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NEWS CLIPPINGS –11-02-2019

India, Peru to hold next round of FTA talks in March in Lima	Business Standard https://www.business-standard.com/article/pti-stories/india-peru-to-hold-next-round-of-fta-talks-in-march-in-lima-119021000130_1.html

India and Peru will hold the next round of negotiations for a proposed free-trade agreement (FTA) in the South American nation next month, a move aimed at boosting two-way commerce between the countries, an official said.

"Officials from the commerce ministry will visit Lima, capital of Peru, in March for the fourth round of negotiations. It is scheduled to begin from March 11," the official said.

The third round of talks concluded last month here. The main chapters of the trade agreement include market access for goods, trade in services, movement of professionals, investments, dispute settlement, technical barriers to trade, trade remedies, rules of origin of goods, customs procedures and trade facilitation.

In an FTA, two countries significantly reduce or eliminate duties on most of the goods traded between them besides relaxing norms and rules to promote trade in services and increase bilateral investments.

With growing uncertainties in its traditional markets, including the US and Europe, India is looking to enhance engagements with other regions such as Africa, South America and Central Asia.

The Federation of Indian Export Organisations (FIEO) said Peru holds huge potential for exports and investments for domestic exporters and businesses.

"The FTA would help boost our exports. South American markets such as Peru hold huge export potential for India. The only issue is logistics cost, which the FTA should look into to facilitate shipments," FIEO President Ganesh Kumar Gupta said.

He said India should also look at increasing investments in these regions.

Peru ranked third among export destinations for India in the Latin America and Caribbean (LAC) region.

The bilateral trade between the nations increased to USD 3.13 billion in 2017-18 from USD 1.77 billion in the previous fiscal.

Among the top-10 commodities that India exports to Peru are motor vehicle, cars, products of iron and steel, cotton yarn and fabrics. While the imports include bulk minerals and ores, gold, fertilisers, crude oil and zinc.

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

A. Cotton		
Spot price- Shankar-6 (Ex-Gin) 28.5 to29 mm		
Rs/Bale	Rs/Candy	USD Cent/lb
20191	42200	75.45
Domestic Futures price (Ex-Warehouse Rajkot) January		
Rs/Bale	Rs/Candy	USD Cent/lb
20580	43012(-209)	76.91
International Futures		
NY ICE USD Cents/lb. (March 2019)		72.55(-26)
ZCE Cotton: Yuan/MT (May 2019)		15250
ZCE Cotton: USD Cents/lb.		102.56
Basis difference (ICE March -Domestic Spot)		2.90(+0.42)
Cotlook A Index - Physical		82.05(-0.80)
WTI Crude USD / Barrel		52.27(-0.08)
B. Currency		
USD/INR	Close	Previous Close
Spot	71.26	71.30(-0.16)
USD Dollar Index	96.65(+0.08)	

Broad theme of Cotton:

The fact is that India and China crop numbers are significantly lower this year but price continues to trade mixed to down. There has been no respite to price; the trading activity is mostly lethargic. Meanwhile, New York Cotton price has been fluctuating under the influence of dollar and Crude Oil which showed an erratic behavior.

Market Last week:

Indian Cotton price at spot market continued to trade near Rs. 42,200-42,300 per candy. The arrivals have come down marginally because of affected north zone by poor weather. The average daily arrivals have come down to 155,000 bales which used to be more than 175,000 bales in the earlier week. From Pakistan, the price continued to rule steady but the imports are increasing considerably. As per report and preliminary estimates around 3 million bales of import orders have been already place in Pakistan while Future imports between 1stFebruary to 30th June will be customs duty and sales tax free. On the US from ICE Cotton has declined from its recent high of 75 cents and posted a lower close near 72.50 cents. The US cotton exports have been good as per the recent USDA export report released. However, the US cotton has been very erratic due to the influence from the US dollar, crude oil and other market factors. Chinese markets were closed in the last week due to Lunar New Year. Therefore, trading volume from ZCE was nil while global trade participations were largely less. Lastly Indian cotton future was prune to both domestic spot and International market hence observed more volatility. Its swung between Rs. 22350 to 23,890 per bale.

Factors and events that moved the market:

The USD gained marginally by end of the week but was highly volatile. The Crude oil slumped by more than 4% pulled cotton and few other commodity price down. The month long delayed USDA-WASDE Report was released for the month of February while no data seen for January. In the reports, USDA has decreased its US cotton production forecast to 18.39 million bales (480 lbs), a decline of 200,000 bales from December's figure (18.59 million). USDA cited the reason for the decrease due to "small declines outside the Southeast". US exports were left unchanged this month while ending stocks and mill use were slightly lowered, down 100,000 bales each. The net effect on the season's ending stock is now estimated at 4.3 million bales, down from 4.4 million in December. The US-China talk hasn't reached to any conclusion but the optimism that initially developed two weeks ago now seems fading with the recent Trump's statement on the deal.

The market estimates for rest of February and likely price range

- The ICE cotton has failed to break 75 cents; hence it might continue to face resistance to break onto the higher side. This might lead to an initial decline in the price. The ICE March that is closed the previous week around 72.50 cents might see decline towards 71 Cents. We are revising our near term price range to 71.50 to 73.50 while the broad trend is expected to remain in the range of 71 to 75 cents. Unless either side is broken out we will not be able to see any clear trend in cotton.

- Money managers have turned bearish. As per latest CFTC report the speculative net long positions have been reduced and the net short positions have increased marginally. Short positions outnumbered long ones by 4,980. Before it could reverse again it might spend some time to revive.

- The US –China trade talk will have significant impact on the market in the near term. With the 1st March deadline fast approaching, 90-day truce coming to an end US and Chinese officials resume negotiations next week to prevent escalation of a trade dispute that has major implications for the global economy. China's economy already has shown signs of slowing, while the trade war has shaken the confidence of US businesses, as retaliatory tariffs have raised prices and helped choke off a key export market. And President Donald Trump's aggressive strategy has failed to produce a reduction in the US trade deficit with China, which he set as a primary goal.

- Mixed economic data releases from the US will have volatile week for the US dollar performance.

- We expect ICE cotton to trade in the range of 71.50 to 73.50 in the coming week and 71 to 75 in the near term. Indian spot cotton for Shankar-6 might hold Rs. 42,000 per candy. The MCX cotton future for February contract might trade in the range of Rs. 22350-22890 per bale.

- Indian rupee might trade in the range of 70.80 to 71.60 per one US dollar. The currency might initially see appreciation but might weaken from lower level

- The crude oil price might continue to remain weak and the short term trading range will be 50.75/51 to 54 USD per barrel.

Currency Guide

Indian rupee may witness mixed trade against the US dollar but general bias remains weak. Rupee has recovered from recent lows but is still holding above 71 levels. Rupee has benefitted from general correction in crude oil price. Brent crude trades weaker near $61 per barrel weighed down by demand concerns and Russia's unease with production cuts. However, weighing on rupee are concerns about wide fiscal deficit post announcement of sops in the Budget. Also weighing on the currency is RBI's dovish stance as it cut interest rates and shifted monetary policy stance to neutral. Also weighing on rupee and other emerging market currencies is general weaker risk sentiment amid concerns about US-China trade talks and possibility of another US government shutdown. US-China will hold lower levels talks Monday in Beijing followed by meetings with US Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin on February 14 and 15. The US and China still have a wide gap to fill over issues like technology transfers and this has fuelled uncertainty about a deal in the near term. Concerns about another US government shutdown rose as reports noted that talks to avert a new over funding for border-security funding broke down late on Saturday. The US dollar has risen against major currencies amid shift in monetary policy stance of major central banks and amid safe haven buying on back of global uncertainty. Rupee has come off the lows however sustained gains are unlikely amid weaker risk sentiment and general uptrend in crude oil. USDINR may trade in a range of 71.05-71.65 and bias may be on the upside.

A Rescue plan for liquidity-hit MSMEs	**Business Line** https://www.thehindubusinessline.com/opinion/a-rescue-plan-for-liquidity-hit-msmes/article26230595.ece

DeMo and GST have wrongly criminalised unaccounted MSME funds, which lie frozen in banks. These funds should be released

The epochal GST was expected to boost manufacturing, capex, employment, tax revenue and formalisation of the informal sector. However, these objectives remain mostly unrealised due to disruptions in circulation of unaccounted/informal business capital/working funds following demonetisation and GST.

History shows that major macroeconomic disturbances are associated with disruptions in financial flows. Slowdown caused by such disruptions are painful and long drawn out. Widespread inter-firm payment delays/defaults and low bank credit confidence transmit liquidity shocks across businesses.

Firms and farms are experiencing a liquidity gridlock-led recessionary trend despite the volume of currency in circulation, bank credit and deposits being higher than their pre-demonetisation levels.

Narrow liquidity view

The general understanding of liquidity is bank-centric. However, over 94 lakh business units' income tax return data for FY 2014 show banks' financing covered about one-third of their total turnover. Taking into account turnover of firms below the taxable slab and unaccounted transactions, more than two-thirds of business financing is through non-bank finance channels (NFCs).

Anecdotally, only 5-10 per cent of MSMEs avail themselves of bank credit. NFCs are lenders-of-last-resort for

MSMEs/unorganised businesses.

Banks' excess liquidity holding in SLR, large financial investment/liquidity holdback by financially sound firms, and flight to safety and security have created a liquidity mismatch in the financial system. This aggravates the liquidity crisis.

As such, bank-centric liquidity-enhancing measures alone will have very limited impact.

GST impact

The common explanation offered by businesses for the widespread slowdown is acute shortage of liquidity in terms of formal business capital to finance GST transactions. Available, unaccounted business capital cannot finance these.

This mismatch arising from disruption in circulation of unaccounted business capital/funds is creating unprecedented liquidity crisis across businesses. This capital carries the stigma of black money. Its use in formal transactions carries risk and fear of income tax scrutiny, harassment and retrospective tax.

Financing of numerous day-to-day formal business transactions has been hit. This aspect should have been considered while implementing GST. Unrealistic treatment of this capital on par with black money under voluntary income disclosure schemes disincentivised its conversion into formal money. Who will pay high penalty rates for the survival/livelihood capital, so essential to run a business?

Many small firms accumulate business capital over the years out of incomes which may fall below the tax-paying slab. Tax-evasion at the individual business level becomes a necessity due to prevailing industry practices and tax evasion by competitors.

But rather than earning higher unaccounted income, stiff competition generally forces the entrepreneur to pass on gains from tax evasion into lower prices. In general, MSMEs/small traders don't earn a fair economic return on the present value of their investment.

Further, during demonetisation, a part of unaccounted business capital got deposited in bank accounts with relaxed KYC norms. Now, with withdrawal requiring full KYC compliance and subsequent monitoring, including a trail of its uses, by income tax authorities, there have been other consequences. A part of this business capital remains invested in bank deposits. This adds to reduction in funds' availability for businesses.

A way out

The Prime Minister's repeated call for formalisation of MSMEs, his support mission for the unorganised sector and assurance against non-scrutiny of their past business records can work only if the conversion of this unaccounted capital but earned from legitimate business activities is formalised with a low penalty.

It is an imperative for policymakers to appreciate that this money cannot be treated at par with black income generated through a dubious manner, or by indulging in anti-social/anti-national activities. Low penalty is thus justified. Most businesses prefer to do clean and hassle-free business under GST. Restoring full circularity of business funds increases velocity of money. This boosts liquidity, businesses' confidence and activities.

Without this, businesses face a recession triggered by a liquidity crunch. However, survival instinct forces businesses to game the GST system. This has already started. It dents GST's objectives of formalisation of transactions and higher tax revenue.

Draft proposal

* Conversion of business capital in the forms of unaccounted cash/bank deposits into formal funds may be allowed to GST-registered firms only with 10-20 per cent progressive penalty structure.

* Conversion may be restricted to deposits up to ₹2 crore. This may facilitate a business to have an annual turnover of ₹8-10 crore with four to five working capital cycles in a year. It may cover a majority of the firms.

* Nitty-gritties of the scheme, penalty rates and conversion amount can be fine-tuned/changed after discussions with trade and industry. This will enormously help businesses to increase their business under GST.

* Employment will increase. Tax revenue may surpass the estimates. It must be recalled that in the past this money was used in financing economic activities.

To bring informal businesses under GST, it would be practical to have such a scheme with the following indicative conditions:

* All the unaccounted funds/cash holdings/bank deposits of a business need to be deposited in a designated current account of a bank linked to business activities under GST;

* The deposit can be used for business transactions only;

* A graded penalty upfront on the total declared deposits/cash may be imposed; example, 10 per cent up to ₹50 lakh and 20 per cent for ₹50 lakh to ₹2 crore.

No doubt, some black money may flow in under the scheme. However, the saving grace is that this money will then be used for productive purposes. It may be considered a small evil to achieve larger national goals in terms of business growth, employment and formalisation of business transactions.

Advantages of the move

* The supply chain financing network can be boosted without loss of time.

* Transmission of liquidity and late payment shocks are controlled.

* Revival of the unorganised sector will be faster, steady and efficient.

* Increased funds flow helps in better farm prices. Earlier use of informal funds in purchasing of farm output by millions of traders/grain merchants during harvest time and selling these during lean season did help in holding the

price-line.

* GST revenue will leapfrog with steady growth in turnover.

* Formalisation of business transactions will be easy, faster and widespread.

* Higher growth will mitigate NPA problems and lead to better NPA asset value.

* Drastic reduction in transaction velocity of money leads to widespread depression. This will be reversed.

The writer is a former deputy general manager, SIDBI

MEA to provide all support to textiles ministry to promote silk trade: Sushma Swaraj	**Money Control** https://www.moneycontrol.com/news/india/mea-to-provide-all-support-to-textiles-ministry-to-promote-silk-trade-sushma-swaraj-3507331.html

External Affairs Minister Sushma Swaraj on February 9 assured the textiles ministry to provide all support for promoting silk in global markets. Swaraj said that silk is a strong commodity and there is huge demand for it in the international markets.

"I assure you that the ministry of external affairs will become a facilitating ministry" to take silk to global markets, she said here at a textile ministry function - Surging Silk.

"You increase production, market is there," she added.

Talking about the popularity of India made silk saree, Swaraj said her counterparts during the United Nations General Assembly meetings, often ask about the wide variety of colour, pattern and different designs of these fabrics.

The textiles ministry distributed machines to weavers in order to eradicate thigh reeling practice in tasar silk sector and to ensure rightful earning to the rural and tribal women reelers.

On the target of eradicating thigh reeling and replace it with 'Buniyaad' reeling machine by end of March 2020, Swaraj said the ministry should strive for eliminating this practice this year only by distributing these equipment.

Further, she said that there could be political differences between Andhra Pradesh and Telangana, but the mulbery silk award today, brought the two states on a single platform here.

Speaking at the function, Textiles Minister Smriti Zubin Irani said that silk production has increased by 41 per cent since 2013-14.

During the event, best achievers in silk industry across various segments of sericulture were honoured. Awards were also given to the best performing states.

A mobile application was also launched for quality certification in silkworm seed sector.

India's silk production capacity is expected to reach about 38,500 tonnes by 2020 from the current level of 32,000 tonnes. Increasing production will help in reducing imports.

India is the second largest producer of silk after China and the largest consumer of silk.

Indian government supports Apparel Sourcing Week	**Fibre 2 Fashion** https://www.fibre2fashion.com/news/textile-news/indian-government-supports-apparel-sourcing-week-247292-newsdetails.htm

Over 20 top Bangladeshi garment exporters are expected to participate at the Apparel Sourcing Week 2019 scheduled for March 15-16 in Bengaluru. The show will see spread a wide range of apparel from denimwear to kidswear, sweaters, suits, jackets, athleisure, casual fashion and bottoms. The event is being supported by governments of India and Bangladesh.

The show which facilitates regional collaboration and business among South Asian players is being organised by Apparel Resources. The exhibition is supplemented by a series of six retail-focused seminars by industry experts, and two-trend forecast workshops by Fashion Snoops.

The Bangladeshi garment exporters participating include Standard Group, Pacific Group, Laila Styles, Giant Group, Apex Industries, Armana Group, Sonia Sweaters, Energypac Fashions, NIPA Group, Anowara, Pakiza, and Well Group.

There are expected to be about 45 manufacturers of Bangladesh, who besides showcasing their products and manufacturing capabilities to the brands and retailers of India, also attend seminars to get a better understanding of Indian Retail and its workings.

Over 450 companies have already registered to participate at the show.

Indian minister for commerce and industry Suresh Prabhu is expected to be the chief guest at the event. Newly appointed commerce minister of Bangladesh Tipu Munshi is also expected to be at the show as the guest of honour. India and Bangladesh are working on a Comprehensive Economic Partnership Agreement (CEPA) which would give a boost to regional trade in South Asia

No zero-sum games: on India-U.S. trade hostilities	**The Hindu** **https://www.thehindu.com/opinion/editorial/no-zero-sum-games/article26231336.ece**

India and the U.S. must work to halt trade hostilities urgently

There are alarm bells in India over a possible decision by the U.S. Trade Representative to withdraw the Generalised System of Preferences status. Under this, India is able to export about 2,000 product lines to the U.S. under zero tariff. The revocation of the GSP, which was first extended to India in 1976 as part of a global concession by the U.S. to help developing countries build their economies, will be a blow to Indian exporters, and the biggest in a series of measures taken by the Trump administration against India to reduce its trade deficit. President Donald Trump's case on what he calls "unequal tariffs" from India rests on the trade relationship in favour of India: Indian exports to the U.S. in 2017-18 stood at $47.9 billion, while imports were $26.7 billion. The measures are in line with Mr. Trump's campaign promises. On the matter of Harley-Davidson motorcycles, he spoke directly to Prime Minister Narendra Modi on at least three occasions, demanding that India zero out tariffs to match U.S. rates on Indian motorcycles. In March 2018, the U.S. began imposing tariffs on several Indian products, and in April, the USTR began a review of India's GSP status, based on complaints of trade barriers from India it had received from the dairy industry and manufacturers of medical devices. In November the U.S. withdrew GSP status on at least 50 Indian products.

In retaliation, India proposed tariffs of about $235 million on 29 American goods, but has put off implementing these five times in the past year in the hope that a negotiated trade settlement will come through. The latest deadline expires on March 1. India has also attempted to address the trade deficit with purchase of American oil, energy and aircraft. There have been dozens of rounds of talks between officials over the past few months, but no breakthrough. U.S. officials say the decision on data localisation for all companies operating in India, and the more recent tightening norms for FDI in e-commerce have aggravated the situation. Both sides should work towards calling a halt to trade hostilities and speed up efforts for a comprehensive trade "package", rather than try to match each concern product by product. The U.S. must realise that India is heading into elections, and offer more flexibility in the next few months. India must keep in mind that the larger, global picture is about U.S.-China trade issues, and if a trade deal with the U.S. is reached, India could be the biggest beneficiary of business deals lost by China. The visit of U.S. Commerce Secretary Wilbur Ross to India this week will be watched not as much for substance, as for signals that New Delhi and Washington understand the urgency in breaking the deadlock.

Where 'angels' are bedevilled	**The Hindu** https://www.thehindu.com/business/Industry/where-angels-are-bedevilled/article26231311.ece

Targeting share valuation causes pain for start-ups. Restraining shell firms needs a different approach

For the past few months, 'angel tax' issues have taken centre stage. Circulars have been issued with the hope that the matter would be resolved to everyone's satisfaction. The Department of Promotion of Industry and Internal Trade (DPIIT) is attempting to move a fresh set of solutions to pour water on this raging issue.

From the face of it, a public policy meant to curb shell companies has turned into an attack on genuine investments; and, the solution itself has become a problem. Does the Department need to take a fresh look at Section 56 (2) in light of the visible outcomes of a public policy gone wrong? We will wait and watch. Till then, let us revisit the issue itself.

The focus was on promoting private sector investment in the country. This being the base, all other processes and rules should run consistent with this foundation. But, it is this premise which is taking a beating and hence the need to address it.

Every investor has a view as to whether a venture is worth investing in, by calculating likely returns. The entrepreneur seeking investment has also determined the extent of control and ownership to be surrendered in return for funds.

Both balance their interests to secure the maximum possible returns. To protect their respective long-term interests, both would be unwilling to compromise on their view. In case of doubt, the investor has recourse to the business plan to convince himself that his assumptions are accurate.

Now, into what should be entirely the domain of the 'private' sector, we have brought 'governmental control', to the extent that whatever deal may be struck between the investor and the entrepreneur, they are plagued with having to satisfy a clause which can be a threat to the entire venture on account of an unfactored tax burden.

Section 56 (2) (vii)(b) of the Income Tax Act provides for 'where a closely held company issues its shares at a price more than its fair market value, the amount received in excess of the fair value will be taxed as income from other sources'. The determination of fair market value becomes the bone of contention. It now comes under the domain of the 'Assessor' — meaning the Income tax department. The department takes a look at the business plan and begins to check whether the turnover and business returns envisaged were achieved.

Valuation stalemate

If they weren't, the department faults the business plan and concludes that the valuation was much higher than what it should have been. Most businesses in our country are subject to flux on account of laws that are constantly being moved around. Then there is the market situation which is not guaranteed, either. Even if the investor is willing to wait for returns, the tax department is not. Due to volatile markets, coupled with tax issues, most financial advisers do not recommend formation of private limited companies. Strangely, it is common to find in recent times businesses — that could have easily benefited from the private limited tag and then becoming public limited companies — still remaining as partnerships or worse, sole proprietorships.

Our ecosystem is not conducive for real growth in the private sector unless you have learnt to 'handle the system'.

If the government is concerned about 'shell companies', it would need to attack the issue head-on and define a shell company. What would qualify a company to be one? Once the identity of a shell company has been determined, the penalty for the same can then be decided.

This would be better than targeting share valuation in a company, which is crucial to attracting investment. Currently, there is no distinction between a company functioning with genuine transactions and one that isn't.

Some food for thought: isn't it sufficient that the share premium and the stake offered satisfy promoters and investors? Is there a need to lay boundaries to this aspect of free market enterprise? Is fair market value constant and consistent, year-on-year; and are extraneous influences the same all around?

Laws inadequate?

If money in excess 'appears' to be pumped into a private limited company and the source of such funds doubtful, aren't existing laws (Section 68 or 69 of the Income Tax Act, 1961) sufficient for the authorities to determine and tax accordingly without having to enter into the share valuation sphere?

Is Section 56 (2)(vii)(b) of the Income Tax Act, 1961 deterring the flow of investments into private limited companies?

If it is non-negotiable and will continue to remain so even for the most straight-forward transactions, how can genuine private limited companies that seek capital infusion for expansion/consolidation be protected from interpretations that could lead to layers of litigation with huge tax levy to be fought at different levels up to the apex court?

Currently, consultants often discourage entrepreneurs from forming private limited companies due to factors that influence ease of investment and functioning.

Public policies in this area directly impact the ecosystem affecting the growth of private limited companies. Perhaps, 'angel' tax has got to go if private limited firms are to flourish in India.

Hiring, production outlook to improve in manufacturing sector in Q3: Survey	**Economic Times** https://economictimes.indiatimes.com/news/economy/finance/hiring-production-outlook-to-improve-in-manufacturing-sector-in-q3-survey/printarticle/67929745.cms

NEW DELHI: Hiring and production outlook is expected to be better, while exports will be affected due to global demand factors in manufacturing sector in October-December this fiscal, said a Ficci survey.

Ficci's latest Quarterly Survey on Manufacturing presents a better outlook for hiring and production, the industry body said in a statement.

The survey portrays a better outlook for the manufacturing sector in Q-3 (OctoberDecember 2018-19) as the percentage respondents reporting higher output growth during the third quarter was 54 per cent as compared to 47 per cent in the same period previous fiscal.

The percentage of respondents reporting low production was only 13.5 per cent in Q-3 2018-19 as compared to 15 per cent in Q-3 of 2017-18.

Similarly, on hiring front the outlook for the sector seems to have slightly improved for near future. While in Q-3 of 2017-18, 70 per cent respondents mentioned that they were not likely to hire additional workforce, this percentage has come down to 65 per cent for Q-3 of 2018-19. It is expected that hiring scenario will improve further, noted the Survey.

The study assessed the sentiments of manufacturers for Q-3 this fiscal, for eleven major sectors namely automotive, capital goods, cement and ceramics, chemicals, fertilizers and pharmaceuticals, electronics & electricals, leather and footwear, metal & metal products, paper products, textiles, textile machinery and tyre.

Responses have been drawn from over 300 manufacturing units from both large and SME segments with a combined annual turnover of over 2.2 lakh crore.

In terms of order books, 43 per cent of the respondents in October-December 2018 are expecting higher number of orders as against 42 per cent.

The outlook for exports is somewhat stable as 36 per cent of the participants are expecting a rise in exports for Q-3

2018-19 and 32 per cent are expecting exports to continue on same path as that of same quarter last year, observed the survey.

However, it said the rupee depreciation has not led to any significant increase in exports as 78 per cent of the respondents reported that the exports were not affected much by rupee depreciation. Thereby, emphasizing that there were other global factors that are restricting growth of our exports.

The survey also said that the overall capacity utilisation in manufacturing remains low at 75 per cent in Q3. The average capacity utilization for the manufacturing sector in the last few quarters has been around 75 per cent only.

High raw material prices, cost of finance, uncertainty of demand, shortage of skilled labour, high imports, requirement of technology upgradation, excess capacities, delay in disbursements of state and central subsidies are some of the major constraints which are affecting expansion plans of the respondents.

In sectors like automotive, capital goods, leather and footwear and textiles machinery average capacity utilisation has either increased or remained almost same in Q3 of 2018-19 as compared to Q2 2018-19.

For sectors such as Chemicals, Fertilizers and Pharmaceuticals, Cement and Ceramics, Electronics & Electricals, Metals & Metal Products, Paper Products and Textiles the capacity utilisation has fallen in Q-3 2018-19 vis-a-vis Q-2 2018-19.

As much as 86 per cent of the respondents maintained either more or same level of inventory, which is slightly higher as compared to 83 per cent in the previous quarter but less than 90 per cent as was the case in Q-3 of 2017-18. This has been due to low domestic and export demand.

The cost of production as a percentage of sales for manufacturers in the survey has risen for 77 per cent respondents. This is significantly higher than 62 per cent for Q-3 of 2017-18. This is primarily due to increased cost of raw materials, wages, power cost, rising crude oil prices, increase in finance cost and rupee depreciation.

IMF warns of global economic "storm" as growth undershoots	**Business Standard** https://www.business-standard.com/article/pti-stories/imf-warns-of-global-economic-storm-as-growth-undershoots-119021000592_1.html

The International Monetary Fund on Sunday warned governments to gear up for a possible economic storm as growth undershoots expectations.

"The bottom-line -- we see an economy that is growing more slowly than we had anticipated," IMF Managing Director Christine Lagarde told the World Government Summit in Dubai.

Last month, the IMF lowered its global economic growth forecast for this year from 3.7 per cent to 3.5 per cent.

Lagarde cited what she called "four clouds" as the main factors undermining the global economy and warned that a "storm" might strike. The risks include "trade tensions and tariff escalations, financial tightening, uncertainty related to (the) Brexit outcome and spillover impact and an accelerated slowdown of the Chinese economy", she said.

Lagarde said trade tensions -- mainly in the shape of a tariff spat between the United States and China, the world's two biggest economies -- are already having a global impact. "We have no idea how it is going to pan out and what we know is that it is already beginning to have an effect on trade, on confidence and on markets," she said, warning governments to avoid protectionism.

Lagarde also pointed to the risks posed by rising borrowing costs within a context of "heavy debt" racked up by governments, firms and households. "When there are too many clouds, it takes one lightning (bolt) to start the storm," she said.

China To Surpass India as World's Largest Cotton Producer	Eurasian Times.com https://eurasiantimes.com/china-to-surpass-india-as-worlds-largest-cotton-producer/

China will surpass India to become the world's largest cotton producer. The last forecasts of the International Cotton Advisory Committee suggest that at the end of the 2018-2019 season, China will again be the world's largest producer of cotton.

China overhauls India's spot in cotton production. The latest forecasts of the International Cotton Advisory Committee (ICAC) suggest that China will increase by 1% the production of that raw material in the 2018-2019 campaign. India, by contrast, will reduce it by 7% due to the lack of rain.

If the forecasts are right, India would lose the leadership it has kept from the last two years, since Beijing changed its policy of incentives to cotton crops. It is estimated that China will close the 2018-2019 campaign with 5.94 million tonnes.

The demand for this raw material will fall by 0.8% during the 2018-2019 campaign, to 26.72 million tonnes. That descent contrasts with the escalating consumption from the past seasons.

In 2017-2018, the demand grew 9% compared to the previous year. The present campaign is characterized by a rise in prices, which stand at 89 dollar cents per pound; a fall of 0.19% in production, the first in three seasons, and a new drop in stocks reaching lows equivalent to the ones in 2011-2012.

In the case of closing the campaign at 89 cents per pound, cotton will have risen its price by 1.13% compared to the previous year. In this way, cotton will continue with the escalation that began in the 2017-2018 season, when its prices rose by 6%, from 83 cents to 88 cents.

The increase in prices is directly related to the decrease in production and the increase in demand, which will cause a reduction in global stocks during 2019. In fact, cotton reserves will decrease by 6.6% in the 2018-2019 season, to 17.6 million tonnes.

This is the lowest figure since the financial year 2011-2012 when crops in the United States and China were affected by climatic factors, and the price of cotton registered historic peaks.

According to ICAC, the consumption of cotton at the present time will not be affected by the trade war between the United States and China but could have an impact on textile trade if it slows down the economic development. On the other hand, the increase of production in countries such as China, Brazil, regions of West Africa, Turkey and Uzbekistan will not compensate the fall of the United States, India, Australia and Pakistan.

Bangladesh exporters receive $23 mn orders at trade fair	**Business Standard** https://www.business-standard.com/article/news-ians/bangladesh-exporters-receive-23-mn-orders-at-trade-fair-119021000343_1.html

Bangladesh exporters have received spot orders worth $23 million from international buyers at the 24th edition of the country's annual Dhaka International Trade Fair (DITF).

It was nearly $4 million higher compared to the previous year, Commerce Minister Tipu Munshi said at the concluding ceremony of the country's largest trade show on Saturday.

President Abdul Hamid had inaugurated the month-long fair on January 9, reports Xinhua news agency.

Like in the previous years, the fair was held at the Bangabandhu International Conference Centre here.

The DITF is aimed at showcasing local products to foreign buyers.

A total of 500 stalls, pavilions and mini pavilions were set up this year. Countries like India, China, Pakistan and Malaysia participated in the fair.

Trade unions march against unemployment in Italy	**Business Standard** https://www.business-standard.com/article/news-ani/trade-unions-march-against-unemployment-in-italy-119021000475_1.html

Scores of protesters, under the banner of 'A Future for Work', took to the streets here on Saturday to protest against unemployment in the economy.

"There are structural knots in Italy that this government is not dealing with, unfortunately, like previous governments," Maurizio Landini, the head of the Italian General Confederation of Labour (CGIL) told Deutsche Welle.

Protesters, gathered together by a host of trade unions, demonstrated against the current Italian government's move to provide the poor section of Italians with a basic income, labelling the step as "misguided" and insufficient".

"If someone governs this country and yet goes as a friend to protesters in another, to them we say if you have a shred of intelligence listen to us in this square: we are the change," Landini further remarked, while referring to the Italian Deputy Prime Minister, Luigi Di Maio's recent meeting with the French Yellow Vest protesters.

The labour union also slammed the Italian government for failing to fight corrupt practices, climate change, sexism and racism in the country.

Unemployment rates in Italy currently stand at 9.7 per cent - a figure which is the third-highest in the European Union, after Greece and Spain.

Youth unemployment, on the other hand, fares worse as 16.7 per cent of Italy's young people were without jobs in 2017.

Novel fabric adapts to keeps you comfortable in all weathers Scientists have created a fabric	**Business Standard** https://www.business-standard.com/article/pti-stories/novel-fabric-adapts-to-keeps-you-comfortable-in-all-weathers-119021000174_1.html

Scientists have created a fabric that can automatically regulate the amount of heat that passes through it, helping a person stay cool or warm depending on the weather conditions.

When conditions are warm and moist, such as those near a sweating body, the fabric allows heat to pass through. When conditions become cooler and drier, the fabric reduces the heat that escapes, researchers said.

The researchers from University of Maryland in the US created the fabric from specially engineered yarn coated with a conductive metal.

This is first textile shown to be able to regulate heat exchange with the environment, according to the study published in the journal Science.

Under hot, humid conditions, the strands of yarn compact and activate the coating, which changes the way the fabric interacts with infrared radiation.

They refer to the action as "gating" of infrared radiation, which acts as a tunable blind to transmit or block heat.

"This is the first technology that allows us to dynamically gate infrared radiation," said YuHuang Wang, a professor at University of Maryland.

The base yarn for this new textile is created with fibres made of two different synthetic materials -- one absorbs water and the other repels it.

The strands are coated with carbon nanotubes, a special class of lightweight, carbon-based, conductive metal. Since materials in the fibres both resist and absorb water, the fibres warp when exposed to humidity such as that surrounding a sweating body.

That distortion brings the strands of yarn closer together, which opens the pores in the fabric. This has a small cooling effect because it allows heat to escape.

It also modifies the electromagnetic coupling between the carbon nanotubes in the coating, researchers said.

"You can think of this coupling effect like the bending of a radio antenna to change the wavelength or frequency it resonates with," Wang said.

"It's a very simplified way to think of it, but imagine bringing two antennae close together to regulate the kind of electromagnetic wave they pick up," he said.

"When the fibres are brought closer together, the radiation they interact with changes. In clothing, that means the fabric interacts with the heat radiating from the human body," he added.

Depending on the tuning, the fabric either blocks infrared radiation or allows it to pass through. The reaction is almost instant, so before people realise they're getting hot, the garment could already be cooling them down.

On the flip side, as a body cools down, the dynamic gating mechanism works in reverse to trap in heat.

"The human body is a perfect radiator. It gives off heat quickly," said Min Ouyang, a professor at University of Maryland.

"For all of history, the only way to regulate the radiator has been to take clothes off or put clothes on. But this fabric is a true bidirectional regulator," Ouyang said.