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Outlook 2021 – Apparel industry challenges and opportunities

2021 should be a year of winners and losers. The fallout from the coronavirus pandemic means there will be continued volatility, uncertainty, complexity and ambiguity, with fewer retail brands, stores and malls. The winners will be those companies that communicate purpose, deliver new value, and adapt to this new normal, according to executives consulted by just-style.

Jason Kra, president, Li & Fung:

We live in a whitewater world that is hyper-connected and rapidly changing. Seeing what is on the surface, as well as what is causing the ripples under the water, is the challenge. If leaders can see both, organisations can steer clear of challenges and take advantage of the opportunities. As Winston Churchill said, "Never waste a good crisis" – a statement that holds even more true today.

2020 has been a year of disruption with trade disputes, bankruptcies, logistics problems, country shutdowns, shifting consumer demand, US leadership changes, exchange rate moves, and many more – which will continue through 2021. But Covid-19 has also presented an opportunity for brands and retailers to reimagine their supply chains and unlock new value. While travel restrictions remain in place, they should embrace technology and digital tools such as digital product development to help mitigate risk, speed up production and reduce costs.

There are also opportunities as consumers demand more value than the past. Based on the products people are buying today, we see a reallocation of demand as some styles fall out of favour as remote working becomes the norm. Brands are quickly bridging the gap between formal work wear and at-home loungewear.

They are running fast to improve their online customer experience and ramping up direct-to-consumer sales. With that comes new sales, logistics and fulfilment strategies. D2C has taken a huge leap forward this past year and there is no looking back from that.

Edwin Keh, CEO, Hong Kong Research Institute of Textiles and Apparel (HKRITA):

Emerging from the pandemic to business in the 'new normal,' the biggest challenge may be to understand how the customer has changed and what the customer wants now.

In 2021 we see hope on the horizon for an end to the global pandemic. Retailers, brands, importers, manufacturers will all have to figure out who is the new customer. What is the new value proposition and the new reasons to buy. We know things will be different, we now need to figure out how.

E-commerce will probably be a growing part of everyone's business. This will mean new marketing and distribution models, with implications on how products are designed, where they are made, and how and where they are warehoused.

Apparel may take on some of the functionality and attributes of PPE. We are all looking to be protected and to stay healthy in the new normal. Our clothes need to support this new lifestyle. As we work more from home we will need more casual clothes for work. So our clothes will have to be more comfortable and more versatile. So, wardrobes will be different.

The US-China trade war in some form will still be with us, as will the new Regional Comprehensive Economic Partnership (RCEP) free trade agreement between Southeast Asia and China. This should mean opportunities to see how we can navigate and do business in these two big trading blocks. The Chinese market is emerging first from this pandemic; companies will have to figure out how to better access this market place and grow their presence.

Climate change is still with us and more and more countries have announced carbon neutral goals and deadlines. This has implications for everything we do all along our supply chain. We have to come up with the industry's own carbon neutral roadmap and action plan.

2021 should be a year of winners and losers. There will be fewer retail brands, stores, and malls. Winners are those companies that communicate purpose, deliver new value, and adapt to this new normal.

Robert Antoshak, industry consultant:

First, reestablishing a meaningful connection with consumers is especially important during the pandemic. Many consumers have taken to online purchasing out of necessity – only to find many poorly designed online platforms lacking a story and belief in the products offered for sale. In many cases, they resemble online used car lots: overstuffed with cheap, commoditised products lacking meaning. The desiccated remains of fast-fashion, in many cases. Now, more than ever, it's a time to find ways of making online shopping experiences more meaningful to consumers.

Next, a reassessment of supply chains is in order. There will always be consumers who will buy things just because they're cheap, but many consumers are questioning the wisdom of stuffing one's closet with too much clothing. Indeed, the industry's race to the bottom and over-reliance on far-flung global supply chains chasing the cheapest manufacturers came undone during the pandemic. It's time to reinflate the supply chain. And for those who think "cheap" is the only way to conduct business, then you're deluding yourself. You've turned your business into a commodity: nothing special, easily disposable, and eminently replaceable.

Finally, getting to grips with sustainability once and for all. The industry spends a lot of time talking to itself about sustainability – only to fall prey to greenwashing attacks. And no wonder: with supply chains sprawled all over the planet, how can it ever be truly sustainable? Somehow, claims of so-called greenest factories here or there ring hollow when considering the realities of doing business for so many companies.

When raw materials are transported thousands of miles, and then converted into finished products in turn sent to stores many more thousands of miles worldwide, how is that green? The carbon footprint is staggering – and as a result, so is our planet.

Matthijs Crietee, secretary general, International Apparel Federation (IAF): The apparel industry was already heavily challenged before the Covid-19 pandemic. So now it not only faces a demand crisis, but it simultaneously needs to adapt its organisational model. It's a bit like running up the stars, brushing your teeth and putting on a tie at the same time. Sometimes that's just too difficult, especially with 2021 likely to have more substantial high street retail closures in store.

But as a result of the crisis, the way upstairs has become clearer. Continuous downward price spirals are indeed a dead end, just adding to overstock, environmental degradation and pressure on our people. It's now about reducing the high costs of the industry's low cost addiction by investing in more effective supply chains that reduce uncertainty, produce what people want, and don't produce what people don't want.

I believe that digitalisation is the great opportunity for the industry. This is not just because it enables speed and flexibility. Its implementation also enforces required process change, within brands, retailers, apparel and textile manufacturers and certainly also among these supply chain partners. For example, in a digitised design and development process, suppliers – even second and third tier suppliers – can be involved from the outset, improving flexibility. But this requires drastic changes to the traditional design and development process. And it requires much more collaborative, less adversarial supply chain relations. The rewards of digitalisation of the industry are great and cannot be seen in isolation from the tough but powerful process changes that need to be made.

Lynda Petherick, head of retail, Accenture UKI:

No-one could have predicted the events of this year. With store shutters closing for months on end, fashion supply chains faced more upheaval and scrutiny than ever before, and the nation swapped office and party-wear for loungewear as they stayed at home.

As we enter a new year, the apparel industry is grappling with challenges in predicting consumer habits and which trends to back for the upcoming year – particularly if there's a return of occasion and holiday wear as people compensate for the missed moments of 2020. With home working set to be more commonplace, new patterns of trade may emerge as customers shop more locally and at different times of the day or week. With the shift to online shopping, it's vital that fashion retailers tap into exciting experience-led engagement to entice shoppers back in-store.

There's no doubt that this year's challenges led to some fashion retailers taking their eye off the ball when it comes to the greatest challenge of all: responsible retail. It is crucial that the industry ramps up its efforts to address issues with sustainability, our planet and the treatment of people at every step of the supply chain.

But a new year brings new opportunities. It's time for retailers to embrace technology to improve supply chain transparency, to better predict supply and demand to avoid waste and cancelled supplier orders, and crucially, to establish sustainable operations and circular production methods every step of the way. Our planet and our people are depending on it.

Dr Sheng Lu, associate professor at the Department of Fashion and Apparel Studies at the University of Delaware:

I see Covid-19 and market uncertainties caused by the contentious US-China relations as the two most significant challenges facing the apparel industry in 2021.

The difficulties imposed by Covid-19 on fashion businesses are twofold. First, with the resurgence of Covid cases worldwide, when and how quickly apparel consumption will rebound to pre-Covid levels remains hard to tell, particularly in leading consumption markets, including the United States and Europe. As the apparel business is buyer-driven, the industry's full recovery is impossible without a strong return of consumer demand. Numerous studies also show that switching to making and selling PPE won't be sufficient to make up for losses from regular business for most fashion companies.

Second, Covid-19 will also continue to place tremendous pressures on the supply side. In the 2020 Fashion Industry Benchmarking Study, which I conducted in collaboration with the US Fashion Industry Association (USFIA), the surveyed sourcing executives reported severe supply chain disruption during the pandemic. These disruptions come from multiple aspects, ranging from labour shortages, a lack of textile raw materials, and a substantial cost increase in shipping and logistics.

Even more concerning, many small and medium-sized (SME) vendors, particularly in developing countries, are near the tipping point of bankruptcy after months of struggling with order cancellations, mandatory lockdown measures, and a lack of financial support. The post-Covid recovery of the apparel business relies on a capable, stable, and efficient textile and apparel supply chain, in which these SME vendors play a critical role.

In 2021, fashion companies also have to continue to deal with the ramifications of contentious US-China relations. On the one hand, there is a slim chance that the punitive tariffs imposed on Chinese products, which affect most textiles and apparel, will soon go away. On the other hand, we cannot rule out the possibility that the US-China commercial relationship will deteriorate further in 2021, as more sensitive, complicated, and structural issues began to get involved, such as national security, forced labour, and human rights. Compared with president Trump's unilateral trade actions, the new Biden administration may adopt a multilateral approach to pressure China. However, it also means more countries could be dragged into the US-China trade tensions, making it even more challenging for fashion companies to mitigate the trade war's supply chain impacts.

Meanwhile, I see digitalisation as a big opportunity for the apparel industry, not only in 2021 but also in the years to come. Fashion brands and retailers will increasingly find digitalisation ubiquitous to their businesses – like air and electricity. In 2021, I expect fashion companies will make more effort to creatively use digital technologies to interact with consumers, make transactions, develop products, and improve consumers' online shopping experiences. Thanks to the adoption of digital tools, apparel companies may also find new opportunities to improve sustainability, better understand their customers through leveraging data science, and develop a more agile and nimble supply chain.

Julia Hughes, president, United States Fashion Industry Association (USFIA):

From my perspective, and I'm based in Washington, DC, the challenges facing all of us in 2021 are greater than ever before. Obviously, if we think back to one year ago, we would not have imagined the enormous impact of the Covid-19 pandemic. And in addition to Covid, here in the US we are starting 2021 with political uncertainty and societal disruption as another major challenge.

What this means for the apparel industry in the short-term is that all of us, including our customers, are distracted from our usual lives. Consumers are not yet ready to head back to the mall, and in some parts of the country, the Covid levels are critical. This uncertainty will not just disappear, even when there is a political change and the new Biden administration takes over in a number of days.

However talking with brands and retailers, there clearly is a lot of hope and positive energy these days. More people have access to vaccines. There is optimism that some of the China tariffs could be lifted. There are signs that consumer confidence is starting to rebound. What this means for the apparel industry is that there is hope that by the end of 2021 we should be living in a world that is closer to "normal" than we have seen in months. We anticipate substantial changes in how apparel brands and retailers work with their suppliers. Those companies that are committed to partnership with their suppliers will be the most successful.

Finally, from a US perspective, 2021 will be a year with changes in advocacy and the industry's ability to support a forward-looking agenda. Trade policy and the Biden administration review of the impact of trade wars and tariffs is USFIA's top priority. There also will be opportunities to work with the new administration and the new Congress on other critical issues such as support for sustainability and circularity initiatives, removing barriers to trade, as well as the industry response to climate change and social justice. Today we have an important opportunity for the apparel industry to take a leadership role – and I want to echo the message from USFIA's chair: "Our goal for 2021 is to do what we can to make the world a better place for our customers, our colleagues and our suppliers."

Rajiv Sharma, group chief executive, Coats:

As the world begins the journey of emerging from Covid in 2021, we should expect continued volatility, uncertainty, complexity and ambiguity. For the apparel and footwear supply chain the main challenge will come from demand uncertainty, shorter lead times, higher inflation and logistics.

There is also opportunity, particularly for those with good working capital management, strong balance sheets and a progressive mindset. Effective cash management ensures the critical liquidity needed to weather a crisis and also invest in capability to win the recovery.

Athleisure has experienced an adrenaline rush as the trends of what to wear while working out blur with what to wear while working at home and joining virtual meetings. Further innovation will be the stand out for both apparel firms and their suppliers in this space.

When you look at the players emerging most strongly from 2020, they are those that have been able to recalibrate their playbook to pivot to a post-Covid operating model that is underpinned by technology, digital, ESG and customer centricity.

Looking ahead to 2021, it is important to note the immeasurable impact the pandemic has had on mental health and wellbeing. The full effects will take months or even longer to play out, and the companies that stand out will be those taking responsibility to address the pastoral care of their employees – both physically and mentally.

Rick Horwitch, vice president - global retail lead & supply chain strategy, Bureau Veritas Consumer Products Services:

2020 was a year of unprecedented disruption, challenges and opportunities. For 2021 the biggest challenges and opportunities will continue to be speed, digitisation and sustainability to create a positive customer experience. The global pandemic crisis accelerated these three trends. As a result, retailers, brands and their supply chains had to show great flexibility and resilience to quickly meet new demands and realities. 2020 forced everyone to make the change to Economics 101.v2 – Demand and Supply. 2021 will be the acceleration of this transformation.

On the political front the challenge, and opportunity, for the Biden administration will be to rebuild alliances, de-escalate the trade war, while continuing to be "tough" on China. The world is ready for a return to "normal" and a more collaborative approach to international affairs. In addition, Biden has said the environment and human rights will be front and centre in his administration (he has pledged to re-join the Paris Climate Agreement on day one). This will lead to a new round of regulations focused on human rights, traceability, global warming, energy, water. Supply chain transparency and chain-of-custody will be a major challenge for retailers, brands and suppliers.

Sustainability is finally taking centre stage. The acceleration of online shopping and a heightened focus on health, well-being and environmental issues, has made consumers (of all generations) keenly aware of what their products are made of, where their products come from, and their circularity. The challenge is to effectively define and implement a sustainability strategy so that the actions and efforts are impactful – to your company, to your customer and to society. Creating trust and transparency are no longer buzz words. Consumers, and investors, are demanding actions they understand and can relate to.

The winners in 2021 will find ways to develop and integrate innovative, collaborative communications, processes and analytics (a value chain approach) that are improving speed and margin and having a positive impact on society without sacrificing quality, to better engage and interact with their consumers.

"If we aspire to return to normal we will have missed an amazing opportunity to reshape the future..."

Mike Flanagan, CEO of apparel industry consultancy Clothesource:

It's easy to see Covid as the biggest human disaster since World War II. But Spanish flu killed five times as many in 1918 though the world had one-fifth of today's population. Asian flu in 1958 killed as many as Covid though the world had just one-third of today's population. HIV has killed ten times more people than Covid over the past 20 years.

Covid's a tragedy, often made worse by disgraceful misgovernment – but overall, managing it has also been humanity's greatest ever achievement. First by keeping people from infecting each other. And now – for the first time in history – by vaccinating almost the entire world against a new disease within a year or two of its appearance. We've still not managed to do this for malaria, which has plagued the planet for 30 million years.

What's distinctive about this disaster is how much it's costing, and how much of that is coming from taxes. You've got to be rich to afford taxes, and decades of growth have provided the West with the resources to fight the virus at home and fund the fight in poorer countries.

For clothing, Covid has chased away the shops that were never going to make it. But customers who switched to buying clothes online aren't going to stay online once Covid's gone. They weren't shopping online for the previous 25 years, and they're a lot less likely to try it again once they've got real shops to go to.

But retail in general – and clothing retail in particular – still has to confront the problems that were there in early 2020. Underinvestment in upgrading physical shops; the collapse of chains like Arcadia and Debenhams may prove surprisingly beneficial to town centres; retailers' continuing obsession with the needs of youth (who've got no cash) – or rather ignoring the needs of their elders (who've got the dosh).

Stephen Lamar, president and CEO, American Apparel & Footwear Association (AAFA):

It is clear that 2021 – with the pandemic, the economic crisis, and the ever-present political tensions – may be just as challenging as 2020. However, while 2020 hit us with little warning, we have now weathered a year of crisis and we predict the industry is much more prepared going into 2021. Of course, our preparedness and resilience will depend on how well we learned and absorbed the lessons of this year.

AAFA is firing on all cylinders to help ensure members have every tool available across our key strategic priorities of Brand Protection, Trade, and Supply Chain to weather the continued storms. 2021 will require innovative approaches to sustainability, traceability, product safety, labelling modernisation, digitalisation, protecting intellectual property, trade and customs policies, government contracts, social justice, and the list goes on.

After 20 January, we will be facing a narrowly divided Congress which could be a recipe for gridlock or an opportunity for the administration to govern from the middle. We welcome a new era of smart-trade policies, with leadership that is open to hearing from our industry and crafting policies that help our companies and our workers in the US and around the world thrive.

2021 will be a pivotal year in ensuring we secure lasting change to end forced labour associated with the repression of ethnic minorities in China's Xinjiang Uyghur Autonomous Region (XUAR). We will advocate for smart, effective, enforceable, and broad-reaching policies to end these horrific practices.

Source: just-style.com– Jan 14, 2021

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USTR Holds Off on Vietnam Tariffs—For Now

The U.S. Trade Representative (USTR) issued findings Friday in the Section 301 investigation of Vietnam's acts, policies and practices related to currency valuation, concluding they are "unreasonable and burden or restrict U.S. commerce." In making these findings, USTR consulted with the Department of the Treasury as to matters of currency valuation and Vietnam's exchange rate policy.

"Unfair acts, policies and practices that contribute to currency undervaluation harm U.S. workers and businesses, and need to be addressed," USTR Robert E. Lighthizer said. "I hope that the United States and Vietnam can find a path for addressing our concerns." USTR said it was not taking any specific actions in connection with the findings at this time, but will continue to evaluate all available options.

This means no tariff increases are being imposed on goods from Vietnam at this time. A report from trade law firm Sandler, Travis & Rosenberg said it is unclear whether and how USTR may do so under President-elect Biden, who will take office on Wednesday.

In a full report on its findings, USTR said its investigation indicated that Vietnam manages its exchange rate based on its interest in achieving certain economic goals, and that the acts, policies and practices it has chosen with respect to the exchange rate "have contributed to undervaluation of the exchange rate." In addition, the investigation found that Vietnam uses foreign exchange (FX) market interventions as a key tool to manage the exchange rate "in a manner that has contributed to persistent undervaluation, and that this undervalued exchange rate is accompanied by substantial current account and trade imbalances, including with the United States."

"It is a widely-accepted norm, as evidenced in international agreements and U.S. law, that acts, policies and practices related to currency valuation should not be undertaken to gain an unfair competitive advantage in international trade," USTR said. "Such acts, policies or practices should not artificially enhance a country's exports and restrict its imports in ways that do not reflect the underlying competitiveness. Similarly, existing U.S. and international norms indicate that exchange rates should reflect underlying economic and financial conditions, and that exchange rate action should not prevent balance of payments adjustment."
The report charged Vietnam with persistent undervaluation of its currency over a course of several years, and more recent, "rapid and significant purchases of FX, which have contributed to undervaluation, and the conditions surrounding Vietnam's FX market interventions including current account and goods trade surpluses, including with the United States."

"An affirmative finding is also consistent with a report by the Department of the Treasury that Vietnam has recently engaged in currency manipulation during the 12-month period of July 2019 through June 2020," USTR said. "Vietnam's acts, policies and practices that contribute to currency undervaluation through excessive foreign exchange market interventions and other related actions burden or restrict U.S. commerce within the meaning of section 301 of the Trade Act."

USTR said currency undervaluation effectively lowers the price of exported products from Vietnam into the United States, which makes Vietnamese imports into the U.S. less expensive than they would otherwise be, "which undermines the competitive position of firms in the United States that are competing with lower-priced Vietnamese imports."

Currency undervaluation raises the local currency price of U.S. exports to Vietnam and "excessive FX market intervention undertaken while a country has a significant current account surplus also undermines U.S. export opportunities."

The American Apparel and Footwear Association lauded the decision to hold off on instituting new tariffs. "There is never a good time for tariffs, but they would be particularly harmful as all Americans and this industry continue to be impacted by the effects of COVID-19," said AAFA president and CEO Steve Lamar. "Tariffs are taxes on American consumers, American Workers, and American companies. This has become abundantly clear during the U.S.-China trade war."

Lamar noted that Vietnam has become a crucial sourcing destination for fashion companies that have worked to diversify sourcing away from China amid rising labor costs on top of the ongoing trade war there. "Adding tariffs to imports from Vietnam would hurt those efforts and investments," he said.

"We look forward to continuing a dialogue with USTR under the leadership of USTR-designate Katherine Tai and the incoming Biden administration as they seek remedy with Vietnam, based on the findings of the report released today. AAFA will be active in supporting efforts that do not seek tariffs as a remedy," he said.

Source: sourcingjournal.com– Jan 15, 2021

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USA: Holiday Retail Sales Growth Leaves Apparel Stores Behind

Retailers overall saw an 8.3 percent gain in Holiday 2020 sales for the months of November and December, but the U.S. Census Bureau's December data said apparel and accessory store sales were down 16 percent from 2019.

Holiday sales recap

The holiday data was from the National Retail Federation, a retail trade organization, which said on Friday that retail sales grew unexpectedly to $789.4 billion, excluding automobile dealers, gasoline stations and restaurants. The NRF in November projected a gain of between 3.6 to 5.2 percent above 2019's $729.1 billion, which was already higher than the average holiday sales increase of 3.5 percent over the past five years. NRF based its holiday estimates on data from the Census Bureau.

"Despite unprecedented challenges, consumers and retailers demonstrated incredible resilience this holiday season," Matthew Shay, NRF president and CEO, said. "Faced with rising transmission of the virus, state restrictions on retailers and heightened political and economic uncertainty, consumers chose to spend on gifts that lifted the spirits of their families and friends and provided a sense of normalcy given the challenging year. We believe President-elect Biden's stimulus proposal, with direct payments to families and individuals, further aid for small businesses and tools to keep businesses open, will keep the economy growing."

Jack Kleinhenz, NRF's chief economist, said the strong finish to the holiday season could be a good sign for economic recovery this year. He also noted that holiday-related spending picked up in the third and fourth weeks of December, after it was too late to expect online purchases to arrive by Christmas. Consumers also took advantage of quick trips to stores and the buy online and pick up in-store or curbside options.

"There was a massive boost to most consumer wallets this season," Kleinhenz said. "Consumers were able to splurge on holiday gifts because of increased money in their bank accounts from the stimulus payments they received earlier in the year and the money they saved by not traveling, dining out or attending entertainment events.

Some families are still struggling, as are some retail sectors. But the promise of a new round of stimulus checks after a deal was struck before Christmas helped increase consumer confidence. Consumers were also encouraged by the news of COVID-19 vaccines becoming available, which helped offset concerns about increased infection rates and state restrictions on activity.”

Craig Johnson, president of research data firm Customer Growth Partners, added that the holiday season’s “extraordinary” uptick is nothing less than a “testament to the optimism and resilience of everyday Americans.”

“Certainly, households without jobs struggled, but our field team saw solid momentum across the income spectrum, and both at deep-value and luxury venues,” Johnson added. CGP, which estimated that holiday sales grew 8.6 percent, said the entire week before Christmas, along with Boxing Day on Dec. 26, saw record sales and transaction volume. Overall, average ticket prices rose as shoppers consolidated trips, while many retailers boosted their online sales by 40 to 80 percent.

“The key question is how far Holiday’s stellar growth will shine deeper into in the new year, with the remarkably sound household fundamentals facing off against Covid and employment growth fears. If employment growth lags, retail sales growth may ease to about 3.5 percent; but if employment accelerates, we may well see solid 4.5 to 5 percent year-over-year well into 2022,” Johnson said.

US retail sales in December

Separately, the Census Bureau on Friday said that U.S. retail sales were down 0.7 percent in December, and had declined 1.4 percent in November, on an adjusted basis. Apparel and accessories in December were up 2.4 percent from November, but down 16 percent from a year ago, on an adjusted basis. Department store sales fell 3.8 percent from November, and declined from 21.4 percent from a year ago. Online retailers saw sales fall 5.8 percent from November, but were up 19.2 percent from year-ago figures.

Economists from Well Fargo Securities noted that the decline in U.S. retail sales in December represented the third straight monthly decline. “Total retail sales are still up 2.9 percent over the year, but surging COVID cases have led to diminished consumer sentiment and a pullback in consumer spending,” they said in a report on Friday. The economists also said that should the pace of vaccine distribution ramp up, then possibly consumer spending will improve as vaccines become more widely distributed. But a stronger pace of consumption eventually would lead to some modest inflationary pressures, even though inflation is "fairly subdued at present."

That means inflation is likely to remain below the average inflation target, possibly leading the Federal Reserve to tighten monetary policy. "The topic of a sooner-than-anticipated rate hikes or asset purchase tapering has recently risen to the fore alongside vaccine deployment, additional fiscal relief and overall brighter prospects for economic growth," they said, noting that Fed vice chairman Richard Clarida has said that rates would not be raised "until inflation hit 2 percent for a year."

Small business and rising jobless claims

The Wells Fargo economists also said the Covid resurgence is impacting small businesses. Small business confidence fell 5.5 points to 95.9 in December, they said, noting that firms are reporting weakening outlooks for business conditions and sales as owners harbor growing concerns about tighter operating margins.

Weekly first-time jobless claims for the week ended Jan. 7 totaled 965,000, a sizable jump from the Dow Jones estimate of 800,00. The estimate was already higher than the 784,000 first-time claims for the week ended Jan. 2, and represented the largest total number of initial claims since August.

Ten months into the pandemic, the unemployment rate remains at 6.7 percent.

President-elect Joe Biden Thursday night unveiled Part One of his "American Rescue Plan," a sweeping $1.9 trillion stimulus package that calls for a $15/hour national minimum wage, $1,400 in payments for workers and their families on top of the $600 payments from December, and higher jobless benefits extended through September.

Source: sourcingjournal.com– Jan 15, 2021

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Global brand will continue to prioritize China in 2021 to increase sales

The latest 'State of Fashion 2021 Report' by The Business of Fashion and McKinsey & Company's has predicted China's fashion sales will to return to pre-Covid levels. This optimism is based on the pace of recovery in Q4 2020 and Q1 2021 and perhaps, what works for China is consumption has rebound, with retail sales returning to positive levels in August and global brands, like Estée Lauder, Nike and Lululemon and luxury conglomerates LVMH and Kering, reporting strong growth, as more and more Chinese consumers are forced to spend money at home instead of shopping abroad.

Brand visibility to help sales

The report suggests with international travel unlikely to resume for most of 2021, it is important for brands to be more visible, attractive and available to Chinese consumers in the mainland. Brands will definitely need to focus on China-centric digital strategies, feel analysts. This will need partnering with one or more China-based e-commerce platforms. Moreover, brands will need to look afresh at their brick and motor store networks, investing more on China properties even while they close stores across the globe.

Indeed, there are compelling arguments in favour of Asia-Pacific market, particularly China portion over the last half of this year. The Business of Fashion reports, "The State of Fashion Report analysis of the 311 fashion companies that disclose regional sales figures, brands generating more than 30 per cent annual sales in the Asia Pacific (APAC) region — including Mainland China, Japan, South Korea and Taiwan — achieved higher market valuations during the pandemic than their counterparts. On average, APAC-focused companies boasted a market cap that was 18 per cent higher than their competitors."

Perhaps this is driving many brands like Montblanc, Hublot and MSGM to open new stores in Asia. A report by Savills, a property consultancy shows, the number of stores by luxe brands in China went up 4 per cent in the first half of 2020. Indeed, in a market where offline is expected to grow 5 per cent in 2021 compared to 2019, many brands will now need to focus on opening stores to boost sales and meet demand. In fact, brands have understood well the Chinese consumer has the money and are willing to spend and this includes even the lower tier Chinese consumers who are trading up.

Luxury brands see heightened demand

Year 2020 was a turning point for luxe brands. They had to focus a lot more on e-commerce platforms, particularly China-centric ones to boost sales. Alibaba's stats reveal over 200 global luxury brands the likes of Balenciaga, Prada and IWC — participated in Singles Day activities on its platforms alone. And as per JD.com, the transaction value of goods from more than 130 luxury brands surged almost 100 per cent year-on-year in the first 30 minutes of sales. Even with impressive growth this year, there is still plenty of room for luxury e-commerce to grow in China in 2021.

The report suggests "While the lack of international travel removes a major gateway for new brand discovery, the desire to discover new brands remains. All this is not to say that the rebound in consumption for major brands doesn't also mean opportunities for smaller niche and international players in China. Again, while the lack of international travel removes a major gateway for new brand discovery, the desire to discover new brands remains."

Challenges in 2021

The Business of Fashion report outlines the biggest challenge global fashion and beauty brands looking at China this year will face is: "finding equilibrium: to balance investments in both online and offline channels, while building relationships and experiences for consumers across online and offline.

At a time in which global budgets are stretched, and operating costs in China, particularly in the online space, are rising, striking this balance will be difficult, but the stronger the ties that bind brands to Chinese consumers are now, the better placed brands will be to win new and returning business at home, as well as overseas, when that becomes a possibility again."

Source: fashionatingworld.com– Jan 15, 2021

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Despite falling production US cotton exports to China on the rise

US has had record shipments of cotton supporting a stronger US export forecast at 15.25 million bales (Mb), despite a drop in production by 5 Mb from previous year. Latest USDA report says, China accounted for almost half of US exports in the first five months, with the country's total imports forecast at 10.5Mb bales, highest in seven years.

Moreover, China's consumption is expected to recover 5.5Mb from the previous year and reach 38.5Mb, accounting for more than one-third of world use in 2020-21. China demand for US cotton has been mostly led by the State Reserve and State-owned Enterprises (SOEs), which accounted for over three-fourths of total imports of US cotton thus far in 2020/21.

Despite US prices being higher compared to Brazil and India (second and-third-largest exporters forecast in 2020-21), US sales and shipments to China through December exceeded previous year by more than 2.3Mb. Australia, another significant supplier to China, witnessed exportable supplies decimated by a 2020 drought. Like the US, Australia is a significant supplier of high-quality cotton to the world's largest importer.

US exports are boosted this month and forecast to be mostly unchanged from the previous year due to a historic pace for shipments and resilient China demand, despite fewer shipments and sales to Vietnam and Bangladesh.

Source: fashionatingworld.com– Jan 15, 2021

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Retailer of Wrangler, Carhartt and Under Armour is Going Out of Business

A Midwestern retailer that sells a range of categories such as apparel, footwear, farm supplies, outdoor goods for camping, boating, fishing and hunting, power tools and even firearms is closing up shop at all 25 of its locations, hosting a chainwide liquidation sale.

Despite its limited presence, Stock+Field, an outdoor retailer that catered to enthusiasts of the rural lifestyle, is offering price cuts on products from top brands in the outdoor apparel and footwear industries. Available brands include Under Armour, Wolverine, Wrangler, Lee, Justin Boots, Dickies, Cherokee, Carhartt and Oakley, among others.

Seeing these big-name brands offered at last-call prices is likely to get the attention of local shoppers before Stock+Field liquidates and closes down brick and mortar. But the closure of the stores illustrates a major issue many of these brands have faced not only since the start of the pandemic, but in the years prior as more retailers went bankrupt—their trust in wholesale is waning.

Under Armour, in particular, is looking to leave as many as 3,000 wholesale locations in North America by 2022 in an effort to better control over its product. And Wolverine Worldwide has goals to bring its owned digital sales to $500 million in 2021, with senior vice president and chief financial officer Mike Stornan telling Sourcing Journal in November, “We just don’t have the luxury of relying on anybody but ourselves to control that destiny going forward.”

And while Wrangler and Lee parent Kontoor Brands continued to invest in its digital wholesale channels, which were up 68 percent in the third quarter, overall wholesale growth totals haven’t been as great. While total wholesale channels represent 85 percent of Kontoor’s revenue, U.S. wholesale revenue increased only 3 percent, while international wholesale revenue actually decreased 34 percent. Meanwhile, in the same quarter, Wrangler and Lee saw direct sales on their websites grow 44 percent and 40 percent, respectively.

As for Stock+Field, its liquidation is being overseen by a joint venture of financial services firms Tiger Capital Group and B. Riley Retail Solutions.

The going-out-of-business sales will take place across stores in Illinois, Indiana, Ohio, Michigan and Wisconsin.

“Midwesterners are well aware of Stock+Field’s robust selections of virtually anything you could need for work and hobbies associated with the rural lifestyle,” said Michael McGrail, chief operating officer of Tiger Capital Group. “We anticipate that Stock+Field’s highly desirable inventory will liquidate very quickly.

Founded in 1964 as Big R Stores before changing its name to Stock+Field in 2019, the retailer filed for Chapter 11 bankruptcy protection on Jan. 10 in the U.S. Bankruptcy Court for the District of Minnesota.

The liquidation discounts will only be offered in stores and not on the company website, which shows products but doesn’t currently give shoppers the option to buy them. Stock+Field’s “Order Online/Pickup In-Store” program has been discontinued.

“The sales coincide with a major resurgence of interest in many of the categories for which Stock+Field is well known,” said Scott Carpenter, CEO of B. Riley Retail Solutions in a statement. “In part because of behavioral shifts caused by the pandemic, we’re seeing strong consumer demand in sporting goods, lawn and garden, pets, and home and outdoor living. Stock+Field also carries diverse SKUs ranging from automotive, toys and apparel, to footwear, tools and hardware. This is inventory with enduring utility and value.”

Gift cards and “Ag Plus” Rebate Points from the company’s rewards program will be honored until February 8.

Source: sourcingjournal.com– Jan 15, 2021

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Finding Economic Recovery Through Manufacturing Revival

On Jan. 14, United States President-elect Joseph R. Biden, Jr., unveiled his Rescue and Recovery plan to counter the pandemic and grow the economy. The $1.9 trillion stimulus plan focuses on priority items such as vaccines and COVID-19 testing, plus economic plans such as direct payments and unemployment support, to name a few.

The rescue plan is a prelude to a broader growth agenda, where emphasis is placed on manufacturing and other items such as infrastructure investment. In his speech, President-Elect Biden stated, “We will buy American products and support millions of American manufacturing jobs.” The plan also calls for investments in research and development, enabling innovation and creating new opportunities.

PPEs such as masks have come to prominence as life savers due to the nature of the transmission of the coronavirus. World governments will pay attention to boosting their respective advanced manufacturing sectors such as technical textiles, sustainable production, logistics and distribution, as is evident from President-elect Biden’s speech.

The need to have manufacturing resources and supplies such as PPEs within their borders will strengthen manufacturing and allied sectors of nations. Initiatives such as Made in America and India’s Atmanirbhar Bharat (Self-reliant India) will shine new light on manufacturing. Other fields that have direct and indirect influence on manufacturing such as technical education and R&D will also play vital roles towards recovery and growth.

In last month’s Mann Ki Batt (Speech from Heart) talk to the nation, India’s Prime Minister Narendra Modi emphasized the importance of curiosity for personal growth and highlighted the need for innovation and start-ups to grow the economy. Again, it’s a clear indication that sectors such as manufacturing and research are attracting high level attentions.

There needs to be a focused attention on developing manufacturing and allied fields, requiring cooperative efforts among stakeholders such as the industry, government and academia. In this regard, it is good to highlight the efforts India has been doing for over two decades in promoting the technical textiles sectors. I was personally involved in the effort creating awareness on the nonwovens field, which has enabled India to be self-reliant in PPEs as a countermeasure in the COVID-19 times.

In a recent interview with National Public Radio, United States Vice President-elect Kamala Harris highlighted the need to boost the supply of PPEs and the availability of the Defense Production Act to gear up resources if necessary. PPE manufacturing, which is a technical textiles sector, is garnering attention at the highest levels of governments.

Developed economies will surely take steps in growing high-end manufacturing – a positive revival indeed!

Source: cottongrower.com– Jan 15, 2021

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Africa's No. 3 Cotton Producer Plots Textile Hub Based on Buyers' Needs

Africa's No. 3 cotton producer is considering entering the textile manufacturing business.

Valérie Vencatachellum, Ivory Coast's country head at the U.K. non-profit Tony Blair Institute for Global Change (TBI), outlined the West African nation's advantages at Texworld New York City's virtual winter conference Wednesday.

West Africa—also home to Burkina Faso and Mali, two others of the continent's largest cotton producers—represents 5 percent of world cotton production and 15 percent of exports, Vencatachellum said. On Ivory Coast's eastern border, Ghana possesses a manufacturing base with private sector-led industrial parks and has launched a $200 million job and skills program to train workers for local textile and apparel industry. A little further away in Senegal, the minister of economy is proactively engaging with textile and apparel investors and refining support policies, including the establishment of a dedicated export zone.

Vencatachellum also highlighted the region's geographic benefits. According to TBI analysis, West Africa's proximity to the U.S and Europe gives it a 10-day speed advantage compared to other regions in Africa.

"The region is really gearing itself up to be a strong player in the global industry and it is actually at the moment starting to reach out to global investors who might want to reconfigure their supply chain by setting foot in West Africa," Vencatachellum said.

Given broad trends toward sustainability within the textile and apparel industry, Vencatachellum said West Africa presents a compelling advantage. "It provides the opportunity, and there's a strong desire from this area of the world, to be the next frontier for a very different type of industry that will allow vertical integration based on the production of cotton, and potentially of organic fibers," she said.

Unlike two of the region's other prolific cotton producers Burkina Faso and Mali, Ivory Coast is located on the water, giving it a "very strong advantage to kind of anchor a budding industry in the region," Vencatachellum said. Cotton fiber production in the country reached 990,000 bales in the

2019/2020 market year, according to a report from the United States Department of Agriculture.

In 2018, Ivory Coast introduced a new investment scheme to target foreign investment. During the operation phase, this setup will give a 50 percent tax holiday over five years for businesses in Abidjan and neighboring towns; a 100 percent tax holiday over five years plus 50 percent over five other years in big regional cities; and a 100 percent tax holiday over 10 years and 75 percent over five other years in smaller cities. Between 2014 and 2019, foreign direct investment in the country climbed at a compound annual growth rate of 14.9 percent.

Plans for setting up a textile manufacturing hub in Ivory Coast are “extremely conceptual,” Vencatachellum said. “What we are looking at is to identify what are the needs of buyers… and shape the industry with regards to that.” Ivory Coast’s next steps, she added, will be based on the interest of suppliers that come and invest in the country. Without any large-scale fabric production currently taking place in the country, she said Ivory Coast’s government is “extremely open,” but maintains “a strong interest” in organic fibers.

“What the government here is looking to do is to set up the infrastructure that will allow you to just come and set up your factory according to your needs,” Vencatachellum said. “But the main question currently is this positioning in terms of best-in-class and really sustainable processes and infrastructure, eco-industrial parks, processing of wastewater, etc.”

Currently, Vencatachellum said the country is working on a feasibility study looking into building an industrial park. If everything goes well, she estimated it could be ready in about 18 months to two years.

Source: sourcingjournal.com– Jan 15, 2021

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Biden Seen Forming Fresh Policies on Trade, Climate and Infrastructure

While some views on issues might seem similar to the outgoing administration, experts at law firm Kelley Drye expect a fresh approach on some topics and a polar opposite on others when Joe Biden begins his presidency on Wednesday.

Setting the stage, Dana Wood, director of government relations at the New York City law firm, noted that Democrats newly in control of the Senate will sway the floor schedule of what bills are brought up, and faster committee action and more likely approval on nominations. After a Blue Wave win in last week's Georgia Senate runoffs, Democrats have a 50-50 split with Republicans, with Vice President-elect Kamala Harris representing a tie-breaker as president of the Senate.

Paul C. Rosenthal, a partner focusing on international trade, said, "the biggest issue will continue to be China," and expectations are for continued tensions on trade, economic and human rights issues. These include Section 301 "Phase One" tariffs put in place by the Trump administration for unfair trade practices, and are expected to remain in place.

"It's clear that the Phase One Deal really hasn't worked as intended and many businesses that were innocent bystanders have had to pay a lot in tariffs...Plus, U.S. exports have been hurt by retaliation by China. With that said, if the [Biden] administration eliminates tariffs without getting anything worthwhile, it will be subject to significant criticism, why they are going to be sensitive to going into the 2022 elections," Rosenthal said. "Probably the easiest thing to do would be to liberalize the exemption process while exploring a whether a meaningful Phase Two deal could be reached which would then justify dropping the tariffs."

But there will also be an increased focus on human rights, including forced labor, and a greater emphasis on cooperation with allies and working through multilateral institutions, Rosenthal said.

"You can expect a continued focus on forced labor, particularly from China's Xinjiang region," Rosenthal added. "Beyond human rights issues, expect continued bipartisan interest in China's trade and economic policies."

While Biden has laid out plans for making 'Buy America' real, with specific actions and legislation to support industry and reshoring supply chains, "generally, domestic issues will be put before new trade agreements, despite an immediate focus on global reengagement," he said.

Biden, he added, is unlikely to remove Trump's signature trade and tariff programs, at least in the short-term, "but expect program reviews and possible modifications."

"Trading partners may seek resolution of trade disputes or a renewed emphasis on multilateral work in the context of Biden administration's efforts to restore our alliances and international relationships," Rosenthal said.

Working with a Democratic-controlled Congress, the Biden administration may seek to improve and authorize presidential Trade Promotion Authority (TPA), which allows for an up or down vote on trade agreements, including more Congressional input and authority, and more emphasis on environmental and labor issues.

"Expect ongoing focus from Congressional Democrats on implementation and enforcement of the new U.S.-Mexico-Canada Agreement (USMCA), with Mexico's labor commitments a primary concern," he said.

There should also be an increased, bipartisan focus on supply chains and raw materials production reshoring, as the coronavirus pandemic shed light on major supply-chain concerns for critical medical products, as well as concerns regarding vulnerabilities in domestic manufacturing capabilities.

He sees potential action by the spring on the expired General System of Preferences (GSP), which allows lesser developed countries to export products to the U.S. duty free under certain conditions, with new provisions negotiated in. On the Miscellaneous Tariff Bill, which also allows for duty-free imports in certain products and has also expired, Rosenthal said faster renewal is possible or it could be rolled into a larger legislative package.

Dustin Painter, a partner specializing in government relations, said Biden's four-year, $2 trillion "Build Back Better" infrastructure and clean energy proposal focuses on repairing crumbling transportation infrastructure such as roads and bridges, rail, ports and airports, water systems, electricity grids, universal broadband and green spaces.

“While Biden has suggested raising the corporate tax rate from 21 to 28 percent to help pay for long-term investments, tax increases may prove difficult with slim Democratic majorities in the House and Senate,” Painter said.

Wayne D’Angelo, a partner who focuses on energy issues, said Biden is expected to prioritize environmental justice while reversing Trump policies and approaches.

Biden administration climate goals include a net-zero carbon power sector by 2035, 100 percent clean energy economy by 2050 and immediately rejoining the Paris Climate Accord.

D’Angelo sees a “whole-of-government” approach to environmental and energy policy and whether projects are permitted and where, consideration of cumulative impacts rather than thee impacts of a particular project, and enhanced enforcement.

Source: sourcingjournal.com– Jan 15, 2021

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PRC increases Australian wool import quota

Australia's department of foreign affairs and trade recently confirmed China has increased its import quota on Australian wool at a time when several Australian commodities like barley, wine, coal and timber have been blacklisted. The quota for 2021 has been raised to 38,288 tonnes from 36,465 tonnes in 2020. New Zealand's import quota to China remains unchanged.

"Australian wool producers are gaining increased access to China through the China Australia Free Trade Agreement," the department's press office said in a statement. The 5 per cent increase was scheduled in the country's specific quota under the agreement.

Under the 2015 agreement, China, which takes a third of all Australia's exports, grants duty-free treatment to Australian wool up to the quota level for a given year.

Northern New South Wales wool representative Dominic Shortis welcomed the development during strained relations between the two countries. Chief executive officer of Wool Producers Australia Jo Hall said the increase was a positive sign, according to Australian media reports.

China last year blocked billions of dollars worth of Australian exports, from lobsters to wine, while refusing to accept phone calls from Australian ministers seeking talks as diplomatic tension rose.

Contributing to the deterioration in bilateral relations, Canberra has been a leading voice in calling for an independent inquiry into the origins of the novel coronavirus, first detected in Wuhan in late 2019.

Australia controls 90 per cent of global fine wool exports, where prices are largely driven by Chinese wool mills and Italian garment makers.

Source: fibre2fashion.com– Jan 16, 2021

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Sri Lanka's trade deficit narrows in November

According to the latest external trade data released by the Central Bank, country's trade deficit narrowed in November 2020 by US $ 198 million to US $ 565 million, from US $ 762 million recorded in November 2019, due to a larger decline in imports compared to the decline in exports.

Amidst a decline in earnings from exports, a number of positive developments were observed in the external sector in November 2020, including a lower trade deficit, and a notable increase in workers' remittances.

Merchandise imports continued to decline supported by the continuation of restrictions on non-essential imports and low global oil prices. There was a notable decline in merchandise exports in November compared to previous months due to disturbances to domestic production processes with the second wave of the COVID-19 pandemic.

Further, the cumulative deficit in the trade account from January to November 2020 narrowed to US dollars 5,416 million from the deficit of US dollars 7,213 million recorded in the same period in 2019.

Terms of trade, i.e., the ratio of the price of exports to the price of imports, improved by 0.6 per cent in November 2020, compared to November 2019, with import prices declining more than export prices.

Exports

Overall exports: Earnings from merchandise exports suffered in November 2020 due to the resurgence of COVID-19 cases in Sri Lanka and abroad. Earnings from exports declined by 16.3 per cent to US dollars 819 million in November 2020, compared to November 2019. This was a 3.4 per cent decline compared to October 2020.

Measures imposed to combat the second wave of the pandemic locally affected production in key export sectors, garments in particular. Further, the second wave of the pandemic experienced in export markets affected demand for exports, while significant disruptions to global shipping and logistical chains also affected local businesses negatively.

Industrial exports: Earnings from the export of industrial goods declined by 19.6 per cent in November 2020 compared to November 2019, mainly due to the 37.2 per cent decline in garment exports. Health related restrictions in factories contributed significantly to this outcome.

Meanwhile, earnings from the export of petroleum products declined significantly due to the reduction in bunkering quantities as well as prices. While exports of a number of smaller factory-based export sectors also declined, export earnings from some industrial export categories increased. The latter included; gems, diamonds and jewellery; rubber products (with increased exports of tyres and gloves); and plastics and articles thereof (with increased exports of personal protective equipment such as plastic clothing articles).

Agricultural exports: Export earnings from agricultural goods declined by 2.3 per cent in November 2020 compared to November 2019, due to a reduction in the export of seafood, minor agricultural products (fruits, edible nuts, betel leaves, etc.) and tea. Earnings from tea exports declined by 5.2 per cent, with declines in volumes of black and green tea exported, while unit prices of both types marginally increased. Agricultural exports that displayed an increase in earnings were spices (led by cinnamon and pepper), coconut (mainly coconut oil and non-kernel products) and rubber.

Mineral exports: Mineral exports declined by 4.4 per cent in November 2020 compared to November 2019. Exports of earth and stone declined, while exports of ores, slag and ash increased.

Export indices: The export volume index declined by 7.9 per cent while the unit value index declined by 9.1 per cent on a year-on-year basis in November 2020. This indicated that the decline in export earnings was caused by both lower volumes and lower prices.

Click here for more details

Source: adaderana.lk– Jan 15, 2021

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India, others can learn from Vietnam 2020 trade boom

With ASEAN countries becoming China's largest trading partner in 2020, bilateral trade between China and Vietnam witnessed particularly remarkable growth.

In a year when the coronavirus pandemic caused unprecedented disruptions to global commerce, China's trade with Vietnam rose a staggering 18.8 percent compared with the previous year, and its imports from the neighbor surging 22.2 percent, according to data released by the General Administration of Customs on Thursday.

It is worth noting that Vietnam's exports to China are not restricted to agricultural produce, but include a large variety of daily necessities, electronics and other items.

For those who like to compare the manufacturing competitiveness between Vietnam and India, the robust growth in China-Vietnam trade is a clear indication that Vietnam's manufacturing sector has been far more resilient despite the pandemic.

In fact, not just Vietnam's exports to China, the Southeast Asian country's exports to the outside world recorded a tremendous increase in the past few years. Statistics from WTO showed that Vietnam's exports doubled from $132 billion in 2013 to reach $264 billion in 2019. By comparison, India's exports rose slightly from $314 billion in 2013 to $324 billion in 2019.

A major reason behind Vietnam's foreign trade achievements is the significant improvement in its manufacturing strength. And the factors helping lifting Vietnam's robust economic growth may also have relevance for India in terms of improving India's manufacturing capability.

First, with some of low-end manufacturing plants being relocated from China to Vietnam, the industrial chain between the two countries has also strengthened. Whether it's the shoe-making sector or electronics assembly line, they need to purchase machinery equipment, production facilities, semi-finished parts and other raw materials from China.

Vietnam's manufacturing competitiveness is built on industrial capacity support from China. To some extent, the manufacturing relocation has actually strengthened the resilience of China-Vietnam trade. Even given the pandemic's disruptions, trade based on very solid supply chains is always quick to recover.

Second, Vietnam's market openness has earned it greater opportunities for industrial development. The country has been committed to joining a good number of regional free trade agreements, providing remarkable room for its manufacturing growth.

For instance, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) has allowed Vietnam to establish close ties with other 10 countries, expanding market space for its textile and garment industry. Likewise, the Regional Comprehensive Economic Partnership (RCEP), signed in November 2020, is expected to bring significant trade opportunities for Vietnam's manufacturing sector.

Vietnam's efforts to proactively integrate into the regional industrial chain and value chain have paid off. With its manufacturing foundation consolidating, more and more businesses are looking to Vietnam - not India - as the next manufacturing hub of the world.

Of course, it is no problem for India to follow its own strategy for domestic industrial development, but some of Vietnam's experience is of good reference to New Delhi if India still has that ambition to grow itself as a manufacturing power.

Source: globaltimes.cn– Jan 15, 2021

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Bangladesh: Air cargo charges double in fresh blow to RMG exporters

Readymade garment exporters in Bangladesh have been dealt a fresh blow by a doubling of air shipment rates for cargoes flying out of Hazrat Shahjalal International Airport (HSIA).

The rate hike has piled additional pressure on the garment manufacturers who have been struggling for nearly a year to stay afloat amid a rush of order cancellations and rate decrease during the pandemic.

Airlines say they raised the rate because the growing demand for air shipment amid improving global outlook and squeezing of carrying capacity from the HSIA by 60 per cent over the last three months because of suspension of cargo and passenger flights by some international flight operators.

International airlines are also imposing a higher rate to make up the losses incurred between March and September because of the suspension of international flights and hiring staff at higher costs to load and unload goods at the airports.

Airlines are charging between $3.20 and $3.30 per kilogramme (kg) from the HSIA to any airport in the European Union without trucking facility. Europe is the largest export destination for Bangladesh with a concentration of more than 60 per cent of the national export and 64 per cent of the garment shipment.

The rates are $3.55 to and $3.65 per kg with trucking facility – a facility provided by airlines to carry goods from the airports of destinations to buyers. In March, the rates were $1.70 to $1.80.

Suppliers who ship goods to North American markets have not been spared. Airlines are realising $5.90 to $6.20 per kg from the HSIA to airports in the US, way higher than $2.80 to $2.85 in March.

The higher shipment of masks, personal protective equipment (PPE), Covid-19-related gowns, bedsheets and isolation bed sheets coupled with the garment shipment have fueled the demand for air shipment from the HSIA.

Currently, 400 tonnes of cargos are transported through air from the airport every day, with garment accounting for 80 per cent. The volume was 900 tonnes before the pandemic hit the country in March. About 40 local and international airliners used to carry the goods. Nearly 50 per cent of them have either suspended carrying goods or stopped flights from HSIA as they deem them unprofitable as they do not get enough goods to carry.

In 2020, the air shipment of garment items declined 33.68 per cent to 134,806 tonnes from 203,256 tonnes in 2019, according to data from the Bangladesh Garment Manufacturers and Exporters Association.

"A month ago, I even asked one of my European buyers to cancel work orders when he asked me to send the goods through air, which is more expensive than my production costs and profit," said Ahmed F Rahman, managing director of Kappa Fashions. "I will face a major loss if I send the goods to him via air. Luckily, the buyer agreed to bear the air shipment cost." The shipping charges through sea have also surged from last month on the excuse of higher port operational costs, the entrepreneur said.

Currently, the shipment to carry a 40-foot equivalent unit through seas is being charged $6,000 from $2,000 a month ago, Rahman said. "Since many international airlines have suspended carrying cargoes from the HSIA, passenger flights have been turned into cargo flights in some cases," said an executive of an international cargo airliner working at the HSIA.

The air shipment of garment items has increased as buyers want quick delivery, he said. In some cases, buyers bear the cost of the expensive air shipment. But in most of the cases, the suppliers have to pay the expenses, he said. The air shipment charge may go higher when the transportation of Covid-19 vaccines begins, the airline executive said.

"The air freight business has not restored yet. The airfare almost doubled compared to the pre-pandemic period," said Kabir Ahmed, president of the Bangladesh Freight Forwarders Association.

Since there is no option to carry cargoes in passenger flights, goods are flown out through cargo freighters. The freighter rate is always higher than the passenger flight, he said.

Syed Ershad Ahmed, country manager and managing director of Expeditors (Bangladesh), said because of the coronavirus outbreak, important supply chains in the logistics and transportation industry have been hampered.

He said gross value-addition for the global logistics industry dipped by 6.1 per cent. The estimated impact of Covid-19 on logistics markets varies country to country, from a 0.9 per cent decline in China to an 18.1 per cent fall in Italy.

The global freight forwarding market was expected to shrink by 7.5 per cent in the worst-case scenario in 2020 compared with 2019. Ahmed said once airlines resumed operations after the outbreak of the coronavirus, the rate per kg rose by 100 per cent to 200 per cent compared to the pre-Covid-19 period.

KI Hossain, president of the Bangladesh Garment Buying House Association, said sea fare went up significantly.

One and a half months ago, shipping companies used to charge $1,600 for carrying a twenty-foot equivalent unit (TEU) of goods. Now, they charge $4,700 to carry goods to Europe.

In case of 40–foot equivalent unit, the charge rose to $7,800 from $2,600 to $3,000. The charge goes higher when other costs are added, he said.

Mohammed Mansur, general secretary of the Bangladesh Fruits, Vegetables & Allied Products Exporters' Association, said Middle-East-bound airlines had already increased the rates by 50 per cent as the usage of air cargo was increasing gradually.

For instance, the airliners that had levied a rate of $1.90 in December 2019 are now charging $3.20 to $3.30 per kg, he said.

Source: thedailystar.net– Jan 15, 2021

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Pakistan FCCI signs MoU to tap North American markets

The Faisalabad Chamber of Commerce & Industry (FCCI) recently signed a memorandum of understanding (MoU) with an event management company Messer Wanz-Global Business Forum (Pvt.) Ltd to introduce Pakistani exportable surplus in North American markets. Both entities will nominate focal persons who will review every month the progress made on this MoU.

FCCI president Engineer Hafiz Ihtasham Javed and Wasim Ahmad, director of finance and media planning of the company signed the MoU, according to Pakistani media reports.

The company is organising three events in North America and FCCI members will be facilitated to participate in it.

Source: fibre2fashion.com– Jan 16, 2021

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Pakistan: Cotton spot rate rises by Rs100 to Rs10700

The Spot Rate Committee of the Karachi Cotton Association on Thursday has increased the spot rate by Rs 100 per maund and closed it at Rs 10,700 per maund.

The local cotton market remained bullish on Thursday. Market sources told that trading volume was increased.

Cotton Analyst Naseem Usman told that a meeting of the Economic Coordination Committee (ECC) of the Cabinet scheduled for Wednesday has been delayed till Friday as the finance minister and other members of the economic team have been busy in meetings on power and agriculture sector in the Prime Minister's Office.

The meeting was also to take up Textiles and Apparel Policy, 2020-25 moved by the Commerce Ministry and National Freight and Logistics Policy (NFLP) of Pakistan Communications.

The summaries related to the Textile and Apparel Policy (2020-25) and the NFLP were deferred to the next ECC for comprehensive consultation process with the key stakeholders.

Meanwhile, Federal B Area Association of trade and industry (FBATI) has demanded immediate removal of all taxes and duties imposed on cotton import.

Textile industrialists say that despite large export orders in the country's value-added textile sector, textile exporters are not able to operate at their full potential due to shortage of cotton yarn.

The Trump administration announced an import ban on all cotton and tomato products from western China's Xinjiang region on Wednesday over allegations that they are made with forced labor from detained Uighur Muslims.

U.S. Customs and Border Protection said the order applies to raw fibers, apparel and textiles made from Xinjiang-grown cotton, as well as canned tomatoes, sauces, seeds and other tomato products from the region, even if processed or manufactured in third countries.

The agency, which is part of the Department of Homeland Security (DHS), estimates that about $9 billion of cotton products and $10 million worth of tomato products were imported from China into the United States in the past year.

Moreover, ICE cotton futures slipped on Wednesday, as a firmer dollar and profit-taking precipitated a pullback from a more than two-year peak that was scaled on a bullish supply-demand outlook.

The cotton contract for March fell 0.74 cent, or 0.9%, to 80.96 cents per lb by 12:58 p.m. EST (1758 GMT), having touched its highest since Sept. 2018 at 82.08 cents earlier in the session.

“The dollar is performing better,” weighing on the market, said Bailey Thomen, cotton risk management associate with StoneX Group.

Despite the global slowdown, Pakistan’s exports have maintained their upward trajectory, as the country’s vital textile sector continues to boost impressive export growth.

As per the latest data shared by Advisor to Prime Minister on Trade and Investment Abdul Razak Dawood, the figures for Jul-Dec 2020 show that the exports of Home Textiles increased by 16% to USD 2,017 million, Readymade Garments by 25% to USD 1,181 million and Tents/Canvas by 57% to USD 62 million.

“It is heartening to note that the textile sector is maintaining its export growth,” said Dawood in a series of tweets on Wednesday.

The advisor added that “it is even more encouraging to note that the non-textile sector exports are also showing healthy growth.”

During Jul-Dec 2020, the exports of pharmaceuticals increased by 25% to USD 138 million, Ethyl Alcohol (Industrial) by 14% to USD 182 million, Tobacco and Cigarettes by 84.50% to USD 29 million, and Processed Food by 120% to USD 25 million.

Moreover, Towel Manufacturers’ Association (TMAP) of Pakistan chairman Feroze Alam Lari said despite of big export orders available with the value-added textile sector of the country, the textile manufacturers and exporters cannot operate to their capacity due to shortage of cotton yarn, which is basic raw material for the textile industry.

It was very dangerous for the national economy that cotton production has fallen to 5.5 million from 15 million bales. Due to scarcity of cotton yarn in the country its price touched the sky and the cost of cotton yarn reached its peak during the current decade and the bullish trend of cotton yarn price pushing the exporters towards unviable situations and un-competitiveness in the international market.

However, few days back authority only removed 5 percent regulatory duty on import of cotton yarn which helped little bit to the export oriented sector, but now we as an association request to the concern authority to kindly abolish all taxes and duties on import of cotton yarn which will be the life line for the value added textile industry.

Cotton Analyst Naseem Usman told that Pakistan Cotton Ginners Association has requested the Prime Minister Imran Khan to establish an autonomous Cotton Control Board which must be supervised directly by Prime Minister to increase production by 20 million bales. It should be monitor research, sowing, pest management, picking, ginning, spinning to value addition to protect the interests of all stake holders.

Zoning for cotton crop must implement in letter and spirit and there should be restrictions on sowing other crops than cotton. To ensure availability of certified, germinated, heat and disease resistant cotton seed.

Ginning sector must be acknowledged as a vital subsidiary of the textile industry and uniform electricity tariff should be introduced by for ginning industry to reduce the cost of manufacturing.

The government must announce the support price of seed cotton (Phutti) before sowing.

PCGA warned that if these submissions were not honoured then 1200 ginning factories and millions of people attached will be affected.

Naseem Usman told that 1400 bales of Rahim Yar Khan were sold at Rs 10,800 to Rs 11,000 per maund, 600 bales of Khanewal, 1000 bales of Liaquat Pur, 400 bales of Bagho Bahar, 800 bales of Khan Pur, 200 bales of Feroza were sold at Rs 11,000, 800 bales of Sadiqabad were sold at Rs 10,800, 600 bales of Yazman Mandi were sold at Rs 10,700, 1200 bales of Fort Abbas were sold at Rs 10,500 to Rs 10,650, 400 bales of Kichi Wala were sold at Rs 10,600, 2000 bales of Haroonabad were sold at Rs 10,400 to Rs 10,700, 400 bales of Chicha Watni were sold at Rs 10,400 to Rs

10,500, 200 bales of Donga Bonga and 200 bales of Shuja Abad were sold at RS 10,400.

Naseem also told that rate of cotton in Sindh was in between Rs 9700 to Rs 10,700 per maund. The rate of cotton in Punjab is in between Rs 9800 to Rs 10,500 per maund. He also told that Phutti of Sindh was sold in between Rs 3800 to Rs 5000 per 40 kg. The rate of Phutti in Punjab is in between Rs 4000 to Rs 5500 per 40 Kg.

The rate of Banola in Sindh was in between Rs 1600 to Rs 2000 while the price of Banola in Punjab was in between Rs 1800 to Rs 2250. The rate of cotton in Balochistan is Rs 10,000 per maund.

The Spot Rate Committee of the Karachi Cotton Association has increased the spot rate by Rs 100 per maund and closed it at Rs 10,700 per maund. The Polyester Fiber was available at Rs 188 per Kg.

Source: brecorder.com– Jan 15, 2021

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NATIONAL NEWS

Goods exports rise a tad to $27.15 b in Dec; deficit widens to $15.44 billion

Exporters hopeful of further growth as vaccines boost business sentiments

Goods exports posted a marginal 0.14 per cent growth in December at $27.15 billion raising hopes amongst exporters of a revival as major items such as gems & jewellery, electronics, chemicals, carpets, handicrafts, engineering goods, cereals and pharmaceuticals registered a rise.

Imports during the month grew at a steeper 7.56 per cent to $42.59 billion, propelled by gold, pulses, chemicals, machine tools, and project goods, resulting in the widening of the trade deficit to $15.44 billion compared to $12.49 billion in December 2019.

Order book

"Marginal growth of 0.14 percent (in December 2020) shows signs of a revival as order book positions have continuously improved. More new orders are also in the offing," said Sharad Kumar Saraf, President, FIEO.

Arrival of vaccines, too, have helped in boosting business sentiments for the sector which could translate into further growth in the coming months, he added.

Total exports for the period April-December 2020-21 fell 15.73 per cent to $200.80 billion while total imports fell 29.08 per cent to $258.27 billion.

Non-petroleum and non-gems and jewellery exports in December were 5.5 per cent higher at $ 22.22 billion, according to quick estimates of the April-December 2020-21 trade data shared by the Commerce & Industry Ministry on Friday.

"Notably, the export growth of non-petroleum and non-jewellery was positive at 5.5 per cent indicating pick up in manufacturing activity in the country," said Prahalathan Iyer, Chief General Manager, Research & Analysis, Exim Bank of India.

Engineering goods

Another notable trend witnessed was positive growth in engineering goods exports, though it was marginal at 0.3 per cent, Iyer pointed out.

Engineering goods exporters, however, say rising steel prices could be a dampner as global uncertainty remains. “Exporters continue to face head winds of extreme nature,as the key economies of the world are in the midst of a demand recession. The domestic scenario of rising cost of raw material like steel aggravates the situation,” said Mahesh Desai, Chairman, EEPC India.

Engineering goods are a major contributor to the country’s trade basket accounting for almost 25 per cent of total exports.

Trade deficit in the first nine months of the fiscal at $57.47 billion was much lower than the trade deficit of $125.91 billion in April-December 2019-20.

Source: thehindubusinessline.com – Jan 15, 2021

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Indian economy to see 8.9% growth in FY22: IHS Markit

The Indian economy is expected to rebound with an 8.9 per cent growth in the next fiscal after economic activity showed significant improvement in the last quarter, according to IHS Markit, which recently said the country's industrial production and consumption expenditure witnessed a rebound during the fourth quarter of calendar year 2020.

The economy will contract by 7.7 per cent in this fiscal, the worst performance in four decades, the National Statistical Organisation (NSO) has predicted.

"The worst contraction occurred during the period from March until August [last year], with the economy having shown a strong rebound in economic activity since September," a news agency quoted IHS Markit as saying in a note.

The GDP contracted by a record 23.9 per cent in the April-June quarter following a national lockdown to prevent the spread of the coronavirus. The contraction came down to 7.5 per cent in the September quarter.

"October data showed that industrial production grew by 3.6 per cent year-on-year compared with a steep contraction of -55.5 per cent in April 2020," the company said.

Stating that there has been a marked improvement in business conditions across the manufacturing sector, it said factory orders increased during December on the back of the loosening of COVID-19 restrictions, strengthening demand and improved market conditions.

"With the Indian economy already showing a significant improvement in domestic economic activity in the fourth quarter of 2020, the outlook is for Indian GDP growth to rebound by 8.9 per cent year on year in the 2021-22 fiscal year," it added.

Source: fibre2fashion.com – Jan 16, 2021

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'Cotton consumption in India to rise 13% in 2020-21'

In the Covid-19 pandemic year, the cotton value-chain, like others, has faced unprecedented disruptions. The optimism for a revival is now driven by resilient markets accompanied by sustainable cultivation. Bruce Atherley, Executive Director, Cotton Council International (CCI), US, shares key insights on post-covid global recovery in cotton value-chain in an interview with BusinessLine. Excerpts:

As the world copes up with Covid-19, how do you see cotton value-chain recovering across the world?

During the beginning of last year, the mill consumption of cotton dropped by 15 per cent in 2019-20 from 120 million bales (480 lb bale) to 102 million bales. In 2020-21, the cotton consumption is expected to reach 114 million bales, up 13 per cent over the previous year. The cotton textiles supply chain in India has shown resilience, as the cotton consumption in the country in 2021 is expected to reach 24 million bales which is at par with pre-Covid consumption levels. Even China, the largest cotton consumer, is expected to increase its mill consumption from 33 million bales in 2020 to 38 million bales in 2021.

Do you see any impact on cotton cultivation around the world?

The global acreage for cotton has been fairly constant since the last few years. For 2021, the global cotton acreage is projected to be 32.63 million hectares (mh) as compared to 34.83 mh in 2019-20. In the US, we are expecting the acreage to reduce to 3.6 mh in 2020-21 as compared to 4.70 mh in 20190-20 crop year.

For India, there are no major changes being observed, as cotton acreage for 2020-21 is expected to be 13.40 mh, similar to 2019-20. Pakistan is expected to have a sharp reduction in cotton production in 2020-21.

How significant is the role of sustainable fiber to ensure better yield and cost-effective cultivation?

Since the outbreak of Covid-19, sustainability is one of the key focus areas among the brands, retailers and consumers. While there has been a shift in consumers' choices for more sustainable products, the brands and retailers are becoming increasingly sensitive in choosing sustainable fibers to drive their textile supply chains.

For the past 35 years, US cotton production used less water per bale, reduced greenhouse gas emissions and reduced energy consumption, all while reducing land use per bale. Minimal tillage, GPS and sensor-driven precision agriculture and the growing of winter cover crops are the practices adopted for improved soil health, reducing loss and erosion and increasing soil carbon levels.

The 16,000 cotton farms in the US have been committed to continuous improvement for decades.

Which variety of cotton do you see gaining more traction from production cost and market perspective?

There are two main species of cotton for commercial use - Upland (Gossypium Hirsutum) cotton and extra-long staple Pima (Gossypium Barbadense) cotton. The key difference is fiber length and strength. Globally, consumers demand for cotton fiber in last 10 years has increased by 4 per cent with a CAGR of 0.4 per cent.

This growth is mainly attributed to increased production and consumption of Upland cotton variety, while consumption of extra-long staple fiber has been consistent all these years. Moreover, Covid-19 has triggered consumer spending towards essential sales compared to luxury/expensive textile products.

Source: thehindubusinessline.com – Jan 15, 2021

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Apparel prices to remain soft in second half of current fiscal: Report

The apparel prices are likely to remain soft in the second half of 2020-21 even as the segment is in a recovery mode, according to a report.

The apparel segment Wholesale Price Index recovered to pre-COVID-19 levels in November 2020, led by the festive and marriage season demand, India Ratings and Research said in a report on Friday.

However, Ind-Ra continued to expect apparel prices to remain benign in the second half of 2020-21, leading to inventory liquidation.

Meanwhile, Ind-Ra noted that the demand for blended fabrics recovered in November 2020 and was 20 per cent higher from the same period of the previous year, led by the festive and marriage season demand.

Cotton knitted fabrics production increased for the fifth month in a row in November 2020, led by a surge in demand from the opening of retail stores and malls.

Further, it stated that demand for cotton woven fabrics increased sequentially in November 2020 but it was 40 per cent lower year-on-year on the back of a lower demand for formals and school clothing.

Meanwhile, the report also stated that fabric exports continue to recover in November 2020, although remaining 14 per cent lower y-o-y on value terms.

However, export volumes surged by 14 per cent y-on-y in October 2020, it added.

Fabric players would likely to remain weak for the second half of 2020-21, due to social distancing and the fear of a second-wave of the pandemic and emerging of a new coronavirus strain, it said.

On home textile, Ind-Ra said it expects the players to increase their market share in terry towels and bed linens, led by supply chain diversification away from China.

Home textiles players continued to witness a steady recovery over October-December 2020, led by consumers'' willingness to pay for health and wellness across the US and EU territories, it said.

Players in segments such as bed sheets, towels and advanced textiles have announced capital expenditure to increase their operating capacity, it said.

Further, depreciation of rupee against the dollar by 6 per cent y-on-y during the nine months of 2020-21 contributed positively for exporters, it stated.

The agency continues to expect a healthy and sustained demand improvement for players in their export markets, led by the restoration of retail store inventories, it added.

Source: outlookindia.com– Jan 15, 2021

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Shri Piyush Goyal inaugurates the 'Prarambh: Startup India International Summit'

The two day 'Prarambh', Startup India International Summit begin in New Delhi today, with members of BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation) countries participating in the inaugural event. The Summit is being organizing by Department for Promotion of Industry and Internal Trade, M/o Commerce & Industry, as a follow up of the announcement made by the Prime Minister Shri Narendra Modi at the 4th BIMSTEC Summit held in Kathmandu in August, 2018.

Declaring the Summit open, the Minister of Railways, Commerce and Industry, Consumer Affairs and Food and Public Distribution Shri Piyush Goyal said that the Summit is a demonstration of neighbourhood first policy which will booster partnership among the member countries. He hoped that this will usherin a new beginning, showcasing various aspects of the startup world. He said that Indian startup ecosystem has made big progress in the last five years since the launch of Startup India. The Minister said that the partnership among the BIMSTEC countries in the sector will take startups to the forefront of new India, new world, new neighbourhoodin the new normal.

Shri Goyal said startups have ideas, show enthusiasm and come up with innovations, and hence timing of the Summit during this pandemic is perfect. He expressed the hope that the Summit will mark a beginning of a new journey towards new horizon, with hope and encouragement. "Growing beyond Government to Government and business to business collaborations, this Summit will ensure startup to startup collaboration, with exchange of ideas and young minds working together collectively to solve problems and assuring prosperity and growth in the region.", he added.

Shri Goyal expressed happiness that youngsters of today show entrepreneurship inclination who are no more the job seekers but have become job creators. India has over 41,000 startups registered with the Government but there are many more who are working at the grassroots level and doing a good work. The Minister said that he has been asking the Indian capital to encourage and support the Indian startups at an early stage, but now would request Indian investors and capital to look towards the BIMSTEC startups also to mentor and support them.

The Minister expressed the hope that India along with all the BIMSTEC countries will certainly experience unprecedented growth in the post Covid pandemic world and start a global area of development. He said that Prime Minister Narendra Modi's encouragement to our startups and efforts to create an ecosystem full of innovation, invention and enterprise, will surely work like a battery where a positive attitude and tremendous ability powers the future of startups. He said skill development is another important area which would play a very important role in boosting the entrepreneurship spirit and giving confidence to our entrepreneurs.

He said that he would like to encourage Indian investors to work towards greater engagement so that we can truly demonstrate to the world our commitment to make startups the pillar, on which future economic development will prosper. He also expressed the hope that the collective commitment demonstrated by BIMSTEC nations will surely encourage startups in all other countries. He said there is a huge potential in the collaboration because we will see new ideas prospering and young minds working together to come up with new ideas, new innovations, new inventions. Startup to startup collaboration has a huge potential because with this new idea will prosper and young minds will come together to work collectively.

Speaking on the occasion, Minister of State (I/C) for Civil Aviation and Housing & Urban Affairs and Minister of State for Commerce and Industry Shri Hardeep Singh Puri said that the Startup India initiative has created a ripple effect across Central Ministries and States to come up with well-crafted programmes, to support the startups. He expressed the hope that the Summit will provide an opportunity to startups to learn from each other's best practices and benefit. He expressed the Government's commitment to fully support the startups.

Minister of State for Commerce & Industry Shri Som Parkash said that the Government is fully committed to create conducive environment for the growth and development of startups and in this regard various reforms and initiatives have been taken. He said that the Atmanirbhar Bharat is fully connected to the Startup ecosystems. The Minister said that the Summit is an excellent opportunity for all the startups to come together, handhold, cooperate and grow.

The Secretary General BIMSTEC H.E Mr. Tenzin Lekphell said that the Summit has brought together leaders, investors, scholars, policy makers, startup innovators and entrepreneurs together. He said that whenever the humanity has faced challenges, the human ingenuityand resilience hashelped the world to overcome it. He said that the economy, jobs, livelihood, business, trade and commerce have been badly affected due to Covid pandemic, and Startups provide a ray of hope with a capacity to innovate and respond quickly to any problem. He called upon the member countries to provide policy support and come together to help the startups. Mr. Lekphell suggested that such conclaves should be held annually to provide support to startups. He also suggested to set up a startup hub in the BIMSTEC Secretariat.

The inaugural session was also addressed by H.E Mr. Zunaid Ahmed Palak, State Minister for Information and Communication Technology, Government of People's Republic of Bangladesh, H.E Mr. LyonpoLoknath Sharma, Minister of Economic Affairs, Royal Government of Bhutan, H.E. Mr. Lekhraj Bhatta, Minister of Industry, Commerce and Supplies, Government of the Federal Democratic Republic of Nepal, H.E. Dr. Pun-ArgChairatana, Executive Director, National Innovation Agency, Government of the Kingdom of Thailand and Dr. Guruprasad Mohapatra, Secretary, DPIIT.

Prime Minister Shri Narendra Modi will interact with startups and address the Summit tomorrow at 5 p.m. via Video Conferencing. With participation from over 25 countries and more than 200 global speakers, the Summit is the largest Startup India International Summit organized by the Government of India since the launch of the Startup India Initiative in 2016. The Summit is having 24 sessions with focus on enhancing multilateral cooperation and engagement with the countries from around the global to collectively develop and strengthen the Startup ecosystem.

Source: pib.gov.in– Jan 15, 2021

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CCI almost stops procurement as cotton prices rise up to Rs 6,000/quintal

With prices of quality raw cotton rising up to Rs 6,000 per quintal this week, cotton procurement by the Cotton Corporation of India (CCI) has almost come to a stop, top officials at the CCI said. Some procurement is happening in rural areas.

“Cotton procurement under the minimum support price (MSP) programme has reduced with prices going up. Cotton arrivals are staggered with around 210 lakh bales having already arrived into the market with another 140-150 lakh bales remaining with farmers.

The CCI has procured 85 lakh bales and may procure another 5-10 lakh bales,” PK Aggrawal, CMD of CCI, said. The MSP is at Rs 5,825 per quintal for the best grade of cotton.

The CCI had originally estimated a purchase of 100-125 lakh bales at the start of the season. Wholesale prices of cotton in most mandis in Maharashtra ranged from Rs 5,400 to Rs 5,500 per quintal in the last week of December.

Aggrawal said prices were getting aligned since the demand was slowly returning back to normal after the Covid pandemic. Capacity utilisation in textile mills is also returning back to pre-Covid levels, he said. Daily arrivals have reduced to some 70,000 bales a day from a high of 3 lakh bales on a daily basis at December-end, he said.

Bangladesh, meanwhile, has emerged as the largest exporter so far with nearly 14 lakh bales being exported to the country. Aggrawal said although the agreement between the two governments is yet to happen, around 20 lakh bales have so far been exported to the country, he said.

The CCI has a floated a daily tender for exports and expects a good response from China and Vietnam. China may import 25-30 lakh bales and Bangladesh is expected to import some 30-35 lakh bales from India, Aggrawal said. Vietnam is likely to import around 4-5 lakh bales.

Source: financialexpress.com– Jan 16, 2021

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Cotton futures slip nearly 1% to Rs 21,060 per bale on higher stocks

Cotton futures traded weaker at Rs 21,060 per bale on January 15 as participants trimmed their positions as seen from open interest. Cotton prices had dropped 0.5 percent January 14 to settle at Rs 21,260/bale on the MCX.

"Despite positive cues from the international market, domestic cotton futures failed to sustain above Rs 21,300 levels as Cotton Association of India (CAI) revising higher domestic cotton carry forward stock for this season and limited buying from local millers have kept Cotton prices under check," said Mohit Vyas, Analyst at Kotak Securities.

The United States Department of Agriculture (USDA) has lowered world Cotton stock estimates for 2020-21 season and failing supply in the physical market may support natural fibre from lower levels.

In the futures market, cotton for January delivery touched an intraday high of Rs 21,250 and an intraday low of Rs 21,000 per bale on the MCX. So far in the current series, the commodity has touched a low of Rs 19,340 and a high of Rs 21,450.

Cotton futures for January delivery fell Rs 200, or 0.94 percent, to Rs 21,060 per bale at 15:20 hours IST on a business turnover of 3,599 lots. The same for February contract declined Rs 210, or 0.98 percent, at Rs 21,320 per bale with a business volume of 2,345 lots.
The value of January and February's contracts traded so far is Rs 29.98 crore and Rs 13.15 crore, respectively.

Lower-than-expected stock revision by USDA in January WASDE report is likely to keep Cotton on a firm note in coming sessions, said Kotak Securities.

At 09:25 (GMT), US Cotton futures decreased 0.23 percent quoting at 80.96 cents/pound on Intercontinental Exchange (ICE).

Source: moneycontrol.com– Jan 15, 2021

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Agri Reforms: Seeding consensus

The government has rightly argued that the new farm laws simply codify existing agricultural practices; however, those arguing against the reforms feel that any change in status-quo would hurt small farmers in particular. Though the present disagreement is largely on minimum support price and mandis (which affect only a small number of farmers), it is clear that the negotiations are being extended to cover general areas of concern in the agricultural sector. Why do economic reforms in agriculture face so much resistance? This is an issue I will try to address in this article.

The reforms of 1991 excluded agriculture and were confined to industry (ending the system of industrial licensing), exchange rate liberalisation, trade (replacement of import quotas with import duties) and foreign investment. To understand the current situation, note that the reform process since 1991 has been relatively smooth. The major impact was to open up the economy to external and internal competition and prepare for the emerging new era under the WTO.

Over the 1990s, removing quantitative restrictions and quotas hurt the small scale industries particularly, as these were protected from competition in the previous 40 years. The protective period from 1950 to 1990 had led to the development of a highly inefficient domestic industrial sector. This was most clearly manifest in labour-intensive sectors like textiles. Between 2000 and 2015, the share of textiles in Indian exports declined from close to 23% to only around 10-12%.

The Indian apparel and textile sector worked on old technology, was size inefficient and not part of the global supply chains, which have now developed in all products. Today, the apparel sector cannot even compete with some other countries like Bangladesh, Pakistan, and Sri Lanka, and is far behind countries like Vietnam. In general, this “structural adjustment” takes place in any economy facing global competition, and the Indian textile sector is no exception. Over time, this sector has had to modernise or shift to areas like Information Technology, electronics, toys, etc.

The current debate and disagreement on the three Acts—Farmers’ Produce Trade and Commerce (Promotion and Facilitation) Act, Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act, and the Essential Commodities (Amendment) Act—affecting agriculture constitute an effort to bring the farm sector to the mainstream of reforms as broader developments and globalisation have made it difficult to segregate the economy neatly into agriculture, industry, services and trade.

The most notable consequence of the continued use of the MSP price-guarantee system has been the excessive building up of cereal stocks. This has not only created issues of unsold inventories but altered the production pattern against all environmental concerns. Punjab, which is environmentally ill-suited to rice production, is now the rice bowl of the country.

As consumption patterns have shifted away from basic cereals towards dairy products like meat, fish, eggs, etc, the share of income spent on cereals has also declined, and with it, the income of farmers concentrated on cereals production. In general, production patterns must have some relation to the change in consumption patterns. This is not possible in a strong price control regime.

A price control regime disturbs demand-supply balance over time.

All of this is well known, yet, farmers have been camped outside Delhi for over a month. It is clear the opposition is to reforms in the agricultural sector rather than micro issues like minimum support price, etc. The explanation lies in the nature of political liberalisation in an economy like India. Reforms in agriculture are considered the purview of the state governments. Hence, the central government's sectoral reforms are blamed on "uncaring" central authority. It is not difficult to understand why political parties that have supported the agricultural reforms in the past now appear to be backing the current farmer agitation.

The solution to the current standoff is obvious. The central government can permit states to pass state-wise legislations to defray the provisions of the current Acts. The emerging imbalance in production and income patterns between the states will automatically lead to political consensus on a common path. This happened in the case of Goods and Service Tax, and there is no reason why it should not happen in the case of agriculture.

Globally too, there are strong emotions attached to the agricultural sector. This is probably why no country has been able to treat agriculture like any other sector, even in the international fora like the World Trade Organisation. India is no exception.

Source: financialexpress.com– Jan 15, 2021

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RBI gets overwhelming response to 14-day variable reverse repo auction

The Reserve Bank of India (RBI) received overwhelming response at the 14-day variable rate reverse repo auction it conducted under the revised Liquidity Management Framework on Friday, with banks tendering bids for 1.50 times the notified amount of ₹2-lakh crore.

This auction is the first one to be conducted after the RBI decided to temporarily suspend the aforementioned framework, which was issued on February 6, 2020, due to thepandemic.

This auction is part of the central bank's measures to resume normal liquidity management operations.

The RBI received offers for parking liquidity aggregating ₹3,05,816 crore at the auction. It accepted offers aggregating ₹2,00,009 crore, with the cut-off rate and weighted average rate working out to 3.55 per cent and 3.46 per cent, respectively.

The surplus liquidity in the banking system is underscored by the fact that the RBI absorbed liquidity aggregating ₹6,70,642 crore at the one day reverse repo on Thursday at the reverse repo rate of 3.35 per cent.

Anurag Mittal, Senior Fund Manager – Fixed Income, IDFC AMC, said: "While this measure enables banks to bid higher than reverse repo rate, and hence can help moderately nudge up call and tri-party repo (TREPS) levels, from a policy standpoint, it doesn't mark any new liquidity initiative, but is continuation of other recent normalisation measures like extension of market timings."

Source: thehindubusinessline.com– Jan 15, 2021

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WPI inflation for textiles up 1.63% in December 2020

India's annual rate of inflation, based on monthly wholesale price index (WPI), for December 2020, stood at 1.22 per cent over December 2019. The index for textiles increased by 1.63 per cent, while it decreased by 0.43 per cent for apparel in December, according to the provisional data released by the Office of the Economic Adviser, ministry of commerce and industry.

The official WPI for all commodities (Base: 2011-12 = 100) for the month of December 2020 increased to 124.5 from previous month's 124.2, showing positive inflation for the fifth consecutive month since April this year when the economy was hit by COVID-19 pandemic and lockdowns.

The index for manufactured products (weight 64.23 per cent) for December 2020 increased by 1.40 per cent to 123.0 from 121.3 for the month of November 2020. The index for 'Manufacture of Textiles' sub-group too rose by 1.63 per cent to 118.3 from previous month's 116.4. The index for 'Manufacture of Wearing Apparel' sub-group, however, decreased by 0.43 per cent to 139.0 from previous month's 139.6.

The index for primary articles (weight 22.62 per cent) decreased by 3.11 per cent to 146.5 in December 2020 from previous month's 151.2. The index for fuel and power (weight 13.15 per cent) however increased by 3.18 per cent to 94.2.

Meanwhile, the all-India consumer price index (CPI) on base 2012=100 stood at 157.3 (provisional) in December 2020 compared to 158.9 (final) in November 2020, according to the Central Statistics Office, ministry of statistics and programme implementation.

Source: fibre2fashion.com– Jan 15, 2021

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CBIC moving to set up large battery of lawyers to fight rising number of GST litigations

Overly aggressive attitude of tax authorities, demands being coerced sans show cause notices, making arrests to coerce recoveries, among reasons for tax payers to approach HCs, SC

Central Board of Indirect Taxes & Custom (CBIC) has a new challenge on its hands, apart from collecting more taxes and prompting people to comply with the tax law. The new challenge is the increasing number of litigations, especially related to Goods & Services Tax (GST).

The good news is that CBIC is gearing up to put in place a large battery of lawyers to fight these cases.

“It has been deliberated that an increasing number of petitions related to GST and other taxation as well as policy matters are being filed before High Courts. Further, there is a growing trend of approaching High Courts directly, sometimes even against issue of summons, thereby bypassing the statutory appellate mechanism,” CBIC said in a communication to Principal Chief Commissioners, Chief Commissioners, Principal Director Generals and Director Generals.

Further it was mentioned that, for efficacious representation and defence, it was deliberated that the Department of Revenue should have a larger pool of resources in terms of a greater number of Counsels to appear in High Courts. All the officials have been urged to recommend “more Senior and Junior Counsels for handling cases of indirect taxation pertaining before High Courts and other fora.” The letter clearly says that names already recommended should not be sent again. Also, new names should be forwarded by March 31.

So, why’s there an increasing number of cases? Tarun Gulati, Senior Advocate in the Supreme Court feels the overly aggressive attitude of tax authorities seen over the last year has led to several unnecessary measures like demands being coerced without issuing show cause notices, making arrests to coerce recoveries, etc. “The tax payer has no resort but to approach courts. The abuse of powers and excessive use of it is so rampant that there is no option but to knock on the doors of the court,” he said.

Smita Singh, Partner (Indirect Tax, Customs & Trade Group) with Singh & Associates, says input tax credit and the issue of fake invoices lately have been the biggest causes of litigation in the GST regime. Government officials have been swift in their attempt to nab taxpayers dealing in fake invoices or involved in huge tax evasion. To add to this critical aspect of GST is the power to arrest for the violation of GST laws.

“Section 133 provides GST officers the power to arrest a person in case he has reason to believe of any wrongdoing and tax evasion. Although such powers have been challenged by taxpayers through writ petitions, contrary views were expressed by the High Courts of Telangana and Bombay, and on appeal, the Supreme Court directed the constitution of a larger bench to decide the issue, which is still pending,” she said.

Further, she said that almost five lakh tax disputes are pending before courts, including before quasi-judicial authorities, valued at over ₹8-lakh crore, which may necessitate another Sabka Viswas Dispute Resolution Scheme only for old Custom, Excise and Service Tax-related cases. “For GST-related disputes, it is too early to expect amnesty schemes from the government,” she said.

Source: thehindubusinessline.com– Jan 15, 2021

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Forex reserves rise $758 million

The country's foreign exchange reserves rose by $758 million to reach a record high of $586.082 billion in the week ended January 8, RBI data showed on Friday.

In the previous week ended January 1, the reserves had increased by $4.483 billion to $585.324 billion. In the reporting week, foreign currency assets rose by USD 150 million to USD 541.791 billion. PTI

Source: thehindubusinessline.com– Jan 15, 2021

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