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## NEWS CLIPPINGS

# INTERNATIONAL NEWS

## China economy grows 2.3% in 2020 as rebound from virus gains

That was China's weakest growth in decades but ahead of the US and other major economies

China's economy grew 2.3 per cent in 2020 as recovery from the Covid-19 pandemic accelerated while the US, Europe and Japan struggled with disease flare-ups.

Growth in the three months ending in December rose to 6.5 per cent over a year earlier, up from the previous quarter's 4.9 per cent, according to official data released on Monday.

Activity contracted by 6.8 per cent in the first quarter in 2020 as factories and shops shut down to fight the virus. The following quarter, China became the first major country to grow again with a 3.2 per cent expansion after the Communist Party declared victory over the virus in March and reopened the economy.

That was China's weakest growth in decades but ahead of the US and other major economies. They have yet to report 2020 growth but all are on track to show full-year activity contracting before vaccines are rolled out.

China has re-imposed controls on travel in some areas after a spate of cases this month but most of the country is unaffected. Growth was aided by global demand for Chinese-made masks and other medical supplies.

Exports rose 3.6 per cent last year despite a tariff war with Washington. Exporters took market share from foreign competitors that still faced anti-virus restrictions.

The International Monetary Fund and other forecasters expect economic growth to rise further this year to above 8 per cent.

Source: thehindubusinessline.com– Jan 18, 2021

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# Philippine garments, hard goods exports likely to grow 15%

Exports of garments and hard goods in the Philippines are expected to grow by as much as 15 per cent to about $1.4 billion this year as buyers have reinstated orders cancelled last year due to the pandemic. Foreign Buyers Association of the Philippines (FOBAP) president Robert Young hoped that 2021 could be a recovery year for garments, hard goods, furniture and housewares sectors.

"FOBAP has adopted an 'optimistic playbook' for 2021 based on gathered data and fearless forecast, plus non-stop appeal for our principals for more production orders," he was quoted as saying by media reports in the country.

New orders worth $280 million have been received by domestic factories, he revealed. "From sewing floor to store shelf, the 2021 outlook for troubled mid to high fashion items are dim and hazy, therefore a price recosting/re-levelling is a must. Only the basics and essentials, such as undergarments, fast fashion are now staying alive," said Young.

In addition, he said there have been confirmed export orders for the country's soft goods comprising mostly garments of about $200 million for the first quarter. Buyers include are Wacoal, Adidas, Ralph Lauren, Ann Taylor, JCPenny, among others.

Last year's Philippine garment export was estimated at $900 million only.

In addition, Philippine hard goods and home fixtures or wares also received reinstated orders roughly $80 million from stores like TJMax, Crate & Barrel, Target and Costco. The country expects to receive fresh orders in March this year, Young said. He said 70 per cent of the orders come from the United States, while the rest from European Union, Canada, Australia and other nations.

"Most of these orders are coming from the relocated foreign factories in China. Also, the Philippines will have added volume for the more complicated items jackets/sportswear which are not the production preference of other countries. They opt for more basic wearables," he added.

Source: fibre2fashion.com– Jan 18, 2021

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# Turkish firm producing antiviral masks to establish company in US

The Turkish textile company Ebruzen Textile is due to establish a company in the U.S. to market the antiviral fabrics it developed and the masks produced from this fabric, its officials said Sunday.

The company has been working on technical textiles in an organized industrial zone (OIZ) in the Turkish northwestern province of Bursa.

It has managed to develop the antiviral fabric by integrating a special chemical.

The fabric and masks produced from this fabric were analyzed and tested at the centers authorized by the Health Ministry for virus analysis and were granted the International Certificate of antiviral effectiveness EN18184.

They have been sold in the domestic market as well as exported abroad.

Sadık Kutlucan, an official at Ebruzen Textile, said the company, established in 2003, has been working on technical textiles, anti-static fabrics, fireproof fabrics and clothes made of these fabrics.

With the coronavirus pandemic, the research and development (R&D) team turned their attention to antiviral fabrics, Kutlucan told Anadolu Agency (AA). He said the fabrics were approved by the Health Ministry and also received positive results after being tested at internationally accredited laboratories by American accreditation centers.

“After the tests, we developed antiviral masks and products derived from the antiviral fabric,” he said. “This fabric has a chemical that offers antiviral features and when the virus comes in contact with the fabric, it kills it with nanotechnology that does not allow the virus to move,” Kutlucan explained.

“After the virus is destroyed, it cannot be transmitted to the other side of the fabric.” Mass production for the mask has started and has been witnessing an intense demand, Kutlucan said.

He stressed they have submitted an application to establish a company in the U.S., which he said will be completed as soon as they receive the approval.

The official also said the fabric is being used for aprons used by doctors and hospital sheets, stressing that there were many investors interested in the product and that negotiations were underway.

The company's R&D director, Ömer Tunçel, said the company has widened its product range during the pandemic.

Tunçel also said the antiviral fabric destroys the viruses in around two hours.

"The fabric we developed has a very effective filtration level of 98%. This level is still 94% even after washing the masks 20 times; they have to be washed with detergent and at 60 degrees Celsius (140 degrees Fahrenheit)," he explained.

"Our fabrics and masks are being tested at the Advanced Functional Fabrics of America, a unit of the Massachusetts Institute of Technology. In two weeks, we will start selling the masks to other countries through the company we will establish in America," Tunçel said.

Source: dailysabah.com– Jan 17, 2021

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# Pakistan: Cotton imports cut benefits of record textile exports

Benefits of higher textile exports have been eaten up by poor cotton growth as the textile sector had to import lint and other related accessories (excluding textile machinery) up to $1.5 billion in the first five months of the current fiscal year.

Textile exports increased by 7.8 per cent in the first six months of the current fiscal year to reach at $7.442bn. In dollar terms, the increase was of $538 million.

However, the textile sector had to spend $321m to import raw cotton in the first five months of the same fiscal year.

Cotton and textile experts predict that the import of cotton could cross $1bn by the end of the third quarter of FY21.

Imports of textile group included raw cotton, synthetic fibre, synthetic and artificial silk yarn, worn clothing and other textile items costing a total $1.545bn. The import of textile group has increased by 50pc during the five months of this fiscal.

In its recently issued first quarterly report for FY21, the State Bank said prospects of higher cotton production were slim from the outset, given that the area dedicated to the crop — recorded at 2.2 million hectares — is the lowest since FY82. Specifically, the area under cotton in FY82 was 2,214.1 thousand hectares, marginally lower than the 2,217.9 thousand hectares registered in FY21.

The area under cotton has witnessed a spectacular decline in the past decade: it averaged 2.7m hectares during FY12 to FY21, compared to nearly 3m hectares between FY92 to FY11.

“The crop has lost its competitiveness relative to other major crops, in particular sugarcane,” said a State Bank report.

Being a tradable commodity, there is higher competition in the cotton market which effectively puts a ceiling on its price growth. Meanwhile, sugarcane is generally non-tradable and the market structure does not allow it to be traded across borders. Moreover, the minimum support price for sugarcane also gives comfort to growers.

“The pricing dynamics have tended to give sugarcane an edge over cotton, which has manifested in the switching of area away from the cotton in favor of sugarcane,” the report said.

In the second half of 2020, heavy rains badly damaged cotton crop. The SBP said that as a result, the provisional cotton yield was estimated to be 47.3pc short of the FY21 target in Sindh, and 9.4pc shy of the annual target for Punjab.

Cotton and textile industry reported that seed germination will be a major problem to maintain plant population as field tests show the range of 40-60pc germination against the normal requirement of more than 80pc. Under the current situation, farmers must use double the seed to maintain plant population.

Cotton production fell for the third consecutive year as area under production declined while yields failed to reach targeted levels.

Source: dawn.com– Jan 17, 2021

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# Pakistan: December textile exports reach historic high

Textile exports during December 2020 increased by 22.72 per cent to a historic high of $1.401 billion compared to $1.14bn in the corresponding month of last year, latest data released by the Pakistan Bureau of Statistics on Friday showed. On a month-on-month basis, the country's exports during the month increased by 9.20pc. On a cumulative basis, the textile exports increased by 7.79pc to $7.442bn in July-December against $6.904bn in the same period last year, the data showed.

The textile commodities that contributed to positive trade growth included knitwear, exports of which increased to $1.849bn during 1HFY21 compared to $1.586bn last year. Likewise, bedwear exports increased by 16.38pc to $1.394bn; towels exports increased by 17.47pc to $445.709 million.

The exports of tents, canvas and tarpulin grew by 57.77pc to $62.477m; readymade garments by 5.54pc to $1.490bn; art, silk and synthetic textile increased by 0.17pc to $167.502m; made-up article by 17.46pc to $379.229m. Meanwhile, exports of the commodities that witnessed negative growth included raw cotton, declining by 96.14pc to $0.592m while those of cotton yarn decreased by 26.36pc to $400.730m.

In addition, exports of cotton cloth also decreased by 7.73pc to $935.009m and yarn (other than cotton yarn) by 7.28pc to $13.464m. It is pertinent to mention here that the country's merchandise exports increased by 4.98pc during the first half of the current fiscal year as compared to the corresponding period of last year. The total exports from the country during July-December were recorded at $12.110bn against $11.524bn during the same period last year, according to the latest PBS data.

The imports into the country during the period under review also increased by 5.72pc by growing from $23.195bn last year to $24.521bn during the first half of current fiscal year.

Based on the figures, the country's trade deficit increased by 6.44pc during the first half compared to the corresponding period of last year. The trade deficit during the first six months of the current fiscal year was recorded at $12.423bn against the deficit of $11.671bn last year.

Source: dawn.com– Jan 16, 2021

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## Bangladesh: Apparel exporters should be repaying the stimulus funds now. But they are pleading for more time

He has 2,500 workers to support and scores of operational expenses to bear but no revenue coming in.

But from Sunday, the apparel exporter, who is based in Chittagong, has to begin servicing for the loan he took from the government's stimulus fund for the export-oriented industries.

"Definitely, the stimulus package brought us relief, but it is now a burden for us as we do not have sufficient work orders, which is the prime source of our income," said the beleaguered apparel exporter who shied away from going on record for fear of reprisal.

On March 25, just as the coronavirus was going full steam ahead on its devastating rampage across the globe, the government announced a Tk 5,000-crore special package to pay the wages and allowances of export-oriented industries' workers for three months starting from April.

As the fund was later found to be inadequate, the government released another Tk 2,500 crore from the bailout package rolled out for the large industries affected by the pandemic.

Banks disbursed the amount directly to the workers' bank accounts or mobile financial service accounts.

The interest-free loan carried a 2 per cent service charge and had to be paid in 18 equal monthly instalments after a six-month grace period.

Then in July, the government made Tk 3,000 crore available to the export-oriented industries to help them provide wages and salaries for the month.

But this time, the borrowers will have to pay 4.5 per cent interest rate to avail the fund while banks will get 9 per cent interest as the government will give the rest as subsidy.

"When I took on the loan from the stimulus package, I thought I would be able to realise the $1 million in arrears from my global buyers," says the anxious exporter.

That has not been the case as economic recovery stalled in much of the Western world in the face of the second wave of coronavirus cases.

Like him, there are hundreds of others in the same boat, all praying for an extension of the grace period to repay the stimulus funds.

“Right now, I am in the red,” said Irfanul Hoque, director of Fatullah Fabrics.

His consignment was stranded for over a month at an American port and he had to pay a hefty discount of $150,000 to get his buyer to take delivery of the goods.

At the same time, he had to pay the wages of his workers in full from August onwards along with the bills for raw materials.

“The stimulus fund from the government enabled me to stay afloat. But as a small entrepreneur, I am in dire straits as there are not enough work orders.”

And the few that he has received are being held up amid the second wave of the pandemic.

“We are facing an acute liquidity crisis to bear the current expenses as it is,” Hoque added.

There is simply a cash flow crisis among the apparel exporters at present, said Shahidul Islam, managing director of Eurotex Group.

If the government extends the grace period, it would save the apparel exporters avert the economic fallout from the second wave of coronavirus cases in the Western world, said Fazlee Shamim Ehsan, a director of the Bangladesh Knitwear Manufacturers and Exporters Association.

The Bangladesh Garment Manufacturers and Exporters Association has applied to the finance minister for amendment of the repayment term from 24 months to 36 months, with a year’s grace period instead of six months.

The repayment would mean 20 per cent in additional wage burden on the factories, said Rubana Huq, president of the BGMEA.

“Given the current scenario, this is difficult.”

Garment shipments brought home about $27.4 billion last year, which is the lowest since 2016, according to data from the Export Promotion Bureau.

The first and second waves of the pandemic impacted the local apparel industry in different magnitudes.

Instead of cancelling orders, buyers are now deferring order placements and splitting those into batches with shorter lead time, according to Huq, also the MD of Mohammadi Group.

“This has an adverse impact on our industry since factories are not being able to have a forecast and plan their capacity.”

In this backdrop of multi-pronged crisis, it is getting increasingly difficult for the factories to stay on course without additional fiscal support by the government, Huq added.

Source: dhakatribune.com– Jan 18, 2021

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# Bangladesh: Commerce Minister: Explore new markets to sustain RMG industry

The government is ready to assist further the RGM sector to offset the losses, he says

Commerce Minister Tipu Munshi has stressed the need for exploring new markets for Bangladesh's ready-made garments (RMG) sector to overcome the crisis created by the coronavirus pandemic.

"Bangladesh has to look for new markets including in the neighbouring countries for its diversified products including RMG that will help the country to recover the crisis. The garment sector overcame the effects of the first wave of the Covid-19 to some extent but we have started to feel the impact following the second wave," said the minister at a virtual dialogue on Saturday.

Centre for Policy Dialogue (CPD) organized the dialogue on "Recovery of the Apparels Sectors from the Covid-19 Crisis: Is a Value Chain based Solution Possible?" in partnership with Southern Voice, and Institute of Policy Studies of Sri Lanka (IPS) was the study partner.

Tipu Munshi said the government is ready to assist further the RGM sector to offset the losses. "We have to see the interest of all people including manufacturers, workers and buyers."

Harry Verweij, Dutch ambassador to Bangladesh, said their government urged companies not to cancel order of Bangladesh's RMG products.

"Many companies also followed the government's directives and purchased Bangladesh's products amid the Covid-19 pandemic. Our government also took many positive initiatives as well," he said.

Prof Mustafizur Rahman, distinguished fellow of CPD, moderated the session while its Research Director Dr Khondaker Golam Moazzem read out the keynote presentation.

Source: dhakatribune.com– Jan 18, 2021

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# Pakistan: Knitwear exports take lead, jump over 7 per cent

The Pakistan exports of textiles have witnessed an increase of 7.7 per cent in the lead of knitted garments and hosiery during the first half of the current fiscal year of 2021 as compared to the corresponding period of last year.

Pakistan Hosiery Manufacturers Association (PHMA) zonal chairman Faisal Mehboob Sheikh and chief coordinator Adil Butt on Sunday said that the textile exports were recorded at $7.4 billion in Jul-Dec (2020-21) against the exports of $6.9 billion in Jul-Dec (2019-20), showing a growth of 7.7 per cent.

Faisal Mehboob Sheikh said that the textile commodities that contributed in positive trade growth included knitwear, exports of which increased from $1.5 billion last year to $1.8 billion during the current year, showing the growth of 16.5 per cent. He said that it is good news that country's exports have shown positive growth for the fourth consecutive month in December 2020, which is a vindication of the government's policy to keep the wheels of economy running during the Covid-19 pandemic.

"PHMA extends congratulations to the commerce ministry and the whole nation for achieving record exports in December 2020. "Greetings also to all the hosiery exporters on achieving record exports in December 2020 with a growth of 18 per cent over the previous year, hoping the trend will continue with government full support to promote export culture."

Faisal Mehboob Sheikh said that Pakistan's exports of knitwear and other knitted garments and hosiery always play the leading role in exports growth, as the industry continued to show its resilience to the ongoing coronavirus pandemic.

Meanwhile, on a year-on-year basis, the textile exports increased 22.7 per cent during December 2020 as compared to the same month of last year. Exports during December 2020 were recorded at $1.4 billion against the exports of $1.1 billion.

On a month-on-month basis, the exports from the country witnessed an increase of 9.2 per cent during December 2020 when compared to the exports of $1.2 billion in November 2020.

Based on the figures, the country's trade deficit also increased by 6.4 per cent during the first half compared to the corresponding period of last year. The trade deficit during the first six months of the current fiscal year was recorded at $12.4 billion against the deficit of $11.6 billion last year, which needs to be controlled through further improvement in exports.

Pakistan Hosiery Manufacturers Association chief coordinator Adil Butt observed that by showing comparatively well performance the value-added textile category has proved that it has been the main driver of growth in the country's overall exports.

He said the value-added sector achieved growth because of preferential access to the 28-nation European Union under the GSP+ scheme which can further be enhanced with the government's support. He said that Pakistan direly needed to establish an Aggressive Marketing Plan for garment export to get maximum benefits of GSP-Plus status.

Adil Butt said that apparel sector can play a leading role in earning foreign exchange and boosting exports. He suggested the government to establish a task force, especially at a time when the Chinese garment industry, which has more than 30 per cent share of the world apparel market, is relocating.

He added that a regional taskforce needed to be established to determine issues being confronted by the industry and then to suggest measures to ensure its viability and competitiveness in the international market.

Adil Butt observed that the garment industry is less capital intensive, provides 4 times as many jobs for the same investment, uses less energy and adds more value.

Source: nation.com.pk– Jan 18, 2021

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# NATIONAL NEWS

## Export recovery: Rivals Vietnam, China far outpace India

As India's merchandise exports limp back to normalcy, two of its key rivals in global markets have surged ahead with greater vigour, beating the Covid-19 blues. While China has pipped India in scripting a resurgence in exports to the US and the EU (excluding the UK), New Delhi's largest shipment destinations that account for a third of its overseas despatches, Vietnam outpaced even China in the recovery.

This suggests India's export contraction may have been accentuated by factors other than just a Covid-induced demand slowdown, mainly in the West. Forget China, in absolute term, even Vietnam has now beaten India in exports to the EU, having already surpassed it in supplies to the US in 2018.

Between January and November 2020, while India's shipment to the US shrank 13.3% on year to $46.3 billion, China's dropped by only 5.8% to $393.6 billion despite a trade war and growing criticism of Beijing's mishandling of the Coronavirus outbreak. Vietnam's exports to the US, in fact, rose by as much as 20% to $72.7 billion, according to the US government data. India's exports to all destinations were down by 16% until November last calendar year.

Similarly, India's exports to the EU (excluding the UK) witnessed a steep 17.2% decline to 30.6 billion euros in the January-November period, showed the official data with the EU.

However, China's shipment to the 27-member block rose by 4.3% to 350 billion euros during this period and Vietnam's fell only marginally by 0.5% to 31.9 billion euros. A recent free trade agreement between Hanoi and Brussels may further tilt the balance in favour of Vietnam in the coming years.

India's inherent structural bottlenecks, including high logistics costs, unimpressive trade infrastructure, container shortage and inadequate flow of cheaper credit, seem to have just exacerbated the Covid-induced stress in its export sector. Its exports have risen only for a second time in 10 months in December, that, too, by just 0.1%.

As FE had reported in October, India had emerged as the worst performer among key developing economies in Asia in exports in the aftermath of the Covid-19 outbreak, trailing not just the usual stars China and South Korea but also Vietnam, Indonesia, Malaysia and even Bangladesh.

To be sure, India imposed a much more stringent lockdown (from March 25 until it was eased gradually from June) than any of these nations. A domestic demand compression battered its imports much harder than its exports. Consequently, import-sensitive export segments, too, saw a sharp drop. Also, India was among the last set of nations where the pandemic spread its tentacles, which means it should be among the last to stage a rebound. To that extent, the contraction in its exports is understandable.

However, what signals a deeper fissure in India's export resurgence story is the loss of momentum since the 6.1% expansion in September, the first since February. Its outbound shipments faltered by 5.1% in October and 8.7% in November before recording the marginal rise last month.

Exporters have complained that a combination of a spike in shipping costs, the rupee appreciation and a huge cut in government benefits has eroded their competitiveness. The allocation under the Merchandise Exports from India Scheme (MEIS) for the first three quarters of this fiscal was reduced to less than 40% of last year's total.

The rupee was "over-valued" by 21% vis-à-vis a basket of 36 export-sensitive currencies in November, although it was lower than 23% in October, according to the RBI's real effective exchange rate index.

The government and the central bank have stepped in to boost liquidity for cash-strapped firms. But export credit dropped by 2.3% year-on-year as of November 20, even though overall priority sector lending rose by 8.9%.

The Centre has rolled out a scheme from January 1, 2021, to reimburse various embedded taxes on inputs consumed in exports and replace the MEIS (the latter is considered by some wings of the government to be an inefficient programme that only drains the exchequer). But the extent of benefits under the proposed RoDTEP scheme is yet to be worked out.

Source: financialexpress.com – Jan 18, 2021

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# Indian garment exporters start getting orders again with Covid-19 vaccination roll out

Garment exporters in India have started getting orders again with the launch of the Covid-19 vaccination drive in all major markets, top suppliers to international brands such as Zara, H&M and Primarc said.

Fashion brands have started placing fresh orders for the summer-spring season, as they expect consumption in top European and North American markets to pick up in the next few weeks with the roll out of the vaccination, said Sanjay Jain, chief executive of PDS Multinational Fashions NSE -0.29 % which supplies to brands like Zara, Walmart, Mango and Superdry.

“We got our first order for the summer collection last week,” an executive at one of the largest apparel exporters to brands like H&M and Zara said, requesting anonymity.

This comes months after shipments were kept on hold, orders cancelled and payments were put on hold, as global retailers were in distress due to high number of coronavirus cases in most countries which led to lockdowns and low shopper turnout.

Global brands which were mostly relying on digital channels until now expect shoppers to be back in stores by March or April, and so have started building inventory cautiously, Jain added.

Pent-up demand and increased online sales are expected to give a boost to exports, he added.

The order volume, however, is nowhere close to the pre-Covid level as brands want to mitigate risk, exporters said.

“It will take time before populations are vaccinated; hence, companies are cautious,” said Rahul Mehta, chief mentor at the Clothing Manufacturers Association.

According to industry estimates, the global textile and apparel market was worth $1.9 trillion in 2019 and was projected to reach $3.3 trillion in 2030. Europe and the US contribute about 30% to the total apparel market and hence the launch of vaccination in these two regions has led to the increase in number of international orders, exporters said.

However, there has been a significant shift in demand from formal wear to casual wear.

Knee-length, T-shirt dresses and polos are among the clothing items that are seeing robust demand from Europe and the US, as the work-from-home model continues in most countries.

Since the coronavirus pandemic began last year, the loungewear category of India's Rs 53,000-crore knitwear export industry has seen demand increase in the range of 15-150%, according to exporters.

"We have witnessed unprecedented increase in demand for loungewear and sportswear during 2020 over the previous year. Loungewear category sales have increased by 150%," said Arul Saravanan, chief marketing officer of SCM Garments, which specialises in knitwear garments.

The entire knitwear industry has witnessed this shift towards casual wear since the onset of the pandemic, with the export composition now changing from 50% casual and 50% formal to 70% casual and 30% formal.

Source: economictimes.com – Jan 17, 2021

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## 'Lot to be done to reposition India in global textile value chain'

Industry experts viewed that product development, digitalization, niche products and world class R&D institutions are way forward to reposition India in global textile value chain.

Ajay Arora, Managing Director, D'decor Home Fabrics Pvt. Ltd today said, "Digitalization across value chain is the key to growth and competitiveness in textile industry in India. It increases the interaction with buyers and allow companies to work closer to consumer through e-commerce."

Addressing 'FICCI TAG 2021, 12th annual Textile and Apparel Conference' on the theme 'Repositioning Indian Textiles and Strategizing for Growth in the Post-COVID World', Mr Arora further added that given the huge local market of 1.3 billion people, Indian companies should focus more on domestic market, achieve scale, and gradually look at exploring export opportunities as we become globally competitive in due course.

R D Udeshi, President, Polyester Chain, Reliance Industries said, "Indian textiles industry has revived post-COVID with the help of new product segments in knit-based industry as focus on comfort wear has grown among users substantially."

He further suggested that if Indian companies need to achieve the scale then end to end approach is required and it needs to be supported by world-class R&D institution set up in public private partnership.

S K Gupta, Advisor and Board Director, Raymond Ltd said, "Cotton is our strength; we should not lose focus on same. While proactive product development is the key to growth, sustainability along with compliance can create huge differentiation for India among global peers."

D Ghosh, Vice President- Sales, Oerlikon Textile India Pvt Ltd said, "Synthetics industry growth is the key and India need to increase the share of manmade fibers in the country to increase share of Indian textile industry in global market. India can also look at collaboration with neighbouring countries across supply chain to give push to textile industry's growth."

Prashant Agarwal, Jt. MD, Wazir Advisors Pvt. Ltd said that India needs to reposition itself through anchor led model, which will involve MSME's to develop scale. Complete digitization of supply chain will make Indian companies more competitive and give services as per buyers need, he added.

Ajay Sardana, Joint President & Head - Corporate Affairs, Grasim Pulp & Fibre Business said that creating sustainability across supply chain and adopting collaborative approach is the way forward for the textile industry's growth.

G V Aras from ATE Enterprise suggested that the country needs to broaden its product basket to increase global footprint and look beyond US and EU for growth. Home textiles, technical textiles, cotton and synthetic knit goods will be the front runners to provide desired growth and newer opportunities, he said.

Gunish Jain, CEO, Bluekaktus shared the importance of digitalization in the textile and apparel industry and the way companies are adopting advance technologies to address future opportunity areas.

Source: smetimes.in– Jan 18, 2021

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# CBIC waives bank guarantee for transshipment

The Central Board of Indirect Taxes and Customs (CBIC) notified the waiver of Bank Guarantee for Transhipment of Import & Export Cargo via Sri Lanka and Bangladesh.

The CBIC has received the representations that Customs authorities at some ports are insisting that ship owners provide Bank Guarantee for carriage of EXIM containers for transhipment from East Coast to West Coast ports, via Colombo.

It is seen that Circular No.45/2005, dated November 24, 2005 waives the requirement of execution of bank guarantee for the purpose of transhipment in respect of Carriers of containerized cargo, who are handling more than 1000 TEUs as import containers in a financial year.

This waiver would apply not only to shipping lines but also to ICDs/CFSs/other carriers and for carriage in all modes of transhipment, irrespective of their movement by road, coastal shipping or rail. Further, jurisdictional Commissioners of Customs in deserving cases have been empowered to exempt the requirement of furnishing Bank Guarantee in respect of carriers having annual transhipment volume below the limit of 1000 TEUs, but having good track record.

Also, vide Circular No.8/2019-Cus, dated February 26, 2019 movement of coastal goods through foreign territory of Sri Lanka and Bangladesh has been provided for, with a view to promote the movement of coastal goods through foreign territory.

The Board has decided to extend the exemption from requirement of furnishing of Bank Guarantee by the carriers for carriage of EXIM cargo for transhipment through foreign territories of Sri Lanka and Bangladesh. This relaxation would apply,if the carrier fulfils the requirement of waiver of Bank Guarantee in a like manner, as provided for by Circular No. 45/2005-Customs, dated November 24, 2005.

Source: maritimegateway.com– Jan 18, 2021

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# Budget in the time of Covid pandemic

*Excessive spending at this moment is unnecessary. Demand needs to be kept just ahead of supply to boost economic activity*

Battling with Covid-19 and its fallout is not over yet. Three areas where the Budget can take this forward and contribute to sustained economic recovery are explored here.

Monetary, fiscal cooperation

In India it is still mostly supply-side shocks that affect inflation but demand determines output. Keeping interest rates low and raising government expenditure will contribute to recovery. But this requires costs and inflation to fall. The Budget must rationalise indirect taxes and tariffs and maintain the focus on reforms that will reduce the cost of living and of doing business. Government borrowing has risen from the budgeted ₹7 lakh crore to ₹12 lakh crore. The cost of borrowing at an average 5.82 per cent is the lowest in 15 years. Ten-year G-secs yields peaked at 8.18 per cent in 2017-18, when the Repo was at 6 per cent. They are normally 60 bps above Repo.

A study of yield determinants found although short rates (including Fed rates) affected long rates, OMOs had the most impact. Today the yield is 5.9, but the Repo is at 4 so the spread is still too high. Although OMOs occur regularly now G-secs were only about 20 per cent of the RBI balance sheet in 2018. The rest was foreign securities. This must have worsened now because of large inflows and reserve requirements.

In the post global financial crisis decade, emerging markets (EMs) as a whole did relatively badly although the crisis originated elsewhere.

One reason was the surges and sudden stops in capital flows driven by global risk-on and –off worsened by quantitative easing (QE) in advanced economies (AEs). QE has intensified with Covid-19. EM policy-makers have to take pre-emptive countercyclical measures.

The Budget makes announcements on FPI permissions. These are linked to domestic market development as they should be, but should also depend on our need of, and ability to absorb inflows.

There should be a calculation of the cost to the taxpayer when more FPI is allowed to buy G-secs (paying 6 per cent) but the RBI has to swap those for US G-secs (paying zero) as it accumulates reserves. Over-appreciation can hurt exports and raise interest rates to cover expected depreciation.

The Budget can also announce incentives for physical investment that would make productive use of inflows and reduce the amount the RBI has to absorb.

Fiscal deficit and stimulus

There is a chorus saying the government spent too little in the Covid-19 year. But it should be noted that spending was more or less maintained while revenues fell sharply in the first half.

The consensus estimate of the fiscal deficit to GDP ratio is about 8 rising from the targeted 3.5 by 4.5. Such a rise in the fiscal deficit is an automatic stabiliser showing the excess demand from the government.

It is larger than the 4 percentage point increase after the global financial crisis. Since tax revenue had recovered in Q3, the actual fiscal deficit in the Budget may be lower. It should include all off balance sheet items to give a true picture of the stimulus given. Moreover, since a rise in fiscal deficit is acceptable in Covid-19 times it is an opportunity to shift to clean accounting.

But the consensus estimate for fiscal stimulus is only about 2 — much less than AEs — since it is incorrectly restricted to announced additional expenditure and sometimes includes arbitrary cyclical adjustments to GDP. This is incorrect also because budgeted expenditure is restructured in such a year, some items rise and others fall. Given our population size and large numbers affected, universal income protection as in US and Europe is just not feasible; we need to spend carefully, effectively and at the right time.

Comparing ourselves to the wrong countries has got us into trouble with farm and food subsidies also. East Asia maintained low food prices and high infrastructure investment in agriculture as long as food budget shares and population in agriculture was high had a successful agricultural transformation, while we locked ourselves into rising food prices and food subsidies so that investment and productivity fell. In Q1 2020 supply chains were disrupted and Q2 had the festival boost, Q3 and Q4 should show rising government expenditure as States receive GST payments mandated at 14 per cent nominal income growth, despite the sharp fall in revenue and growth.

The Budget is coming at the right time to give an additional stimulus as supply chains have recovered and the beginning of vaccination boosts sentiment. As revenue has recovered the government can spend more and analysts may see a rise in government expenditure.

They are looking for this since it directly adds to growth. There is also scope for a moderate rise in the fiscal deficit in this Budget.

One reason there is no excess demand despite large deficits maybe less leakage due to use of DBTs. Therefore more DBTs should be announced in the Budget targeting the lower and middle income classes whose propensity to consume is higher, who have suffered disproportionately under Covid-19, and who will now be ready to spend as confidence returns.

Debt and sustainability

Higher deficits in these two years are expected to raise the debt GDP ratio to about 85 per cent, the level it was in 2004, from the 2019 level of 70. The real debt ratio increases with the excess of the real interest rate (r) over the rate of growth (g), plus the primary deficit ratio (PD).

Over 2004-11 g much exceeded r, but the PD rose, still debt ratio fell 18 per cent to 67. Over 2012-19 g-r fell as g fell and r rose.

Therefore despite the PD falling due to strenuous fiscal consolidation efforts, debt ratio rose 3 per cent although central ratios did fall slightly. Interest payments to GDP ratio that fell from 4.5 to 3 in 2011 and have stagnated at that level since.

FY 2021 growth is expected to be high on base effects and low r. The fiscal deficit should rise as part of countercyclical policy to recover and exceed 2019 income levels. Spending of up to 0.5-1 per cent of GDP would be absorbed by a rising denominator (higher GDP growth) without raising the fiscal deficit. Reform, combined with expenditure on high multiplier, growth and employment enhancing items, will raise potential growth making higher growth sustainable. The vaccination drive is an opportunity to make India's primary health infrastructure robust.

As growth is established and revenue rises, the PD must shrink in FY22. Avoiding the mistakes of 2000s (excess liberality) and 2010s (excess consolidation), with optimal values of high g and low r, will allow the 85 per cent debt ratio in 2021 to be back at 70 by 2025 — in five years compared to the 25 years it took earlier.

It can fall further to reach FRBM target of 60 in a few more years. Privatisation and monetising public assets to finance expenditure would help.

No excessive boost is required. The Budget only needs to ensure demand is kept one step ahead of supply, thus inducing private activity.

Source: thehindubusinessline.com– Jan 17, 2021

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# New Indian Foreign Trade Policy to be effective from Apr 1

India's new Foreign Trade Policy (FTP) will come into effect from April 1 this year for a duration of five years and will strive to make India a leader in the area of international trade and channelise the synergies gained through merchandise and services exports for growth and employment to make India a $5 trillion economy, the ministry of commerce and industry said.

A meeting of the parliamentary consultative committee of the ministry was held recently on the issue. It was chaired by minister handling the portfolio Hardeep Singh Puri.

Improvements in the operations of the domestic manufacturing and services sector in combination with efficient infrastructure support by the government would result in correcting the imbalances within India and feed into the trade policy, a press release by the ministry said.

The District Export Hubs initiative will form an important component of the new FTP. The department of commerce through the regional authorities of the Directorate General of Foreign Trade (DGFT) has engaged with state and union territory governments to take forward this initiative and enable its implementation in a phased manner.

Source: fibre2fashion.com– Jan 18, 2021

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## Road to Recovery: Imports rise for the first time in 10 months

Merchandise exports inched up in December, for a second time since February 2020, while imports advanced for the first time in 10 months, suggesting a gradual return towards normalcy.

The quick estimate released by the commerce ministry on Friday shows exports rose 0.1% on year to $27.15 billion in December, better than a 0.8% contraction announced earlier. Imports rose at a much faster pace of 7.6% in December to $42.59 billion, inflating trade deficit to a 25-month high of 15.44 billion.

The rise in imports reflects a nascent revival of domestic demand following the Covd-induced compression since March last year, as businesses go through a “reset” phase, taking advantage of the lifting of lockdown curbs. However, as pointed out by analysts, some amount of pent-up demand for raw materials may also have contributed to the increase in imports, although it’s still an encouraging sign. If inbound shipments continue to rise, import-sensitive exports, too, will get a boost but it will also mark a return to the usual high trade deficit trend.

The outbound shipment of core products (goods excluding petroleum and gems & jewellery), which reflects the economy’s competitiveness, grew 5.5% in December, against a 0.4% fall in the previous month. Similarly, core imports rose 8% last month, compared with a 1.7% fall in November.

Already, hit by the pandemic, exports have witnessed a roller-coaster ride this fiscal. Having risen by 6% in September, the first expansion since February, outbound shipments faltered by 5.1% in October and 8.7% in November before the marginal rise in December.

Overall, merchandise exports still still down by 15.7% up to December this fiscal, while imports contracted by 29%.

Interestingly, core exports have accelerated at a quicker rate than that of overall merchandise exports month after month since May 2019, according to an FE analysis, based on the data from the Directorate General of Commercial Intelligence and Statistics.

Aditi Nayar, principal economist with Icra, recently said: "The recovery in imports reinforces our expectation that the current account surplus will deflate to sub-$5 billion in the second half of this fiscal."

The expansion in non-oil exports is enthusing in light of the curbs imposed by major trading partners following the resurgence of Covid-19 cases, Nayar said. Higher imports "signals a strengthening of the domestic growth impulses, pent-up demand for imported items as well as a rise in commodity prices", she added.

Sharad Kumar Saraf, president of the exporters' body FIEO, stressed that traditional and labour-intensive sectors have passed the most challenging times and the order books have started looking up with more contractions being firmed up. "The arrival of vaccines have also helped in boosting the business sentiments," he added.

Some of the high-value products that witnessed substantial rise in exports in December included iron ore (69.3%), drugs and pharmaceuticals (17.4%), electronics (16.5%) and gems and jewellery (6.8%).

Already, presenting a less gloomy picture, the World Trade Organization in October expected global merchandise trade to fall by 9.2% in 2020 from the year before, compared with the 12.9% drop projected in April last year. This will augur well for India's trade as well.

Source: financialexpress.com– Jan 16, 2021

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## Trident gets patent for 'Fabric and Method of Manufacturing Fabric'

Trident has been granted patent for “Fabric and Method of Manufacturing Fabric by European Patent office.

The invention comprises a method of producing a fabric by subjecting the fabric to a special treatment, thereby obtaining increased air space in the resultant fabric. This will help the company deliver its special soft towels without usage of any chemical based fibers enabling it to save environment and at the same time to deliver its soft luxury towels in European Market.

The grant of this patent provides further recognition of the quality of the innovation being carried out by Trident.

The Company operates in two major business segments- Textiles and Paper with its manufacturing facilities located in Punjab and Madhya Pradesh.

Source: fashionatingworld.com– Jan 15, 2021

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