TEXPROCIL NEWS CLIPPINGS
An ISO 9001:2015 CERTIFIED COMPANY
The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 21 of 2021 January 30, 2021

US 72.91| EUR 88.49| GBP 99.99| JPY 0.70

NEWS CLIPPINGS

	NATIONAL NEWS
1	Key Highlights of Economic Survey 2020-21
2	India's Merchandise Trade Deficit contracts this Fiscal
3	Summary of Economic Survey-2020-21
4	Rising Bangladesh exports hold lessons for India: Eco Survey
5	Forex reserves up by $1.091 billion to $585.334 billion
6	DC Handicrafts, Ministry of Textiles participates in first Virtual Bharat Parv-2021 celebration
7	Export growth may hinge on specialisation in items of comparative advantage
8	Budget 2021 Expectations: 'Govt should extend PLI scheme to MSMEs, enhance 25% public procurement limit'
9	Rising blending requirement heats up manmade yarn prices

INTERNATIONAL NEWS

U.S. Cotton Output Undercut by Rally in Grains

Cotton's abundance is under threat for the world's largest supplier.

U.S. cotton plantings are expected to fall as soaring Chinese demand for grains tempts growers to swap crops while drought undermines the fiber's prospects in the top producing state of Texas. The potential decline for the world's largest cotton exporter comes despite 10 straight months of price gains in the fiber's longest rally since 1973.

U.S. farmers are forecast to sow 11.5 million acres for the season starting Aug. 1, down about 5% from the prior year, according to median estimates of nine analysts surveyed by Bloomberg. The U.S. produced 25% less cotton last year after bad weather cut yields and more growers opted to skip the harvest.

The prospect of less American cotton means tighter supplies in a period of pent up global demand for textiles fueled by China's desire to boost reserves of the fiber. World cotton consumption is expected to surge 13% this year in what would be the biggest increase in at least 60 years, according to U.S. Department of Agriculture data.

The USDA and National Cotton Council will release their initial projections for plantings in February.

The number "is a moving target," said Peter Egli, the Chicago-based director for Plexus Cotton Ltd, who expects a drop to 11 million acres. He's pinning the uncertainty on heightened demand for other crops. China's insatiable appetite has sent grains including soy and corn to multi-year highs, eclipsing cotton's rebound.

The grains "are stealing acreage," Egli said. "There's a lot of interest in those crops."

Cotton will lose ground to corn, soybeans, and possibly even peanuts in the Mississippi Delta and Southeast U.S., said John Robinson, economist at Texas A&M's AgriLife Extension in College Station.

“Perhaps the same is true in the regions of the Texas Panhandle and Kansas,” Robinson said, noting that some growers in the Midwest state who recently started planting cotton may go back to grains.

Not everyone expects a drop, and global stockpiles remain ample. Rabobank International’s analyst Charles Clack forecasts a 2% increase, though he said his projection may be revised downward. The price “will need to provide enough incentive to prevent a major decline,” he said in a Jan. 21 report.

China, the world’s top importer, is increasing purchases of American supplies to meet trade commitments as it faces pressure to diversify its sourcing to avoid an international consumer backlash over its labor practices.

The U.S. in January banned imports of cotton products from China’s top-growing province, Xinjiang, over alleged ill-treatment of its ethnic Uighur Muslim minority. The province accounts for about 85% of the country’s output. The U.S. imported $9 billion of cotton products in the past year from China.

China’s workaround could involve using more imported cotton for textiles it sends overseas, according to O.A. Cleveland, an agricultural economics professor at Mississippi State University. Because of large subsidies given to growers, especially in Xinjiang, China’s cotton prices exceed those in international markets, making imported fiber far cheaper.

“Chinese-grown cotton will be used for the domestic consumer,” he said. “China will import more foreign cotton to build a larger textile/apparel manufacturing industry.”

Source: bloomberg.com– Jan 29, 2021

HOME

****

Global Textile-Garment Industry in COVID Quandary

The adverse impact on the novel coronavirus on the textile and textile products (TPT) sector in the Asia-Pacific (APAC) region in 2020 led to retail sales plummeting in key export markets and workers and enterprises throughout supply chains getting affected.

When initial reports of the novel coronavirus spreading in parts of China arrived, few had imagined the extent of the heath and economic catastrophe that would lead to. The shift towards the crisis began slow, but accelerated every week soon after. Its adverse impact on the textile and textile products (TPT) sector in the Asia-Pacific (APAC) region in 2020 led to retail sales plummeting in key export markets and workers and enterprises throughout supply chains getting affected.

Imports by major buying countries from garment-exporting countries in Asia dropped by up to 70 per cent in the first half of 2020 due to collapsing consumer demand, government lockdown measures and disruptions to raw material imports, the International Labour Organisation (ILO) found. Worker layoffs and dismissals sharply rose, while factories that reopened are often operating at reduced workforce.

Massive drops in working hours due to the COVID-19 crisis have had a devastating effect on jobs and incomes in APAC, according to ILO, whose Asia-Pacific Employment and Social Outlook 2020 released in December estimates that the economic backlash of the COVID-19 pandemic wiped out some 81 million jobs in 2020.

Fashion brands cancelled an estimated $15 billion worth orders when the global lockdown closed retail outlets earlier in the year. Apparel retailers used force majeure clauses in contracts with overseas suppliers to cancel orders. Many such orders had already been completed but brands refused to accept shipments, leaving suppliers stuck with millions of dollars of unsold stock. Dozens of apparel retailers and fashion brands in the United States, Europe and Asia closed hundreds of stores or filed for bankruptcy. Many businesses were wrecked beyond mending.

An analysis of government import data for the United States and European markets identified a $16 billion hole in clothing imports for 2020, largely due to cancelled orders.

Interviews with nearly 400 garment workers in Myanmar, India, Indonesia, Lesotho, Haiti, Ethiopia, El Salvador, Cambodia and Bangladesh conducted by human rights group Worker Rights Consortium (WRC) found that almost 80 per cent of workers, many making clothes for some of the world's largest fashion brands, are going hungry. Almost a quarter of those surveyed said that they were facing daily food shortages. The report found that across all nine countries, workers had experienced an average 21 per cent drop in wages since the beginning of the year, leading to many being unable to cover basic living costs.

Three-quarters of the respondents in the WRC survey said they were borrowing money to buy food, and almost half of these workers are still working at the same factory that employed them before the pandemic, which implies that even those who have managed to keep their jobs are taking on debt to cope with falling income, said Genevieve LeBaron, professor of politics at Sheffield University and a co-author of the WRC report.

Women, who make up the majority of the workers in APAC, have been disproportionately affected, aggravating existing inequalities in earnings and workload.

The Regional Comprehensive Economic Partnership (RCEP) was signed by 15 APAC nations on November 15. It is expected to come into full effect after at least two years. Trade among member countries of the Association of Southeast Asian Nations (ASEAN) is not necessarily going to be affected hugely by the RCEP as the tariff line is already close to zero.

On a positive side, during the third quarter of 2020, retail sales of textiles, clothing, footwear and leather goods in specialised stores in the European Union (EU) increased by 62 per cent compared to the second quarter, according to the European Apparel and Textile Confederation (EURATEX). The EU27 production also experienced a rebound compared to the previous quarter with 25 per cent in textiles and 33 per cent in clothing.

ILO initiated several initiatives to protect income, health and employment of RMG workers and support for employers during the pandemic. The global 'Call to Action,' an international multi-stakeholder initiative facilitated by ILO, is an example of industry-wide, solidarity efforts to address the crisis.

Fitch Solutions in July predicted that Asia, primarily, Vietnam, Bangladesh, Cambodia and Myanmar, will remain dominant players in textile manufacturing. The positive outlook was supported by the large young population and low labour costs, with further benefits to be gained from the supply chain shift from China.

Asia is likely to dominate garment production over the coming decade while China looks at reducing its apparel manufacturing operations and move up the value chain, Fitch said later. India and Indonesia, with cheap labour and large domestic markets, may, however, lose out due to the lack of conducive business environment, it said.

But news of another wave of the novel coronavirus with new strains and resulting lockdowns makes the first half of next year capricious.

Source: fibre2fashion.com– Jan 29, 2021

HOME

****

What America's Most-Searched Fashion Brand Says About the State of the Nation

America's favorite fashion brand bears few of the attributes that experts say today's consumers favor. It isn't known for an inclusive ethos or progressive stance on material choices that protect people and planet; rather, the brand that dominated stateside online searches, according to one British site, is more closely linked with misogyny, allegations of sexual misconduct and a billionaire executive's financial ties with late alleged sex trafficker Jeffrey Epstein.

Victoria's Secret's scantily clad star might be fading but American consumers still typed the lingerie label's name into the search bar at rates outpacing any other fashion brand, BusinessFinancing.co.uk found in recent research examining the world's most-searched brands.

Global searchers, however, propelled the usual fashion suspects into the top five, with No. 1 Nike and No 5. Asos bookending a list including twin titans H&M and Zara, followed by athletic powerhouse Adidas. With the exception of Zara, all have made substantial efforts to embrace sustainability, in keeping with a well-documented Gen Z and millennial affinity for values-led, Earth-embracing brands.

In fashion, just 20 companies control 97 percent of global retail profit, the study found.

Nike dominated searches in 49 countries. The brand proved most popular in China—the world's most populous nation—and across countries in Central and East Africa, from The Congo to Mali. Afghanistan also saw the athletic wear giant rank No. 1, as did most of South and Central America, where countries like Brazil, Chile, Mexico, Honduras, Guatemala and El Salvador queried the company's name consistently.

However, H&M was searched more frequently internationally, generating more than 34 million overall queries to more than 23 million for Nike. The Swedish fashion firm dominated its Nordic home market, as well as Germany, Austria, Hungary and Poland. Much of Eastern Europe, including Russia, Bulgaria, Serbia, Belarus and Uzbekistan, and the Middle East, like Yemen, Saudi Arabia, Turkey and Egypt, also favor the brand.

Spanish tastemaker Zara was also searched more frequently than Nike, with 28,798,130 queries across 38 countries. The fast fashion retailer's appeal proved vast and varied, ranking No. 1 in Italy, France, Japan, and of course, its own home market. But Zara was also the primary search in the Ukraine, Greece, Bosnia, Portugal, Morocco, Iraq, Libya, Chad, Angola, the Republic of Congo and Cote d'Ivoire.

Canada, meanwhile, rallied around hometown favorite Lululemon. Australia, New Zealand, the U.K., Ireland and Iceland favored Asos for apparel and footwear, while Adidas searches proliferated throughout South America, from Argentina to Bolivia, Peru and Ecuador, and in East African countries like Somalia, Ethiopia, Tanzania, Mozambique and Uganda. The brand also found a significant pocket of influence in India, Bangladesh, Vietnam, Cambodia, Thailand and Laos.

Nestled between these Asian countries, Myanmar proved the only nation to search for Chanel more frequently than any other brand. Luxury houses carried just three countries on the map, including Louis Vuitton in Kenya and Gucci in Turkmenistan. It comes as no shock that the most popular consumer brands are overwhelmingly web-based—and most of them are American. The top four most globally searched brands are Google, Netflix, Amazon and eBay, and the fifth is Swedish home furnishing superstore Ikea. Amazon dominates the U.S. as its most-searched brand overall.

On top of that, Google, Apple, Facebook, Microsoft and Amazon account for more than one-fifth of the S&P 500's entire value. "The situation is calcifying thanks to the pandemic," the British firm wrote, because "superstar companies" seem like a safer bet to investors than startups or small-to-medium-sized businesses.

While massive household names like Nike, H&M and Zara claim undisputed victory over global search volume, there's good news for smaller businesses in the fashion space. "These big companies tend to move slowly," BusinessFinancing.co.uk wrote.

"Just think how online brands have outgrown department stores that failed to move with the times," it added. While all three of the world's largest players have proved masterful at innovation when it comes to technology, material innovation and supply chain management, modern entrepreneurs are also measuring success differently, using "nobler metrics" like "community engagement, staff satisfaction and philanthropic impact," it added. "You don't need to be the most-searched company for what you do to have value."

Source: sourcingjournal.com– Jan 29, 2021

HOME

****

Chinese firm proposes building garment cluster in Myanmar

China's Eastern Development International (Myanmar) Co. Ltd. under the Dongzhan Textile Group has submitted a proposal to implement a textile manufacturing cluster project in a town in Myanmar's Sagaing city, an economic hub, at an expected cost of over $370 million, according to the latter's ministry of planning, finance and industry (MOPFI).

According to Myanmar's directorate of investment and company administration, the company was registered in 2018 as a manufacturer of readymade garments. Both directors of the company are Chinese citizens and it is wholly-owned by foreigners.

Sagaing city is home to a number of major state-owned textile factories. The Sagaing region borders India and its economy is largely dependent on trade with the neighbour.

The Myanmar Project Bank said the proposed project will comprise two phases at an estimated total cost of $371.40 million on 356.47 acres in Sagaing owned by No. 3 Heavy Industries Enterprise, a state-owned company. It will involve construction of a total of 17 garment related factories, an international textile-related market at a ginning factory in Sagaing, and other related infrastructures.

According to the Project Bank, construction is expected to be complete within 10 years. Phase 1 will include construction of 12 new garment-related factories, knitting fabric factories, dyeing and printing factories, down and feather factories and residential buildings for employees, according to Myanmarese media reports.

The second phase will include construction of five garment related factories, an embroidery factory, a carton factory, a polyester wadding factory and the international textile related market. Under the proposal, the industrial cluster would be linked with other textile factories across Sagaing Region.

The Chinese company had already carried out a preliminary feasibility study for the project. However, the ministry is reportedly planning to launch a Swiss Challenge to invite other interested bidders.

Under the Swiss Challenge process, an initial development proposal put forward by a company will be made public to allow qualified firms to challenge it with better terms, on the basis that they strictly adhere to the terms and conditions of the tender assessment criteria.

The project is a part of the government's plan for the privatisation of state-owned enterprises as the country intends to transform from a cut, make and pack (CMP) manufacturer to a freight–on-board (FOB) one.

Source: fibre2fashion.com– Jan 30, 2021

HOME

****

Techtextil North America 2021 to be held from August 23-25

As the first major textile event since Covid-19, Techtextil North America will return to Raleigh from August 23-25, 2021 to reunite the industry waiting for in person business interactions. This year's theme will be “Accelerating Technology” aimed at industry’s high level of innovation and contribution to global supply chain through advanced technology.

North Carolina State University’s Wilson College of Textiles, internationally renowned as a leader in the field of textile education and innovation, will again serve as the official academic partner, with several members of the college’s faculty also seated on the show’s advisory council.

Selected for their industry knowledge and expertise, the advisory council acts as a support to the management team in the planning and execution of the Techtextil North America Symposium and other educational content and show features, which, in line with the show’s theme, will heavily focus on advanced technology in textile design, development and end-to-end manufacturing.

This year’s advisory council will include: Frank Henderson, president at Henderson Sewing; Dr Karen Leonas, professor of textile sciences, department of textile and apparel, technology and management at Wilson College of Textiles, North Carolina State University; Dr Bryan Ormond, professor of polymer and color chemistry, department of textile engineering, chemistry and science and the textile protection and comfort center at Wilson College of Textiles, North Carolina State University; Dr Behnam Pourdeyhimi, associate dean for industry research and extension, William A Klopman distinguished professor of materials, professor of chemical and biomolecular engineering and biomedical engineering, executive director, The Nonwovens Institute, Wilson College of Textiles, North Carolina State University; Melissa Sharp, associate director at Zeis Textiles Extension, Wilson College of Textiles, North Carolina State University.

The Techtextil North America Symposium will provide the latest research and technology across verticals, with insights into textile industry trends, challenges brought on by emerging technology and how to keep stride in an ever-changing, global business landscape. The Symposium will include six paid educational sessions over the course of the three days event and will be complimented by show floor mini-sessions.

The event will include the first-ever Texprocess Americas pavilion, supported by Spesa, featuring machinery, equipment, and technology suppliers for the sewn products industry designed to foster new business opportunities and strategic partnerships between exhibitors and attendees. Leaders from across the industry will be given the chance to meet, learn, and see equipment functionality firsthand.

In addition to the pavilion, Spesa will once again co-locate its Advancements in Manufacturing Technologies Conference with Techtextil North America in 2021. The conference features presentations and panel discussions from Spesa members about the products they make as well as the challenges they face as they aim to improve efficiency, speed, and accuracy in sewn products manufacturing.

Co-locating the Advancements Conference with Techtextil North America allows attendees to make the most of their valuable time and resources by attending two events in one. Conference registration includes access to the show floor, and plenty of time to network with speakers, exhibitors, and attendees.

Source: fibre2fashion.com– Jan 29, 2021

HOME

****

H&M to Open First Arket China Store Despite Closing 350 Sites This Year

Pandemic lockdowns weighed on Hennes & Mauritz's fourth quarter sales, as the company reiterated plans to close 350 and open 100 stores this year while forging ahead with recycled materials. It's also planning to open the first Arket store in China later this year, making the lifestyle label's varied wares available to consumers in and visitors to Beijing.

In a Nutshell: The Swedish fashion giant will open an Arket store in the Chinese capital in the fall after testing the waters with a store on Tmall as well as a WeChat miniprogam. "The new store gives us an opportunity to welcome people into our world and invite them to experience the rich diversity of our collections—from beautifully-made fabrics and fashion designs to nature-inspired interiors, sustainable childrenswear and contemporary Swedish cuisine," said Pernilla Wohlfahrt, managing director of Arket.

Meanwhile, H&M says 1,800, or 36 percent, of its roughly 5,000 global stores are closed, which are likely to trim net sales by 23 percent for the first two months of fiscal Q1 2021.

The company said it has also streamlined its invoice and payment process and based on 2020 purchasing volumes, expects to free up around 10 billion Swedish kronor ($1.20 billion) in 2021. It also has a framework in place to issue sustainability-linked bonds to finance an accelerated transition to recycled materials. "The H&M group's goal is for 100 percent of the materials used in the products to be recycled or come from other more sustainable sources by 2030. By 2025 at least 30 percent are to be recycled materials," said H&M, which has a stable BBB credit rating from Standard & Poor's. "The group is continuing to monitor the bond market; if the need and the right market conditions arise, the group intends to issue a first bond," it added.

H&M said a deal with banks means it can pay suppliers earlier than an invoice due date, an offer extended to all suppliers. The program has been "well received in the markets where it has been implemented to date [and that m]ost suppliers have chosen to take part. This could improve the working capital of both the H&M group and the product suppliers."

And as it continues to integrate digital and stores, the company said it will move ahead with closing 350 locations in 2021 while opening 100. Of note, most closures will affect established markets, while new stores will arrive in growth hubs. In addition, a franchisee will open the first H&M store in Panama in the second half of the year. The company said it renegotiated a large number of store leases last year; about one-quarter of store leases will be renegotiated or exited annually. Last year, it closed 187 stores and opened 129.

"The H&M group stands strong after all the challenges brought by the pandemic. Thanks to much-appreciated collections, rapid and profitable online growth and strict cost control, the company succeeded in ending the year in profit and in a strong financial position," said CEO Helena Helmersson.

"Our measures to mitigate the negative effects of ongoing restrictions and closures are continuing," she added, despite the "highly challenging" environment.

Net Sales: Net sales for the fourth quarter ended Nov. 30 fell 15 percent to 52.55 billion Swedish kronor ($6.31 billion) from 61.69 billion Swedish kronor ($7.40 billion). Online sales rose by 50 percent in local currencies during the quarter.

A strong recovery at the quarter's start was "significantly slowed" by new restrictions and lockdowns amid Covid's second wave. About 20 percent H&M's stores were closed during the period.

The company said gross margin for the quarter was 52.1 percent.

For the year, net sales fell 20 percent to 187.03 billion Swedish kronor ($22.45 billion) from 232.76 billion Swedish kronor ($27.94 billion) in 2019. For the year, online sales rose by 38 percent in local currencies, representing 28 percent of the group's total sales for the full year.

Earnings: Profits for the quarter fell 41 percent to 2.49 billion Swedish kronor ($298.3 million) from 4.21 billion Swedish kronor ($505.5 million) in the year-ago period.

Liquidity at the end of the quarter was "very good," with cash and cash equivalents totaling 16.54 billion Swedish kronor ($1.99 billion), up from 12.312 billion Swedish kronor ($1.48 billion) a year ago, it said.

H&M said it will increase digital investments to foster online-offline integration this year. It plans to increase sales in local currencies by 10 to 15 percent each year. With 1,800 stores closed in the current quarter due to the pandemic, H&M said the cost of markdowns in relation to sales is expected to increase by 1 to 1.5 percentage points in the first quarter, compared with the same year-ago quarter. “The ongoing restrictions, along with the many temporary store closures, will have a substantial negative impact on the first quarter,” it said.

For the year, profits plummeted nearly 91 percent to 1.243 billion Swedish kronor ($149.2 million) versus 13.443 billion Swedish kronor ($1.61 billion) a year ago.

CEO’s Take: “The recent years’ transformation initiatives and investments, focusing on the digital, have been especially important for managing the crisis and this work is continuing at full speed. Customers want to meet us where, when and how they choose—in the stores, on our websites, on digital marketplaces and on social media.

They are showing us clearly that they appreciate a convenient and inspiring experience in which the channels interact and strengthen each other. We are continuing our initiatives for digital growth, integration of the channels and optimization of the store portfolio. Speed and flexibility will be even more important going forward, particularly in the supply chain, to ensure the best customer offering and increase availability in all channels,” Helmersson said.

H&M’s focus remains on developing “strong, unique brands in order to always offer the best combination of fashion, quality, price and sustainability,” she continued. “The percentage of recycled and sustainable materials in the collections is consistently increasing and our brands are offering an ever-growing range of services for a more sustainable lifestyle. Together with our transformation initiatives this will help increase our resilience and adaptability and will contribute to sustainable and profitable growth for the H&M group.”

Source: sourcingjournal.com– Jan 29, 2021

HOME

****

Bangladesh: Boosting RMG exporters' bargaining power

The Readymade Garment (RMG) Industry's vulnerability to market uncertainties became manifest during the pandemic more than ever before. Even some big names in the international retail market, which buy garment products from Bangladeshi exporters, failed to go by the stipulated provisions in their contracts. In some cases, the overseas importers even cancelled the previously agreed upon supply orders.

Others, on the other hand, came up with arbitrary demands for discounts, price reduction, deferred payments and so on. Being at the receiving end, local RMG companies were left with fewer options but to accept their last-minute demands.

What was further upsetting is that in the majority of cases the buyers displayed little or no concern about the plights of the garment workers. Clearly, such incidents have once again exposed how unprepared Bangladesh's RMG sector is to any external shock.

However, such unsavoury pandemic-time experience should be a lesson for the export trade operators. It is that like in diplomacy, there is nothing called permanent friendship or partnership in business. As such, there is hardly any point grudging the opportunistic behaviour of even time-tested buyers in difficult times.

Instances of such less-than-ethical business proclivity by overseas buyers of our RMG products were unravelled in a study recently carried out jointly by a local policy think tank and a RMG export-trend tracking body.

Another potentially risky aspect of the country's RMG export that came out from the study is that more than 300 local apparel exporters depend only on six foreign brands for their supply orders. This is despite the fact that there are around 3,600 global brands including retail companies who have been sourcing their apparel imports from over 3,200 Bangladeshi RMG exporters during the last four years.

One simply fails to understand why a major chunk of the country's apparel export should be concentrated in the hands of a handful of foreign buyers. That such concentration and the dependence that follows from it can be counter-productive need not be overemphasised.

The best way to avoid such predicament is to be able to enhance the local exporters' bargaining strength with the foreign buyers. And the best way to gain that strength is through the oft-advised path of diversifying the export market for our RMG products.

Notably, this lack of bargaining power is not limited to the country's export-oriented garment business alone. In truth, the export sector in its entirety is susceptible to such risks. Such a state of affairs does not speak well of an economy that is otherwise known for its resilience and stability. And such a weakness cannot be allowed to dog it when the country is soon to upgrade itself as a middle-income economy.

While the garment sector should lay stress on diversifying its exportable items, it should also work on widening its export market. At the same time, the government should extend its support, both in terms of policy and incentives, to other potential export sectors.

These other sectors may include, for instance, pharmaceuticals, agricultural products, electronic goods, light engineering, shipbuilding, IT and others. Needless to say, the bigger the export basket, the stronger will be the economy's ability to absorb external shocks. It will also go a long way in boosting the exporters' morale to face up to the powerful foreign buyers.

Source: thefinancialexpress.com.bd– Jan 29, 2021

HOME

****

NATIONAL NEWS

Key Highlights of Economic Survey 2020-21

Union Minister for Finance and Corporate Affairs, Smt. Nirmala Sitharaman presented the Economic Survey 2020-21 in the Parliament today. The key highlights of Economic Survey 2020-21, which is **dedicated to the COVID Warriors**, are as follows:

Saving Lives and Livelihoods amidst a Once-in-a-Century Crisis

- India focused on saving lives and livelihoods by its willingness to take **short-term pain for long-term gain,** at the onset of the COVID-19 pandemic

- Response stemmed from the **humane principle** that:

Human lives lost cannot be brought back

o GDP growth will recover from the temporary shock caused by the pandemic

- An **early, intense lockdown provided a win-win strategy** to save lives, and preserve livelihoods via economic recovery in the medium to long-term

- Strategy also motivated by the Nobel-Prize winning research by Hansen & Sargent (2001): a policy focused on **minimizing losses in a worst-case scenario** when uncertainty is very high

- India's strategy **flattened the curve**, pushed the peak to September, 2020

- After the September peak, India has been unique in experiencing **declining daily cases despite increasing mobility**

- **V-shaped recovery**, as seen in 7.5% decline in GDP in Q2 and recovery across all key economic indicators vis-à-vis the 23.9% GDP contraction in Q1

- COVID pandemic affected both demand and supply:

India was the only country to announce **structural reforms to expand supply** in the medium-long term and avoid long-term damage to productive capacities

Calibrated demand side policies to ensure that the accelerator is slowly pushed down only when the brakes on economic activities are being removed

o A public investment programme centered around the **National Infrastructure Pipeline** to accelerate the demand push and further the recovery

• **Upturn in the economy, avoiding a second wave of infections** - a sui generis case in strategic policymaking amidst a once-in-a-century pandemic

State of the Economy in 2020-21: A Macro View

• COVID-19 pandemic ensued **global economic downturn**, the most severe one since the Global Financial Crisis

• The lockdowns and social distancing norms brought the already slowing **global economy to a standstill**

• Global economic output estimated to fall by 3.5% in 2020 (IMF January 2021 estimates)

• Governments and central banks across the globe deployed various policy tools to support their economies such as lowering policy rates, quantitative easing measures, etc.

• India adopted a **four-pillar strategy** of containment, fiscal, financial, and long-term structural reforms:

o **Calibrated fiscal and monetary support** was provided, cushioning the vulnerable during the lockdown and boosting consumption and investment while unlocking

o A **favourable monetary policy** ensured abundant liquidity and immediate relief to debtors while unclogging monetary policy transmission

• As per the advance estimates by NSO, India's GDP is estimated to grow by (-) 7.7% in FY21 - a **robust sequential growth of 23.9%** in H2: FY21 over H1: FY21

• India's **real GDP** to record a **11.0% growth in FY2021-22** and **nominal GDP** to grow by **15.4%** – the **highest since independence**:

Rebound to be led by low base and continued normalization in economic activities as the rollout of COVID-19 vaccines gathers traction

• **Government consumption** and **net exports** cushioned the growth from diving further down, whereas investment and private consumption pulled it down

• The recovery in second half of FY2020-21 is expected to be powered by **government consumption**, estimated to grow at **17% YoY**
• Exports expected to decline by 5.8% and imports by 11.3% in the second half of FY21

• India expected to have a **Current Account Surplus of 2% of GDP** in FY21, a **historic high after 17 years**

• On supply side, Gross Value Added (GVA) growth pegged at -7.2% in FY21 as against 3.9% in FY20:

o **Agriculture set to cushion the shock of the COVID-19 pandemic on the Indian economy in FY21 with a growth of 3.4%**
o **Industry and services estimated to contract by 9.6% and 8.8% respectively during FY21**

• Agriculture remained the silver lining while **contact-based services, manufacturing, construction were hit hardest**, and recovering steadily

• India remained a **preferred investment destination** in FY 2020-21 with FDI pouring in amidst global asset shifts towards equities and prospects of quicker recovery in emerging economies:

o Net **FPI inflows** recorded an **all-time monthly high of US$ 9.8 billion** in November 2020, as investors' risk appetite returned

o **India was the only country among emerging markets to receive equity FII inflows in 2020**

• Buoyant SENSEX and NIFTY resulted in India's **market-cap to GDP ratio crossing 100% for the first time since October 2010**

• **Softening of CPI inflation** recently reflects easing of supply side constraints that affected food inflation

• Mild contraction of 0.8% in investment (as measured by Gross Fixed Capital Formation) in 2nd half of FY21, as against 29% drop in 1st half of FY21
• Reignited **inter and intra state movement** and record-high monthly **GST collections** have marked the unlocking of industrial and commercial activity

• The **external sector** provided an effective cushion to growth with India recording a **Current Account Surplus of 3.1% of GDP** in the first half of FY21:

o **Strong services exports** and weak demand leading to a sharper contraction in imports (merchandise imports contracted by 39.7%) than exports (merchandise exports contracted by 21.2%)

o **Forex reserves** increased to a level so as to cover 18 months worth of imports in December 2020

o **External debt** as a ratio to GDP increased to 21.6% at end-September 2020 from 20.6% at end-March 2020

o Ratio of forex reserves to total and short-term debt improved because of the sizable accretion in reserves

• **V-shaped recovery** is underway, as demonstrated by a sustained resurgence in high frequency indicators such as power demand, e-way bills, GST collection, steel consumption, etc.

• India became the **fastest country to roll-out 10 lakh vaccines** in 6 days and also emerged as a **leading supplier of the vaccine** to neighbouring countries and Brazil

• **Economy's homecoming to normalcy** brought closer by the initiation of a mega vaccination drive:

o **Hopes of a robust recovery** in services sector, consumption, and investment have been rekindled

Click here for more details

Source: pib.gov.in– Jan 29, 2021

HOME

****

India's Merchandise Trade Deficit contracts this Fiscal

Covid-19 pandemic has triggered the worst global recession in 2020 since the Great Depression; the adverse economic impact is, however, expected to be lesser than initially feared. The resulting economic crisis has led to a sharp decline in global trade, lower commodity prices and tighter external financing conditions with varying implications for current account balances and currencies of different countries.

Global merchandise trade is expected to contract by 9.2 per cent in 2020, says the Economic Survey 2020-21 tabled by the Union Minister for Finance & Corporate Affairs, Smt Nirmala Sitharaman in Parliament today.

The Economic Survey observes that India's decline in imports outweighed that in exports – leading to smaller trade deficit of US$ 57.5 billion in April-December, 2020-21, compared to US$ 125.9 billion in corresponding period last year.

CURRENT ACCOUNT:

Exports

In April-December, 2020-21, merchandise exports contracted by (-) 15.7 per cent to US$ 200.8 billion from US$ 238.3 billion in April-December, 2019-20. This can be attributed to the Petroleum, Oil and Lubricants (POL) exports that have contributed negatively to export performance during the period under review, while Non-POL exports turned positive subsequently and helped in improving export performance in Q3 of 2020-21.

Within Non-POL exports, agriculture & allied products, drugs & pharmaceutical and ores & minerals recorded expansion, according to the Economic Survey 2020-21.

Imports

The total merchandise imports declined by (-) 29.1 per cent to US$ 258.3 billion during April-December, 2020-21 from US$ 364.2 billion during the same period last year. The sharp decline in POL imports pulled down the overall import growth.

While the imports contracted sharply in Q1 of 2020-21, the pace of contraction eased in subsequent quarters, owing to the accelerated positive growth in gold and silver imports and narrowing contraction in non-POL, non-gold & silver imports.

Fertilizers, vegetable oil, drugs & pharmaceuticals and computer hardware & peripherals have contributed positively to the growth of non-POL, non-Gold & Silver imports. Trade balance with China and the US improved as imports contracted, says Economic Survey 2020-21.

Services

Net services receipts amounting to US$ 41.7 billion remained stable in April-September 2020 as compared with US$ 40.5 billion in corresponding period a year ago. Resilience of the services sector was primarily driven by software services, which accounted for 49 per cent of total services exports, observes the Economic Survey 2020-21.

Net private transfer receipts, mainly representing remittances by Indians employed overseas, totaling US$ 35.8 billion in H1: FY 2020-21 declined by 6.7 per cent over the corresponding period of previous year.

In H1: FY 2020-21, steep contraction in merchandise imports and lower outgo for travel services led to a sharper fall in current payments (by 30.8 per cent) than current receipts (15.1 per cent) – leading to a current account surplus of US$ 34.7 billion (3.1 per cent of GDP).It is expected that India will end with an annual current account surplus after a period of 17 years, notes the Economic Surevey, 2020-21.

CAPITAL ACCOUNT:

The Economic Surevey, 2020-21, observes that the Balance on the capital account is buttressed by robust FDI and FPI inflows. During April-October, 2020, net FDI flows recorded an inflow of US$ 27.5 billion, 14.8 per cent higher as compared to first seven months of 2019-20.These developments in current and capital account led to accretion of foreign exchange reserves that rose to an all-time high of US$ 586.1 billion as on January 8, 2021.

As at end-September 2020, India's external debt was placed at US$ 556.2 billion, recording a decrease of US$ 2.0 billion (0.4 per cent) over the level, as at end-March 2020, with marginal rise in its ratio to GDP to 21.6 per cent.

The debt vulnerability indicators such as the ratio of foreign exchange reserves to total and short-term debt (original and residual) and short-term debt (original maturity) to the total stock of external debt improved. Debt service ratio (principal repayment plus interest payment), however, increased to 9.7 per cent as at end-September 2020, compared to 6.5 per cent as at end-March 2020, reflecting lower current receipts.

Economic Survey, 2020-21 says that RBI's interventions in forex market have been largely successful in controlling the volatility and one-sided appreciation of the Rupee. High levels of headline inflation, however, posits the classical trilemma before RBI to maintain a fine balance between tightening of monetary policy to control inflation on the one hand and stimulate growth on the other hand.

Against the aforesaid backdrop, various initiatives undertaken to promote exports, including Production Linked Incentive (PLI) Scheme, Remission of Duties and Taxes on Exported Products (RoDTEP), emphasis on improvement of trade logistics infrastructure and use of digital initiatives would go a long way in enabling 'ease of doing exports'.

Source: pib.gov.in– Jan 29, 2021

HOME

****

Summary of Economic Survey-2020-21

India's real GDP to record a growth of 11 per cent in 2021-22 and nominal GDP by 15.4 per cent-the highest since independence. The V-shaped economic recovery is supported by the initiation of a mega vaccination drive with hopes of a robust recovery in the services sector and prospects for robust growth in consumption and investment. The Union Minister for Finance & Corporate Affairs, Smt Nirmala Sitharaman presented the Economic Survey 2020-21 in Parliament today, which states that the rebound will be led by the low base and continued normalization in economic activities as the rollout of COVID-19 vaccines gathers traction.

The fundamentals of the economy remain strong as gradual scaling back of lockdowns along with the astute support of Atmanirbhar Bharat Mission have placed the economy firmly on the path of revival. This path would entail a growth in real GDP by 2.4 percent over the absolute level of 2019-20-implying that the economy would take two years to reach and go past the pre-pandemic level. These projections are in line with IMF estimate of real GDP growth of 11.5 per cent in 2021-22 for India and 6.8 per cent in 2022-23. India is expected to emerge as the fastest growing economy in the next two years as per IMF.

The Survey says, India's mature policy response to this "once-in-a-century" crisis provides important lessons for democracies to avoid myopic policymaking and demonstrates the significant benefits of focusing on long-term gains. India adopted a unique four-pillar strategy of containment, fiscal, financial, and long-term structural reforms. Calibrated fiscal and monetary support was provided given the evolving economic situation, cushioning the vulnerable in the lockdown and boosting consumption and investment while unlocking, mindful of fiscal repercussions and entailing debt sustainability. A favorable monetary policy ensured abundant liquidity and immediate relief to debtors via temporary moratoria, while unclogging monetary policy transmission.

The Survey says, India's GDP is estimated to contract by 7.7 per cent in FY2020-21, composed of a sharp 15.7 per cent decline in first half and a modest 0.1 per cent fall in the second half. Sector-wise, agriculture has remained the silver lining while contact-based services, manufacturing, construction were hit hardest, and have been recovering steadily. Government consumption and net exports have cushioned the growth from diving further down.

As anticipated, while the lockdown resulted in a 23.9 per cent contraction in GDP in Q1, the recovery has been a V-shaped one as seen in the 7.5 per cent decline in Q2 and the recovery across all key economic indicators. Starting July, a resilient V-shaped recovery is underway, as demonstrated by the recovery in GDP growth in Q2 after the sharp decline in Q1.

As India's mobility and pandemic trends aligned and improved concomitantly, indicators like E-way bills, rail freight, GST collections and power consumption not only reached pre-pandemic levels but also surpassed previous year levels. The reignited inter and intra state movement and record-high monthly GST collections have marked the unlocking of industrial and commercial activity. A sharp rise in commercial paper issuances, easing yields, and sturdy credit growth to MSMEs portend revamped credit flows for enterprises to survive and grow.

Dwelling on the sectoral trends, the Survey says that the year also saw manufacturing sector's resilience, rural demand cushioning overall economic activity and structural consumption shifts in booming digital transactions.

It adds that Agriculture is set to cushion the shock of the COVID-19 pandemic on the Indian economy in 2020-21 with a growth of 3.4 per cent in both Q1 and Q2. A series of progressive reforms undertaken by the government have contributed to nourishing a vibrant agricultural sector, which remains a silver lining to India's growth story of FY 2020-21.

A palpable V-shaped recovery in industrial production was observed over the year. Manufacturing rebounded and industrial value started to normalize. Indian services sector sustained its recovery from the pandemic driven declines with PMI Services output and new business rising for the third straight month in December.

Bank credit remained subdued in FY 2020-21 amid risk aversion and muted credit appetite. However, credit growth to agriculture and allied activities accelerated to 7.4 per cent in October 2020 from 7.1 per cent in October 2019.

October 2020 saw resilient credit flows to sectors such as construction, trade and hospitality, while bank credit remained muted to the manufacturing sector. Credit growth to the services sector accelerated to 9.5 per cent in October 2020 from 6.5 per cent in October 2019.

High food prices remained a major driver of inflation in 2020. However, inflation in December, 2020 fell back into the RBI's target range of 4+/-2 per cent to reach 4.6 per cent to reach 4.6 per cent year-on-year as compared to 6.9 per cent in November. This was driven by a step fall in food prices, particularly of vegetables, cereals, and protein products and favorable base effects.

The external sector provided an effective cushion to growth with India recording a current account surplus of 3.1 per cent of GDP in the first half of the year, largely supported by strong services exports, and weak demand leading to a sharper contraction in imports (with merchandise imports contracting by 39.7%) than exports (with merchandise exports contracting by 21.2%). Consequently, the Foreign exchange reserves rose to cover 18 months of imports in December 2020.

External debt as a ratio to GDP rose marginally to 21.6 per cent at end-September 2020 from 20.6 per cent at end-March 2020. However, the ratio of foreign exchange reserves to total and short-term debt (original and residual) improved because of the sizable accretion in reserves.

India remained a preferred investment destination in FY 2020-21 with FDI pouring in amidst global asset shifts towards equities and prospects of quicker recovery in emerging economies. Net FPI inflows recorded an all-time monthly high of US$ 9.8 billion in November 2020, as investors' risk appetite returned, with a renewed search for yield, and US dollar weakened amid global monetary easing and fiscal stimulus packages. India was the only country among emerging markets to receive equity FII inflows in 2020.

Buoyant Sensex and NIFTY resulted in India's market-capitalisation to Gross Domestic Product (GDP) ratio crossing 100 per cent for the first time since October 2010. This, however, raises concerns on the disconnect between the financial markets and real sector.

Exports are expected to decline by 5.8 per cent and imports by 11.3 per cent in the second half of the year. India is expected to have a Current Account Surplus of 2 per cent of GDP in FY21, a historic high after 17 years.

Click here to download the economic survey 2020-21

Source: pib.gov.in– Jan 29, 2021

HOME

****

Rising Bangladesh exports hold lessons for India: Eco Survey

The Economic Survey 2021 on Friday suggested that India can take some "lessons" from Bangladesh, a strong exporting nation, and focus on specialising in products in which it is competitive.

It said that Bangladesh seems poised to emerge as a dominant exporter as its outbound shipments posted an impressive compounded annual growth rate (CAGR) of 8.6 per cent during 2011-2019, compared to 0.9 per cent for India and 0.4 per cent for the world.

Bangladesh's share in world exports has increased from 0.1 per cent in 2011 to 0.3 per cent in 2019.

The top five export commodities (from labour intensive sectors such as textiles, apparels and footwear) account for more than 90 per cent of the total exports of Bangladesh since 2015, it said.

In case of India, on the other hand, export performance is more broad-based as the top five export commodities jointly constitute around 40 per cent of total exports and these goods are capital and technology-intensive, it added.

Quoting the data of Bangladesh, the survey stated it "holds lessons for India to build specialization in products in which it is competitive".

According to trade experts, Bangladesh being a least developed country (LDC) enjoys duty concession in several global markets.

These concessions help LDCs in registering healthy growth rates in exports as compared to India in most of the developed economies, Federation of Indian Export Organisations (FIEO) Director General Ajay Sahai said.

The total trade between the two countries decreased to USD 9.46 billion in 2019-20 from USD 10.25 billion in 2018-29.

Source: economictimes.com– Jan 29, 2021

HOME

****

Forex reserves up by $1.091 billion to $585.334 billion

The country's foreign exchange reserves rose by USD 1.091 billion to USD 585.334 billion in the week ended January 22, RBI data showed.

In the previous week ended January 15, the reserves had declined by USD 1.839 billion to USD 584.242 billion.

It had touched a life-time high of USD 586.082 billion in the week ended January 8.

In the reporting week ended January 22, the reserves rose on account of an increase in foreign current assets, a major component of the overall reserves.

FCA increased by USD 685 million to USD 542.192 billion, the Reserve Bank of India's (RBI) weekly data showed.

Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.

The gold reserves rose by USD 398 million to USD 36.459 billion in the week ended January 22, the data showed.

The special drawing rights (SDRs) with the International Monetary Fund (IMF) rose by USD 1 million to USD 1.513 billion in the reporting week.

The country's reserve position with the IMF also increased by USD 7 million to USD 5.171 billion in the week, the data showed.

Source: financialexpress.com– Jan 29, 2021

HOME

****

DC Handicrafts, Ministry of Textiles participates in first Virtual Bharat Parv-2021 celebration

DC, Handicrafts, Ministry of Textiles is participating in first ever Virtual Bharat Parv-2021 being organized by the Ministry of Tourism, Government of India in conjunction with Republic Day celebrations.Due to pandemic situation, this year the Bharat Parv has been organized on a Virtual platform www.bharatparv2021.com from 26th Jan to 31st Jan 2021.

DC, Handicrafts participates in Bharat Parv every year and this year artifacts of 11 master Crafts persons including 6 Awardee artisans are being displayed showcasing stone craft, art metal ware, sikki grass craft, tikuli craft, wood carving, gulabimeenakari, toy craft, glass flame work, dhokra craft, doll making and craft of papier-machie along with one stall solely dedicated to Vocal for Local initiatives.

The virtual Bharat Parv-2021 was inaugurated by the Speaker, Lok Sabha, Sh. Om Birla in the presence of Union Minister of State (Independent Charge) for Tourism and Culture Sh. Prahlad Singh Patel on 26th January 2021.Ministry of Tourism organizes Bharat Parv every year since 2016 in front of the ramparts of the Red Fort on the occasion of Republic Day Celebrations.

The event envisages generating patriotic fervor and showcases the rich and varied cultural diversity of the country. In Bharat Parv 2021 many pavilions of Central Ministries, State Theme Pavilions, Food Festival / Studio Kitchen from various states and UTs, Handicrafts, Handlooms, Folk performances, Performances by cultural troupes from various States and UTs etc. are being showcased to exhibit the spirit of ‘Ek Bharat Shreshtha Bharat’.

Source: pib.gov.in– Jan 29, 2021

HOME

****

Export growth may hinge on specialisation in items of comparative advantage

Disruption in global value chains due to Covid-19 provides opportunities, suggests Survey

India can improve its export performance by building specialisation in products in which it has comparative advantage such as cotton, carpets and other textiles, rather than spreading its exports thinly over many products and partners.

Bangladesh has managed a much higher export growth than India in the last decade by excelling in items where it has a revealed comparative advantage (RCA), the Economic Survey 2020-21 observed. It suggested that India should do the same.

"The top five export commodities, account for more than 90 per cent of total exports of Bangladesh since 2015. These five commodities mainly pertain to textiles & apparels and footwear industry, which are highly labour-intensive and employs unskilled and semi-skilled labour.

In case of India, on the other hand, export performance is more broadbased as the top five export commodities jointly contribute around 40 per cent of total exports and these commodities are capital and technology-intensive," the Survey observed.

Bangladesh pips India

Bangladesh's export growth has been accelerating over the last decade with a compound annual growth rate of 8.6 per cent during 2011-2019, higher than 0.9 per cent for India, and 0.4 per cent for the world.

Four of the top five exports of Bangladesh, from 2017- to 2019, are of commodities where it has the largest RCA, implying that Bangladesh exports those commodities where it has a comparative advantage.

In case of India, however, none of the export commodities in which it has highest RCA is among the top export commodities, it noted.

Top export commodities

India’s top RCA export commodities are mainly labour-intensive such as cotton, carpets and other textiles while it exports more of capital-intensive products such as transport equipment, machinery and mechanical appliances (fourth quadrant), etc.

“The above evidence holds lessons for India to build specialisation in products in which it is competitive,” the survey advised. It added that the pattern was also examined in last year’s survey where it was shown that low specialisation implied that India is spreading its exports thinly over many products and partners.

Positive side

On the positive side, the survey pointed out that the disruption of global manufacturing value chains due to the Covid-19 pandemic presented a big opportunity for India to become one of the key nodes in the chain.

In pharmaceutical exports, India held the potential to be the pharmacy of the world with improvement also witnessed in exports of software and agriculture and allied products, it observed. Exports of gems and jewellery, engineering goods, textile and allied products had, however, witnessed a slide.

Improving trends in India’s merchandise trade have been supplemented by equity capital inflows, robust FDI inflows and sustained build-up of foreign exchange reserves. The comfortable foreign exchange reserves (which touched an all-time high of $586.1 billion as on January 8, 2021) give the much-needed space for enhanced domestic investments, the Survey added.

Source: thehindubusinessline.com– Jan 29, 2021

HOME

****

Budget 2021 Expectations: 'Govt should extend PLI scheme to MSMEs, enhance 25% public procurement limit'

Union Budget 2021-22 Expectations for MSMEs: The pandemic triggered an unprecedented change in the economic landscape. The MSME sector with an estimated 63 million enterprises in India realized its vulnerability and faced erosion of growth which is yet to return to normalcy. As per World Bank estimates, India's GDP is expected to contract by 9.6 per cent in the fiscal year and the regional growth is projected to rebound at 4.5 per cent in 2021.

The union government, as it braces itself to deliver the most challenging budget by far, is faced with formidable challenges: to manage health and social priorities with stressed resources, roll out positive measures to set in dynamism in the economy, have an inclusive policy framework to address the needs of the most vulnerable groups, strike a balance between short term requirements and the need to initiate long term growth measures, etc. Most of these issues have a bearing on the fate of the MSME sector keeping in view that it accounts for 30 per cent of India's GDP and is the largest employer after agriculture. A few focused initiatives in the budget could fuel some momentum into the recovery process for the sector.

Formalisation and expansion: While the pandemic halted the growth of businesses, it had a silver lining by way of expediting some of the long-pending reforms. Change of definition of MSME by including the turnover criteria in addition to investment and doing away with the distinction between manufacturing and service sectors is one such measure. While this will go a long way in formalizing the sector, easing the roadblocks for expansion, etc, this has also created a new 'medium enterprise' layer that needs focused attention, both in terms of extending the benefits hitherto applicable to small enterprises and also to build their capacities to serve global value chains.

Rationalise cost of doing business: India is consistently improving on the Ease of Doing Business ranking, but there is still large scope in matching the pace with peers on the 'cost of doing business' in various areas. There are many other roadblocks that exist that reduce the competitiveness of Indian industries including land, labour, capital, power, and logistics are major factors to increase the cost of doing business. Industries must be unburdened from additional costs in the form of cross-subsidisation at the stake of the industry, as seen in power and freight traffic.

Easing of financing norms: Banks require the flexibility to help businesses to restructure with financial help, suspending Basel norms for few years could be a wise option. The TReDS platforms created to facilitate discounting of MSME receivables should be made mandatory for all big and institutional buyers.

Enforcement of the public procurement guidelines mandating 25 per cent procurement from MSMEs is critical at this juncture. The government could also consider enhancing this limit to aid the revival of the sector and incentivise states to adopt the same policy. Despite Insolvency and Bankruptcy Code, 97 per cent of the MSMEs still lack an orderly exit mechanism. In a post-Covid period that would require thousands of businesses to undergo restructuring or closure, the absence of an exit mechanism could be crippling. An announcement for IBC led solutions for firms could be very helpful.

Import substitution and export promotion to be supported together: 'Atmanirbhar Bharat' and indigenization announcements are initiatives that would guide the industrial policy imperatives for the next decade, but it is important that the intent is implemented in letter and spirit. The border tensions and an anti-China wave also presents a unique opportunity for the MSMEs to invest in their capacities. Parity with international prices is critical, both from the standpoint of the raw materials and the final products. This would mean relooking at some of the trade barriers, compliances, and regulations to ease imports of raw material.

Extending PLI to MSMEs: The Production Linked Incentives (PLI) announced for 10 sectors highlights a shift from input-based incentives to output-based ones. This is a progressive measure. While the detailed guidelines for the operationalization are slowly emerging, it makes eminent sense to extend the scheme to the MSME sector.

Competitiveness enhancement: The upcoming budget needs to announce sectoral allocations for strengthening the overall ecosystem for 24 champion sectors. This could include measures related to productivity enhancement, technology adoption, skill enhancement, greater industry- institution collaboration, strengthening of infrastructure through support to cluster parks, common facility centres, etc.

The pandemic witnessed many of the MSMEs demonstrating their grit by quickly pivoting to become self-reliant in the manufacturing of PPEs, sanitisers, medical devices/ kits, etc. This spirit of resilience keeps the MSME sector afloat even in the most challenging times. With a focused support package, the MSME sector can not only sustain itself but accelerate the recovery of the entire economy.

Source: financialexpress.com– Jan 29, 2021

HOME

****

Rising blending requirement heats up manmade yarn prices

Man-made yarn prices have been trekking northward amid supply shortage of cotton yarn and rebound in demand from the textile sector post covid-lockdown era.

Prices of man-made yarn have surged sharply not just recently, but also as compared with the price regime in pre-covid times, mainly due to removal of anti-dumping duty by the Centre.

In February last year, the Indian government removed anti-dumping duty on purified terephthalic acid (PTA), imported from South Korea, Thailand, China, Indonesia, Taiwan, Iran and Malaysia. Government had levied the anti-dumping duty on PTA in October 2013.

"The decision to do away with anti-dumping duty was primarily driven by the fact that producing companies like Reliance, Mitsubishi and IOC were unable to ensure required quantities, while the prices were sky-rocketing," Commodities Control said in the last of its three-part cotton special series report.

PTA is a prime ingredient used in making polyester fibre and many man-made yarns. Industry hoped for PTA prices to cool off by ₹4-6 per kg, but by the time the duty was removed, pandemic-led restrictions disrupted the entire sector.

However, with the sector along with other industries getting back on track the prices have surged sharply due rebound in demand and limited supply situation. As a result, MMF prices have hit through the roof due to its requirement as a cheaper blending option for cotton yarn.

According to a Surat-based trader Vishal Patel, yarn prices have shot up to ₹125/kg from a level of ₹65/kg during lockdown, while the same yarn was valued at ₹85/kg in pre-covid times.

With cotton yarn costing nearly ₹250 per kg, synthetic yarn continues to be cheaper at half the rate due to which blending activity has risen. However, the extent of blending cannot be determined.

“Man-made yarn prices have increased alongside cotton yarn rates. Synthetic yarn’s blending in cotton fabric and garments cannot exceed 10 per cent,” says NITMA’s Sanjay Garg.

“There is unnecessary fuss around the rise in cotton yarn prices, as its effect on the input cost is minimal as compared with the cost of fabrics and garment. For instance, if the price of cotton yarn rose by ₹15-20 per kg in order to make a shirt costing ₹1,000-1,500 in retail stores, it's a negligible rise."

Patel, on the other hand, observes that a blending in cotton fabric upto 30 per cent can be easily achieved without affecting its quality and performance.

Also, the clothes made up of cotton yarn are getting costlier due to its expensive ingredient. This is one reason that demand for polyester and synthetic clothes has increased. This rising demand is keeping MMF rates elevated.

Source: fibre2fashion.com– Jan 29, 2021

HOME

****