country's length and breadth, has been consolidated under the Ministry of Textiles and its several ancillary organisations. The journey of textiles from being a traditional practice to becoming a synchronised industry has been facilitated by the Ministry, its various organisations and their timely implementation of policies. This book has been published in coordination with some leading industrial chambers functioning in the ambit of Indian textiles – they include, Confederation of Indian Textile Industry (CITI), Export Promotion Council for Handicrafts (EPCH), Apparel Export Promotion Council (AEPC), The Clothing Manufacturers Association of India (CMAI) and Welspun.

The book, India Series: The Textile Story, was unveiled by Union Minister for Textiles, Smriti Zubin Irani, at Udyog

Bhawan, New Delhi. The unveiling was attended by eminent dignitaries of various textile industry chambers, including – O P Prahladka, Chairman, EPCH and Rakesh Kumar, Executive Director, EPCH; Padma Shri Dr A Sakhtivel, Vice Chairman, AEPC and Gautam Nair, Member, Executive Committee, AEPC; D L Sharma, Vice Chairman, CITI and Dr S Sunanda, Secretary General, CITI; and Rahul Mehta, President, CMAI. Following the unveiling, a round-table conference was organised at Press Club of India, New Delhi, where dignitaries spoke of India's burgeoning textile industry and its implications on the future of the national economy. Padma Shri Dr A Sakhtivel, emphatically mentioned that "there is no better time to be in India than now" as "the Indian textiles industry has evolved!" O P Prahladka of EPCH expressed deep gratitude while appreciating the Ministry of Textiles for implementing timely policy changes and providing adequate support to overcome challenges and steer towards greater success. Appreciating the publication, Rakesh Kumar, EPCH, remarked that "the production is timely as India is waiting to take rapid strides in global textile markets and we now have a book that has documented our trajectory for reference to the outside world". A humble representation of a vast industry that sustains close to 100 million Indian lives, this book encapsulates textiles as the pinnacle of India's indigenity and prized diversity.

RBI Governor to meet industry chambers on Thursday	**Economic Times** https://economictimes.indiatimes.com/news/economy/finance/rbi-governor-to-meet-industry-chambers-on-thursday/articleshow/67555441.cms

NEW DELHI: Reserve Bank of India (RBI) Governor Shaktikanta Das will meet industry chambers on Thursday to understand their issues and concerns.

After his taking over as 25th Governor of the RBI last month, he has been holding consultations with various stakeholders including banks, non-banking financial companies and micro, small and medium enterprises. "Will meet the apex chambers/associations of industry and commerce tomorrow (17th January)," Das said in a tweet. The meeting comes ahead of the sixth bi-monthly monetary policy statement for 2018-19 scheduled to be announced on February 7. Industry has been pitching for the rate cut amid falling inflation and factory output.

Continued decline in food prices pulled down retail inflation to an 18-month low of 2.19 per cent in December 2018. Another set of official data showed that the wholesale inflation also eased to an eight-month low of 3.80 per cent in December on softening fuel and food prices.

The inflation based on the Consumer Price Index was 2.33 per cent in November and 5.21 per cent in December 2017. The RBI, which mainly factors in retail inflation, has been tasked by the government to maintain the inflation near 4 per cent. The factory output based on movement in the Index of Industrial Production (IIP) slumped to a 17-month low of 0.5 per cent in November on account of contraction in the manufacturing sector, particularly consumer and capital goods.

Vibrant Gujarat: PM Narendra Modi to inaugurate India's biggest trade show in home state Gujarat	**Financial Express** https://www.financialexpress.com/economy/vibrant-gujarat-pm-narendra-modi-to-inaugurate-indias-biggest-trade-show-in-home-state-gujarat/1445774/

The Government of Gujarat will be focussing on Exports, Trade and Investment Potential at Vibrant Gujarat 2019. The VGGTS will house some of the major pavilions such as Automobiles, Agro and Food Processing, Oil and Gas, E Mobility, Chemicals and Petrochemicals, Banking and Finance, and Pharmaceuticals.

India’s biggest trade fest Vibrant Gujarat Global Trade Show with 2 lakh square meter of Exhibition Area and Stalls for Vibrant Gujarat 2019 is all set to begin.

In what has become the highlight of the Vibrant Gujarat Global Summits held biennially, Vibrant Gujarat Global Trade Show 2019 (VGGTS) will begin from 17 January and will last till 22 January 2019 in Gandhinagar.

The exhibition will be inaugurated by the Prime Minister on the first day of the show’s commencement. It must be noted that till the 20th of January, the exhibition is reserved mostly for delegates taking part in Buyer-Seller Meets and Reverse Buyer-Seller Meets along with media and academia. Those interested can visit the exhibition from the second half the 20th of January.

The main goal of the exhibition aims to get multi-sector B2B engagements, wherein there will be, inter alia, Buyer – Seller Meets, Reverse Buyer – Seller Meets, Vendor Developments Programmes, Business Networking, Technology Assessment and Strategic Partnerships under one roof. The estimates say that over 1500 overseas and domestic buyers will be visiting the VGGTS 2019. Moreover, the Vendor Development Programme is also being organized to nurture “stronger synergies” between MSME and Large Scale Enterprises including PSUs.

The business through Buyer Seller Meet and Reverse Buyer Seller Meet is expected to reach nearly Rs. 2000 crore. Nearly 1.5 million visitors and about 3000 International Delegates from over 100 countries are expected to visit the Exhibition. Attractions like a replica of Statue of Unity, Bullet Train simulator, Farm-to-Fabric Pavilion and Fashion Show with a focus on ‘Make in India’ and Khadi await the visitors at the Trade Show.

Gujarat Chambers of Commerce & Industry (GCCI) is also supporting the fashion show which will be held at picturesque Sabarmati Riverfront on the evening of 19th January.

Other high points for the visitors include a tableau of Innovation and Technology, in particular Robotics and Laser Cutting. Most countries will participate in this and also Service Sectors including Medicare and Health, Audio Visual Services, ITES and Communication, are expected to participate.

So far, VGGTS 2019 will have 15 partner countries and countries such as France, South Korea, Canada, Poland, Japan, Thailand, The Netherlands, Sweden, South Africa, UAE, Uzbekistan, Norway, Czech Republic, Morocco and Australia will have their own pavilions. Moreover, an elaborate Africa Pavilion will have more than 25 African countries which will be representing the continent of Africa including two of the partner countries – South Africa and Morocco.

Visitors can also see pavilions exhibiting flagship initiatives of Government of India that include Ayushman Bharat, Digital India, Start-up India, Make In India, Sagarmala, and Indradhanush at the Trade Show.

The Government of Gujarat will be focussing on Exports, Trade and Investment Potential at Vibrant Gujarat 2019. The VGGTS will house some of the major pavilions such as Automobiles, Agro and Food Processing, Oil and Gas, E Mobility, Chemicals and Petrochemicals, Banking and Finance, and Pharmaceuticals.

Sectors such as Bio Technology, Ceramics, Ports, Transport and Travel, Tourism and Hospitality, Logistics, Power and

Renewable, Start-ups and Innovation, Textiles, Urban Infrastructure, Water Treatment and Environment, Education, Skill Development and Engineering are also included.

The State Government has also established an Exhibition Committee to look after the preparations for the VGGTS 2019, which is being coordinated by S.J Haider, Principal Secretary, Tourism.

Don't dilute e-commerce FDI rules, traders' body tells government	**The Hindu** https://www.thehindu.com/business/Industry/ecom-rules-and-cait/article26006530.ece

To accede to their demand not good for trading community

The Confederation of Indian Traders on Wednesday urged the government not to heed to the demands by e-commerce companies and agencies from the U.S. to water down or delay the implementation of the recently-announced foreign direct investment (FDI) rules in e-commerce.

"As a body that represents seven crore small businesses and 40,000 trade federation, we strongly oppose any changes," Praveen Khandelwal, national general secretary of CAIT, said at a press conference. "To accede to their demand is not good for the trading community."

This comes against the background of reports of intense lobbying by the e-commerce companies to ensure that the FDI rules are amended. The rules mandate that no entity in which an e-commerce company has stake can sell its wares on that e-commerce company's portal.

Any vendor who receives 25% or more of its inputs from an e-commerce group company cannot sell on that e-commerce portal. These rules, which are to be implemented from February 1, are expected to adversely impact Flipkart and Amazon, who have considerable stake in vendors operating on their respective platforms.

"We want the government to institute a thorough probe into the business activities of these players in the last 2-3 years," Mr. Khandelwal added. "They should be strictly penalised if any violation found."

Mr. Khandelwal said that any move to dilute the rules or push back the implementation date would be met with stiff resistance from the trading community and also a nationwide agitation to protest this.

The CAIT also called for the implementation of these FDI norms to apply to domestic players as well in order to ensure a level-playing field and promote competition.

Special zones approved to move textile units outside Surat	**Nyoooz.com** https://www.nyoooz.com/news/surat/1304133/special-zones-approved-to-move-textile-units-outside-surat/

This will encourage the mill owners to shift their units out of the city and enjoy the benefits provided by the state government." The textile mill owners are upbeat as the FSI for industrial units in city areas is only 1.2, whereas they will be getting a total of 2.7 FSI in the special nod areas located under the development plan of the Suda.Keeping in mind the future development, provisions has been made to construct wider roads. In these areas, Particulate Matter (PM10) levels is exceedingly higher than the national annual average at 184 per micrograms per cubic meter of air (UG/M3) per annum.President of SGTPA, Jitu Vakharia told TOI, "We are elated that CM Vijay Rupani has accepted our proposal for shifting the textile mills out of the city and providing us with specialised industrial zone with 2.7 FSI. To check the reservations suggested in the Suda DP 2035, a local level consultative committee has been formed under the chairmanship of Suda president and municipal commissioner, M Thennarasan.The SGTPA has urged the state government to allocate 100 hectare land for developing new industrial area to facilitate the shifting of textile mills located in the walled city, Ashwani Kumar Road, Katargam, Varachha, Kadodara and Udhana areas.About 65 textile mills are operating in the city's residential areas including Khatodara, Udhana, Ashwani Kumar Road, Ved Road, Bombay Market, Puna Kumbharia etc. Surat: The shifting of polluting textile dyeing and printing mills outside the city limits could be a reality with the state government approving specified shifting zones for the industrial units with the addition of few provisions in the General Development Control Regulation (GDCR).While approving the development plan (DP) for the Surat Urban Development Authority (Suda), the Gujarat government has made special provisions for the shifting of the industrial units located within the city to the outskirts in a specified shifting zone.The decision has come following a strong recommendation by the south Gujarat Textile Processors Association (SGTPA) and the state industries minister, Saurabh Patel for shifting the textile mills to the outskirts.The textile mill owners wanting to develop their factories in the special nod areas will get the base floor space index (FSI) of 1.8 free and chargeable 0.9 FSI based on the jantri (annual land rates) rates.

Govt eases procedure for startups to seek tax exemption on investments from angel funds	**Live Mint** https://www.livemint.com/Politics/qpMZF3mike5tSJWuBFOYpI/Govt-eases-procedure-for-startups-to-seek-tax-exemption-on-i.html

Various startup founders have recently claimed of receiving notices under Section 56(2) (viib) of the Income Tax Act from the I-T department to pay taxes on angel funds raised by them.

New Delhi: The government has eased the procedure for startups to seek income tax exemption on investments from angel funds as part of efforts to address concerns of budding entrepreneurs, official sources said.

Various startup founders have recently claimed of receiving notices under Section 56(2) (viib) of the Income Tax Act from the I-T department to pay taxes on angel funds raised by them.

"Commerce and Industry Minister Suresh Prabhu has approved a notification pertaining to this clause to make allowances for angel investors. A formal notification to this effect would be issued soon by the DIPP," sources said.

To seek the exemption, a startup will apply, with all the documents, to the department of industrial policy and promotion (DIPP). The application of the recognised startup shall be moved by the department to the Central Board of Direct Taxes (CBDT) with necessary documents.

"CBDT has been mandated to grant exemption approval to the startup for the purposes of this clause or they can decline to grant such approval within a period of 45 days from the date of receipt of application from the DIPP," they said.

Earlier procedure of applying to an inter ministerial board of certification for approval under this clause has now been done away with.

“Application procedure has been simplified by making application to CBDT through DIPP,” they added.

The earlier requirement of startup to submit report from merchant banker specifying the fair market value of shares has also been removed.

As per the revised procedure, a startup which is recognised by the DIPP would be eligible to seek exemptions, subject to certain conditions.

Startups will have to provide account details and return of income for last three years. Similarly, investors would also have to give its net worth details and return of income.

The government has earlier allowed startups to avail full tax concession on investments up to Rs 10 crore from investors, including angel financiers.

The conditions also include that “investor should have returned income of Rs 50 lakh or more for the financial year preceding the year of investment; and net worth exceeding Rs 2 crore or the amount of investment made/proposed to be made in the startup, whichever is higher, as on the last date of the financial year preceding the year of investment/proposed investment,” they added.

Section 56(2) (viib) of the Income Tax Act provides that the amount raised in excess of a startup’s fair market value is taxed at 30 per cent as income of the firm from other sources.

Prabhu had taken up the issue up with the finance ministry.

Normally, about 300-400 startups get angel funding every year.

The government launched the Startup India initiative in January 2016 to build a strong ecosystem for nurturing innovation and entrepreneurship.

1 step forward, 2 steps back. Is GST going the VAT way?	**Live Mint** https://www.livemint.com/Money/kQ9lEhekbWaksC4BdVuqZO/1-step-forward-2-steps-back-Is-GST-going-the-VAT-way.html

Tax experts say India has kept finding ways to complicate things. The Kerala GST cess takes things from bad to worse

By doubling the goods and services tax (GST) eligibility limit, India’s version of GST has inched closer to the global format. However, tax experts say India has kept finding ways to make things complicated, with the recent introduction of cess for Kerala taking things from bad to worse.

Although for a limited period, the move defeats the purpose of GST, because this mammoth tax change was introduced so that multiple cesses could be done away with.

“Re-introduction of cess sets a bad precedent. It may be for a noble cause, but instead of levying cess, the Centre could have funded the cause directly," said Anita Rastogi, indirect tax partner at PwC India. The council allowed flood-hit Kerala to levy a calamity cess of 1% on intra-state sales for a maximum period of two years.

A moot question is if this takes us back to the days of VAT, or value added tax, which also started off with noble intentions before getting muddled. Drawing parallels with earlier tax regime, Saloni Roy, senior director at Deloitte India, said, "When VAT was introduced in 2004, its purpose just like GST was to have a unified tax system across the country. But after a while, states started drifting away. For example, some states like Haryana, Uttar Pradesh and Gujarat had additional tax on certain items which others didn't. My concern with bringing back cess is that, are we going back to where we started from?"

Another important decision taken at the GST Council's 32nd meeting was the extension of composition scheme to services providers. Services providers with a turnover limit of up to ₹50 lakh are now allowed to avail of the composition scheme at a rate of 6%.

While the objective here is to encourage more businesses to come under the GST ambit, tax experts fear that introduction of a new tax rate makes the law more complex and could lead to non-compliance. Currently, businesses under the composition scheme are taxed under various slabs of 1% (manufacturers), 2% (traders) and 5% (restaurants).

"They have extended the composition scheme for service providers, aimed at widening the tax base, but at a new tax rate of 6%. Anyway, we had three different tax rates for goods providers who have opted for this scheme and this complicates the law even further. The more the complex law, more difficult it is to comply. A simple law leads to more compliance and increased revenue to the government—this is tried and tested globally in countries where GST/VAT is practised," added Rastogi.

At a time when GST revenues are falling behind the required target, there is increasing worry that the added complexity will act as a deterrent for taxpayers. Thanks to the half-hearted approach, India's GST has miles to go before it becomes a good and simple tax.

Dull exports growth due to global, domestic challenges: FIEO	**Sme Times.in** http://www.smetimes.in/smetimes/news/top-stories/2019/Jan/16/exports-fieo42647.html

Exporters' body FIEO on Tuesday said slow growth in exports in December was due to uncertain global cues and domestic challenges.

Responding to the December exports data, FIEO President Ganesh Kumar Gupta said that the data yet again have shown a marginal growth due to uncertain global cues and challenges on the domestic front.

China's exports contracted in December 2018 highlighting fragile global conditions, he added.

However exports during the month was close to USD 28 billion with a growth of just 0.34 per cent, even when the weakening global economic outlook are showing no signs of respite, said the FIEO Chief.

But during the month, the sectors which were showing high growth in the previous months are now witnessing nominal growth or marginal growth such as the Petroleum sector, Organic & Inorganic Chemicals, Plastic & Linoleum, Electronic goods and RMG of all textiles.

All major labour-intensive sectors of exports like Gems & Jewellery, Engineering, Leather & Leather products, Man-made yarns/fabs/made-ups, Handloom products, commodities including most agri products are now in negative territory, viewed Gupta.

17 out of 30 major product groups were negative territory during December, 2018.

However on the imports front, the growth in December, 2018 was on negative side with -2.44 percent mainly due to reduction in gold and pearls, precious & semi- precious stones import.

Spin off effect due to global trade war has also impacted the country's trade impacting both imports and exports, said Gupta.

The FIEO Chief once again reiterated his demand for urgent and immediate support including augmenting the flow of credit and better fiscal support.

He exuded confidence that despite current growth trends the exporters will manage to do well ending the fiscal with merchandise exports of USD 340-350 billion with the timely and much needed support of the government.

Turkish textile firms eye over $11 bln export revenue this year	**The Daily News.com** http://www.hurriyetdailynews.com/turkish-textile-firms-eye-over-11-bln-export-revenue-this-year-140501

Turkey’s textile industry foresees weaker demand in the domestic market as rising costs will push prices higher, but hopes to boost exports this year.

“The overall costs of the firms operating in the textile industry have increased by 30 percent over the past one year due to the rises in energy costs and minimum wages as well as exchange rates. Those cost increases will be reflected onto prices in the coming months,” said Ahmet Öksüz, the head of the Istanbul Textile and Raw Materials Exporters Association (İTHİB).

The expected price increases will translate into a contraction in the domestic market, according to Öksüz.

“This contraction will be felt particularly in the first half of the year, but the industry will see double-digit growth in exports,” he said.

Exports of the textile and raw materials industry increased by 4.5 percent in 2018 from a year ago, hitting $10.5 billion.

“Our target for 2019 is to generate more than $11 billion in export revenues. We expect to boost exports in 75 percent of our markets. The industry’s three largest export markets are Germany, Italy and the U.S., while 50 percent of exports go to the EU," Öksüz added.

Turkey is the seventh largest textile and textile raw materials supplier in the world.

"Many textile firms, which want to avoid risks stemming from the expected contraction in the domestic marker, are increasingly focusing on exports. The costs in the industry are indexed to foreign currencies thus companies experience hardship when currency rates rose," he said.

Öksüz also noted that 314 member companies of the association exported their goods for the first time in 2018.

"Last year, Turkish firms shipped goods to a total of 188 countries, but the EU remained the largest single market with $5.4 billion in export revenues. Exports to Russia, meanwhile, soared 107 percent and sales to Belarus jumped 43 percent. Exports to Portugal saw a 26.3 percent increase."

According to Öksüz, the textile industry will also target the South American and Far Eastern markets.

Malaysia has potential to up textile exports to US	**Malaymail.com** https://www.malaymail.com/s/1712747/malaysia-has-potential-to-up-textile-exports-to-us

FRANKFURT, Jan 15 — Malaysia has the potential to increase exports of textiles to the United States (US) in light of its trade war with China.

The textile industry, often described by some experts as a "sunset industry," began to lose its sheen decades ago following rising costs and fierce competition from China, Bangladesh and Vietnam.

But the ongoing US-China trade war has prompted some western buyers to look for alternative source, and this is where Malaysia can take advantage of the situation.

Hopes of reviving the industry in Malaysia — and other South-east Asian suppliers of home-textiles and other textile products — were visible at Frankfurt's just-concluded four-day Heimtextil Trade Fair, the world's largest event for home textiles and accessories.

While an abrupt switch by buyers representing the US and other western importing companies and houses to other supplying countries is not expected, the ongoing dispute between the two economic giants has caused what traders at the Frankfurt show call a "gentle panic."

"I am pretty sure buyers in the US and elsewhere are aware of the perils of asymmetrical dependency on China as a source of textile products, coupled with the many problems which foreign importers face in that country, particularly in regard to quality and post-sales service, among others.

"Prices of Chinese products have also risen, no thanks to the soaring labour and production costs in that country. So, the ongoing trade war could, in fact, be the proverbial straw that will break the camel's back," said one US buyer who preferred to remain anonymous to Bernama at the Heimtextil show.

He said Malaysia could step in to fill the vacuum if US companies decide to quit China, adding Malaysia's textile quality is definitely a plus, despite prices being slightly higher.

Meanwhile, Malaysian exhibitors offered testimony of the changing scenario in the home-textile trade.

Fernex Sdn Bhd's marketing director Lee Kheang Lim said the company received many solid business enquiries from both existing and potential new buyers from around the world, including the US.

Wendy Tan, managing director of Nature World Manufacturing Sdn Bhd said the company, which manufactures home textile products, also received numerous enquiries.

"While our buyers have shown a keen interest in our Bio-Active Energy-based products, the increase in the number of enquiries may possibly be due to the ongoing trade war, with buyers trying to establish alternative sources of supply," she said.

Organised by Messe Frankfurt, the Heimtextil show from January 7-10 boasted 3,025 exhibitors from 65 countries.

Olaf Schmidt, Messe Frankfurt vice-president of textiles and textile technologies said the number of US buyers at the show had increased, implying that the country was exploring opportunities in the international market.

"All the big US stores are here. There is, clearly, a shift to other countries and because of the emotional character of the ongoing problem, we should know in about six months from now what will happen," he added.

However, he was unsure if other suppliers can quickly replace China as the world's biggest textile supplier with its huge textile-manufacturing infrastructure.

Schmidt was upbeat about the Asean region's potential, with Vietnam, Malaysia, Indonesia and Bangladesh expected to become key players in the global textile supply chain.

"I also believe fierce international competition will force suppliers to upgrade their production processes, adopt automation and devising faster and convenient modes of supplies. Technological innovation is the mantra of the industry's future," he said.

The textile exhibition saw participation from Asean exhibitors, including eight exhibitors from Indonesia, three from Malaysia, three from Thailand and eight from Vietnam.

The top two textile giants, China and India, had 559 and 394 exhibitors respectively, surpassing the host country Germany at 301. According to the Malaysian trade commissioner in Frankfurt, Badrul Hisham Hilal, Malaysia's total exports of textiles, apparel and footwear amounted RM13.69 billion in the January-November 2018 period.

The US is the biggest market for such products, accounting for RM1.78 billion (13 per cent) of total exports.

Vietnam's textile-garment industry hopes for breakthroughs in 2019	English Vietnam https://english.vietnamnet.vn/fms/business/216006/vietnam-s-textile-garment-industry-hopes-for-breakthroughs-in-2019.html

According to the Vietnam Textile and Apparel Association (VITAS), 2018 was a successful year for the textile and garment industry with a total export turnover of over 36 billion USD, up over 16 percent year-on-year, making Vietnam one of the three biggest exporters of textiles and garments in the world.

VITAS Chairman Vu Duc Giang said last year, the world saw complicated developments, rising trade disputes and scientific-technological advances. In that context, the association proposed many measures to the Government, and relevant ministries and sectors to remove policies that cause difficulties for businesses operating in this field, he said.

With the results achieved in 2018, Vietnamese textile firms have witnessed positive signals for orders in 2019.

Many businesses have already received orders for the first six months of 2019 and even the whole year. Vietnam's products are highly competitive and the country gradually completed the textile supply chain because flows of capital investment in the textile and dyeing industry, and material has been on the rise.

The upcoming enforcement of new generation free trade agreements is a positive factor supporting for production and business activities of the sector in 2019.

On that basis, VITAS has set a target of 40 billion USD in export turnover, up 10.8 percent compared to 2018. The sector is expected to enjoy a trade surplus of 20 billion USD, and create employment and increase income for 2.85 million workers.

Experts said in 2019, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is hoped to create a boost for many industries of Vietnam, including the textile and garment sector. In addition, the textile and garment sector is also waiting for more orders shifted from China to Vietnam due to the US-China trade war.

According to Pham Xuan Hong, Chairman of the Board of Directors of Saigon 3 Garment Joint Stock Company, domestic enterprises will be enabled to choose orders with highs price and easier requirements when a lot of orders are moved from China to Vietnam.

In order to catch up with these opportunities, local businesses need to gradually improve technologies and invest more in new technologies, he said.

However, opportunities will always go with challenges, experts said.

According to the Ministry of Industry and Trade, 2019 will continue to be a challenging year for the sector to integrate into the global textile supply chain.

Especially, the fourth Industrial Revolution will have great impacts on the textile and garment industry in the coming time, forcing it to change and strongly increase investment in equipment and personnel.

Many consumers now require origin certifications and environmentally-friendly products, so textile and garment enterprises need to ensure global standards of materials to ensure health of customers.

Bui Kim Thuy, Chief Representative of the US-ASEAN Business Council (USABC), said Vietnam is participating in 16 free trade agreements (FTAs). Ten out of 12 signed agreements have been enforced, such as the ASEAN Trade in Goods Agreement (ATIGA), the ASEAN-China FTA, the ASEAN-Korea FTA, while the two remainders, the CPTPP and the ASEAN-Hong Kong (China) FTA, have not yet come into force.

The participation in various FTAs helps Vietnamese enterprises to have more choices in exporting goods abroad. However, those are also bringing challenges to the sector, she said.

Thuy stressed that if businesses do not meet regulations on origin of goods, it will be difficult for them to take full advantage of incentives from FTAs.-VNA

Will the TPP-11 Agreement Impact Cotton Trade?	**Cotton Grower.com** https://www.cottongrower.com/cotton-news/will-the-tpp-11-agreement-impact-cotton-trade/

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership – popularly known as TPP-11 – is now in effect in seven of the 11 participating countries.

The treaty, which was signed by 11 countries on March 8, 2018 in Santiago, Chile, had to be subsequently ratified by the countries' respective national assemblies. The treaty became effective in Australia, Japan, Mexico, New Zealand, Canada and Singapore on December 30, 2018. Vietnam was added on January 14.

Vietnam's entry creates an interesting dynamic in the cotton trade. Vietnam's textile sector is burgeoning and needs good supplies of cotton.

In the last three seasons, Vietnam is the number one importer of United States cotton, including about 2.98 million bales (480 lbs. each) during the 2017/18 season. That number has more than doubled since 2013/14, when the United States exported about one million bales to Vietnam.

Vietnam is followed by China in terms of U.S. exports, while other major importing countries are Turkey, Indonesia and Pakistan. Bangladesh is also marching closely with Mexico in terms of U.S. cotton imports.

As part of the TPP-11 treaty, free trade between Australia and Vietnam will boost agricultural exports from Australia to Vietnam. This agreement eliminates 98% of tariffs in the TPP-11 region, whose collective GDP is about $13.5 trillion.

According to the Australian Department of Foreign Affairs and Trade, all tariffs on cotton exports will be eliminated under the treaty, providing an additional advantage for Australia's exports of cotton to Vietnam. Japan has also given more market access to Australian cotton via Vietnam. Tariffs on clothing made from Australian cotton in Vietnam have been eliminated in Japan, giving more market entry for Australian cotton.

In 2017, 15% of Australia's total cotton exports were to TPP-11 countries. Market access and common rules are expected to enhance the export chances of agricultural products from Australia.

Grady Martin, Director of Sales for Plains Cotton Cooperative Association stated, “Vietnam is a very important market for U.S. cotton. As yarn and garment operations are shifting to Vietnam, the country has growing importance.”

Regarding the impact of the new TPP-11 treaty on exports to Vietnam, Martin replied that it may have an impact, but Vietnam needs cotton. In the long run, what the impact will be is hard to judge right now, he added.

The biggest question to answer is this: Since 80% of U.S. cotton is exported, will the non-participation of United States in the TPP-11 impact agricultural exports – and particularly cotton.

ECC allows duty-free cotton imports	**Dawn.com** https://www.dawn.com/news/1457833/ecc-allows-duty-free-cotton-imports

SLAMABAD: The government on Tuesday ordered immediate clearance of about Rs36 billion refund claims of exporters and allowed tax and duty-free import of cotton in addition to mandating the payment of duties and taxes on import of vehicles in foreign exchange.

The decisions were taken at a meeting of the Economic Coordination Committee (ECC) of the Cabinet presided over by Finance Minister Asad Umar.

In response to demands of the textile industry, the ECC approved withdrawal of customs duty, additional customs duty and sales tax on import of cotton effective Feb 1-June 30, 2019.

The step is aimed at ensuring sufficient cotton supply for textile industry – especially its export segment.

The decision was based on the plea that Pakistan had been a net cotton importer since 2001 while the domestic cotton was of short-to-medium staple length, leaving local textile manufacturers to import long and extra long staple cotton for finer yarn counts for subsequent transformation into high value-added finished products.

Import of cotton has remained duty free till the slab of 0pc was abolished in 2014-15 and custom duty of 1 per cent was imposed along with the 5pc sales tax. Later on, 1pc slab was increased to 2pc and then 3pc along with the imposition of 2pc additional duty to make it 5pc. Currently, cotton is subject to 3pc customs duty, 2pc additional customs duty and 5pc sales tax.

The prime minister’s export package was announced in Jan 2017 under which the textile sector was provided number of facilitations including withdrawal of custom duty and sales tax on imported cotton effective Jan 16, 2017.

These duties and taxes were re-imposed on July 15, 2017 to facilitate lifting of local cotton. However, these were withdrawn again effective Jan 15, 2018 and then re-imposed effective July 15, 2018.

The textile ministry had once again demanded withdrawal of these taxes and duties now saying the industry consumed around 12-15 million bales per annum while local crop this year was estimated at 10.78m bales of 170kg, showing a decrease of 9.7pc compared to last year and a decrease of 24pc against the initially fixed target of 14.37m bales.

Vehicle imports

The ECC also approved a summary of the Commerce Division seeking payment of duty and taxes on all imported vehicles in new and

used condition under personal baggage or gift scheme, through foreign exchange arranged by Pakistani nationals themselves or local recipient supported by bank encashment certificate showing conversion of foreign remittance to local currency.

The government, in import policy of 2016, had allowed import of such vehicles under above schemes to facilitate overseas Pakistanis. There had, however, been complaints that the schemes were massively misused by commercial importers. As a result, the ECC on Oct 6, 2017 rationalised import schemes by ordering payment of duties taxes in foreign exchange. The abrupt policy change led to about 6,000 vehicles being stranded at seaports.

The commerce ministry proposed, as a result, that the new schemes should come into force for vehicles arriving after Feb 28, 2018 but the issue remained unsettled. Subsequent meetings between the government and various stakeholders revealed that around 5pc of cars under these schemes were imported by the bona fide overseas Pakistani.

As a result, the commerce division proposed that misuse of schemes should be prevented by introducing a change in import order 2016 that all vehicles imported under such schemes should be subjected to payment of duties in foreign exchange arranged by Pakistani nationals themselves or local recipient supported by bank encashment certificate showing conversion of foreign remittance to local currency.

Export refunds

The meeting also approved another summary to clear outstanding claims of drawback of local taxes and levies (DLTL) under the exports incentive scheme announced by the government under the Finance Act 2014-15. The ECC decided that cases, which were submitted in time but were pending due to want of funds, will be entertained by the government.

The meeting was told that one of the major impediments faced by export-oriented industry was the liquidity crunch due to the held up sales tax refunds and non-release of budget for the DLTL and hence, in continuation of government policy to support export sector, their liquidity should be improved by clearing the backlog of sales tax refunds and duty drawbacks as promised in the government’s 100 day agenda.

The Commerce Division demanded that funds for drawback of local taxes and levies, allowed under the PM’s export package, should be released by the finance ministry within one week. Verified claims worth Rs36bn were pending with the State Bank of Pakistan.

It was also suggested that going forward, sales tax refund claims and customs duty drawback may be paid by the SBP through authorised dealers immediately at the time of realisation of export proceeds.

The ECC also approved regulatory amendments in the Export Policy Order 2016 and Import Policy Order 2016 as proposed by the Commerce Division.

These will be submitted for consideration of the Federal Cabinet. The amendments are aimed at enhancing ease of doing business in the country.

ILO praises Bangladesh minimum wage progress	**Eco Textile.com** https://www.ecotextile.com/2019011423974/social-compliance-csr-news/ilo-praises-bangladesh-minimum-wage-progress.html

DHAKA – The Bangladesh office of the International Labour Organisation (ILO) has said it is encouraged by the government's decision to revisit the minimum wages for ready-made garment workers through an agreement made by a special tripartite committee.

Negotiations between worker representatives and the state were ongoing throughout last year in order to agree a first mandatory minimum wage increase since the Rana Plaza collapse of 2013. Between that year and 2018 the lowest wage a garment worker could legally receive was 5,300 taka per month.

China's exports shrink most in two years, raising risks to global economy	**Reuters.com** https://www.reuters.com/article/us-china-economy-trade/chinas-exports-shrink-most-in-two-years-raising-risks-to-global-economy-idUSKCN1P8047

China's exports unexpectedly fell the most in two years in December, while imports also contracted, pointing to further weakness in the world's second-largest economy in 2019 and deteriorating global demand.

Adding to policymakers' worries, data on Monday also showed China posted its biggest trade surplus with the United States on record in 2018, which could prompt President Donald Trump to turn up the heat on Beijing in their bitter trade dispute.

Softening demand in China is being felt around the world, with slowing sales of goods from iPhones to automobiles, prompting warnings from the likes of Apple and from Jaguar Land Rover, which last week announced sweeping job cuts. The dismal December trade readings suggest China's economy may have cooled faster than expected late in the year, despite a slew of growth-boosting measures in recent months ranging from higher infrastructure spending to tax cuts.

Some analysts had already speculated that Beijing may have to speed up and intensify its policy easing and stimulus measures this year after factory activity shrank in December.