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INTERNATIONAL NEWS

Regional supply chains still shape textile and apparel trade

Textiles and apparel might be a global industry, but the latest statistics show trade patterns remain largely regional. However, changes are happening, and align closely with the shifting sourcing strategies of fashion brands and retailers and related free trade agreements – as shown in this new analysis by Dr Sheng Lu, associate professor in Fashion and Apparel Studies at the University of Delaware.

In general, three primary textile and apparel regional supply chains are operating in the world today:

• **Asia**: Here the region's more advanced economies (such as Japan, South Korea and China) supply textile raw materials to the less developed countries (such as Vietnam, Bangladesh and Cambodia). With relatively lower wages, the less developed countries typically undertake the most labour-intensive apparel manufacturing processes and then export finished garments to leading consumer markets worldwide, including the United States and Western Europe.

• **Europe**: Within this supply chain, developed countries in Southern and Western Europe (such as Italy, France and Germany) serve as the primary textile suppliers. Mass market apparel products are typically manufactured by the region's developing countries (such as Poland and Romania). In contrast, high-end luxury products are mostly produced in Italy and France. Furthermore, a high portion of finished apparel is shipped to developed EU members such as Germany, France and Italy for consumption. Despite Brexit, the UK remains a critical player in this EU regional textile and apparel supply chain.

• **Western Hemisphere** (WH): In this regional supply chain, the United States serves as the leading textile supplier, whereas developing countries in North, Central and South America (such as Mexico and countries in the Caribbean region) assemble imported textiles from the US or elsewhere into apparel. The majority of clothing produced in the area is eventually exported to the US or Canada.

Regional textile and apparel trade patterns (2000-2019)

	2000	2005	2010	2015	2017	2018	2019
Textile exports							
Asia to Asia	54.0%	48.1%	45.9%	49.0%	51.2%	51.5%	56.4%
EU27 to EU27	72.0%	70.8%	69.3%	68.8%	69.0%	68.7%	68.6%
WH to WH	79.6%	82.2%	79.6%	80.8%	80.4%	80.3%	79.0%
Textile imports							
Asia to Asia	32.3%	26.8%	22.6%	24.3%	25.9%	27.2%	25.5%
EU27 to EU27	76.9%	77.6%	76.7%	74.8%	75.7%	75.7%	75.1%
WH to WH	93.6%	92.3%	87.3%	87.2%	89.3%	87.7%	86.1%
Apparel exports							
Asia to Asia	32.3%	26.8%	22.6%	24.3%	25.9%	27.2%	25.5%
EU27 to EU27	76.9%	77.6%	76.7%	74.8%	75.7%	75.7%	75.1%
WH to WH	93.6%	92.3%	87.3%	87.2%	89.3%	87.7%	86.1%
Apparel imports							
Asia from Asia	90.7%	90.9%	89.4%	86.4%	85.5%	84.2%	86.4%
EU27 from EU27	43.6%	39.5%	32.0%	32.5%	33.4%	33.3%	37.4%
WH from WH	35.8%	25.8%	16.7%	15.3%	15.9%	15.7%	15.5%

Source: Data source: UNComtrade (2021)

Note: "WH" refers to Western Hemisphere, which includes countries in North, Central and South America.

While these three regional textile and apparel supply chains share many features, they also face unique opportunities and challenges. The following trade flows are critical to watch:

#1: Asian countries are increasingly sourcing textile raw material from within the region. As shown in the table above, as much as 85% of Asian countries' textile imports came from other Asian countries in 2019, a substantial increase from only 70% in the 2000s. This reflects the formation of an ever more integrated textile and apparel supply chain in Asia. However, this also means textile and apparel producers in other parts of the world could find it increasingly challenging to get involved in the region. With several mega free trade agreements recently reached among countries in the Asia-Pacific region – such as the Regional Comprehensive Economic Partnership (RCEP) – the pattern of "Made in Asia for Asia" is likely to strengthen further.

#2: EU intra-region trade in textiles and apparel remains relatively strong and stable. Intra-region trade refers to trade flows between EU members. The table shows that 54.6% of EU(27) members' textile imports and 37.4% of their apparel imports came from within the EU(27) region in 2019. This pattern has changed only slightly over the past decade. In other words, despite increasing competition from Asian suppliers, many of which even enjoy duty-free market access to the EU market (such as through the EU

Everything But Arms programme), a substantial share of apparel sold in the EU is still locally made.

Consumer preferences for "slow fashion" – that is, purchasing fewer but more durable products with higher quality – may contribute to the stable EU intra-region trade pattern. Many EU consumers also see textiles and apparel as cultural products and do NOT shop simply for the price. This explains why Western EU countries such as Italy, Germany and France rank the top apparel producers and exporters despite their high wage and production costs.

Meanwhile, another component of the regional supply chain saw 69% of EU(27) members' textile exports and 75% of their apparel exports going to other EU countries in 2019. This implies that keeping a competitive edge in the local EU market will remain the top business priority for most EU textile and apparel manufacturers.

#3: The Western Hemisphere (WH) supply chain faces significant challenges despite the seemingly growing popularity of "near-sourcing." On the one hand, its textile and apparel exporters still rely heavily on the regional market. In 2019 as much as 79% of textiles and 86% of apparel exports from countries in the Western Hemisphere remained in the same region.

However, on the other hand, the Western-Hemisphere supply chain is facing increasing competition from Asia. In 2019, only 22% of North, South and Central American countries' textile imports and 15% of their apparel imports came from within the region – a decade low. Similarly, in the first 11 months of 2020, only 15.7% of US apparel imports were from the Western Hemisphere, down from 17.1% in 2019 before the pandemic. Limited local textile production capacity and high production cost are the two notable factors that discourage US fashion brands and retailers from committing to more "near-sourcing" from the Western Hemisphere.

In comparison, Asian countries supplied a new record high of 62.2% of textiles and 75% apparel to countries in the Western Hemisphere in 2019, up from 49.1% and 71.1% ten years ago. This trend suggests that as the competitiveness of "Factory Asia" continues to improve, even regional trade agreements (such as USMCA and CAFTA-DR) and their restrictive "yarn-forward" rules of origin have limited effectiveness in protecting the Western Hemisphere supply chain.

Looking to the future, several new free trade agreements and the ongoing impact of the Covid-19 pandemic will continue to shape regional textile and apparel trade patterns.

• In Asia, the reaching of RCEP is likely to accelerate the negotiation of other regional trade deals involving key players, such as the China-South Korea-Japan Free Trade Agreement. Should they offer additional preferential duty benefits and unify the rules of origin of existing Asia-based trade agreements, these new programmes could promote regional supply chain integration even further.

• After Brexit, the United Kingdom (UK) may seek to reduce its "EU exposure" and deepen trade ties with non-EU countries, such as the United States. In an interesting move, the UK also recently expressed its interest in joining the Comprehensive Progressive Agreement of the Trans-Pacific Partnership (CPTPP). However, EU members currently serve as the largest source of imports and the top export market for many UK-based textile and apparel companies. Whether Brexit will help UK textile and apparel companies diversify their supply chains remains to be seen.

• In the Western Hemisphere, many say that the reaching of RCEP puts pressure on the new Biden administration to consider joining the CPTPP and strengthen economic ties with countries in the Asia-Pacific region. Notably, several USMCA and CAFTA-DR members, such as Mexico, also have RCEP or CPTPP membership.

Apparel producers in these Western Hemisphere countries may find it more rewarding to access cheaper textile raw materials from Asia through CPTPP or RCEP rather than claiming the duty-saving benefits for finished garments under USMCA or CAFTA-DR. Like it or not, the Biden administration's inaction will also have consequences.

Source: just-style.com– Feb 24, 2021

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China's economy dented as American brands cancel Xinjiang's cotton imports

The US ban on China's Xinjiang cotton yarn makers over the inhuman treatment meted out to Uyghurs is now impacting the economic growth of its cotton companies.

Last month, Chinese cotton yarn maker Huafu Fashion sent a warning to investors. "Multiple American brands have canceled orders," Huafu said in a Shenzhen stock exchange filing, citing US sanctions. "It's brought negative effects to the company," reported The Washington Post.

Huafu -- which said it lost at least USD 54.3 million last year vs. a net profit of USD 62.5 million in 2019 -- is one of the few suppliers to publicly acknowledge the sanctions' effects, reported The Washington Post.

Thousands of companies worldwide are affected after the United States blacklisted 87 per cent of China's cotton crop -- one-fifth of the world's supply -- citing human rights violations against Muslim Uyghurs in China's northwest Xinjiang region.

The US sanctions were prompted by the Chinese government's harsh re-education campaign against Uyghurs, a Turkic ethnic minority. Some Uyghurs detained in internment camps in Xinjiang in recent years have said they were tortured and forced to work in textile factories as a condition of release.

The United States began isolated sanctions last year on Xinjiang textile makers, including Huafu, which didn't respond to a request for comment. On January 13, CBP announced a blanket ban on all Xinjiang cotton.
"Companies can no longer claim ignorance as an excuse," CBP said in a statement to The Post. "CBP's message to the trade community is clear: Know your supply chains."

Cotton picked in Xinjiang winds up in garments cut and sewn across Asia, from Bangladesh to Vietnam, textile industry executives say. The US ban applies to products "made in whole or in part" with Xinjiang cotton, "regardless of where the downstream products are produced," said US Customs and Border Protection (CBP).

Justin Huang, president of the Taiwan Textile Federation, said Taiwanese textile manufacturers received notices in September from Western brands to confirm their cotton sources. He said brands no longer wanted Chinese cotton, since it was difficult to confirm from which region of China it originated, reported The Washington Post.

"US manufacturers are very sensitive," he said, "so before the announcement, US traders had already begun to shift their production lines."

Patagonia announced in July it was "actively exiting the Xinjiang region," and said it told suppliers that Xinjiang fiber and manufacturing was prohibited.

Gap, which encompasses the Old Navy and Banana Republic brands, said it has prohibited suppliers from sourcing products, components or materials from Xinjiang, directly or indirectly.

Ikea said it "stopped all shipments" to the United States containing Xinjiang cotton after the CBP ban. Ikea and H&M both said their suppliers have stopped new cotton purchases from Xinjiang because of the Better Cotton Initiative's decision last year to discontinue licensing cotton from the region.

Nike said it has confirmed its suppliers were not using textiles or spun yarn from Xinjiang and that it was communicating the new requirements to them.

One of the rare reports of a factory shift directly attributed to the sanctions came in October from the Vietnam Investment Review, a periodical run under Vietnam's Ministry of Planning and Investment.
It said that Hong Kong-headquartered yarn giant Texhong, which has a Xinjiang subsidiary, was shifting some production to Vietnam because of the US sanctions, reported The Washington Post.

Moreover, there is growing interest in chemical-tracing technologies to determine cotton origin, though they are not yet in widespread use. Tracing company Oritain is working with a "large number of brands" on gauging their supply chain risk from Xinjiang cotton, chief executive Grant Cochrane said.

Hibbie Barrier, a cotton broker at Avondale Futures in Nashville, said the ban may have contributed to rising demand for US cotton in recent months, and a bump in global cotton prices, from 81 cents a pound in mid-January to over 90 cents a pound last week.

Source: businessworld.in– Feb 24, 2021

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USA: Tariffs and Face Masks: AAFA Fights Double Duties on PPE

Should China-made face masks be subject to tariffs? That issue is at the heart of a fashion trade group's latest efforts.

In a letter to President Biden on Wednesday, the American Apparel & Footwear Association (AAFA) seeks the extension of tariff exemptions on imports of personal protective equipment (PPE) from China, such as face masks, that are set to expire on March 31.

AAFA said that unless renewed, PPE imported from China will be charged double the current tariff rate, resulting in significant price increases for American workers, families and communities still fighting the Covid-19 pandemic. Wednesday also marked day 35 of Biden's Mask Challenge for Americans to wear a face mask for 100 days to protect against coronavirus, it noted, and the tariffs under reproach are slated to double on day 70.

"Throughout the pandemic, our members have worked night and day to deliver personal protective equipment to the American people," said Steve Lamar, president and CEO of the AAFA. "This involved repurposing factories and supply chains to meet this new-found need. Unfortunately, many of the barriers they faced early on, such as high tariffs on finished products and the materials needed to manufacture PPE domestically, continue to hamper these efforts. As Americans take on the President's 100-day mask challenge, it is critical that the government remove these barriers that make it more difficult to follow public health guidelines."
Section 301 exclusions

In addition, AAFA also requested that Biden direct the Office of the U.S. Trade Representative (USTR) to reinstate the Section 301 product exclusion process that provides the opportunity for American businesses to apply for relief from the punitive tariffs that have been placed on imports from China. AAFA noted that many PPE products were granted exclusions from additional duties under the Section 301 investigations on products from China.

At the end of 2020, USTR issued a notice on the "determination to extend certain product exclusions and to make further modifications to remove Section 301 duties from additional medical-care products to address

COVID-19." Several PPE products, including face masks, were granted an extension until March 31.

"That date is quickly approaching," Lamar wrote. "We are not aware of any scientific or medical guidance suggesting the COVID-19 pandemic will have ended on that date. The relief for PPE needed to fight that pandemic should not end on that date either."

Lamar said AAFA was also requesting the elimination of punitive and normal tariffs on surgical and isolation gowns and medical scrubs, as well as the materials used to make them, "to ensure that life-saving PPE quickly gets into the hands of the patients and medical professionals who desperately need these items, as well as to the general public to stop the spread of COVID-19."

"We understand there are important policy debates about whether such items should even face tariffs and how much of these PPE supply chains should be repatriated," he wrote. "Those are important questions that need to be resolved in a fair and equitable manner, and we look forward to participating in those discussions. Until then, and while our supply chains are still configured to require these imported items and inputs, we need a PPE tariff policy that does not harm our immediate medical and health needs."

Source: sourcingjournal.com– Feb 24, 2021

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Sri Lanka Plays to Strengths Amid Covid Downturn

Sri Lanka's manufacturing industry presents a conundrum. Despite a low minimum wage of $67 per month, global retailers do not look to the country for mass production. Instead, it has become a niche player, and has leaned on that strength throughout the pandemic.

The island nation saw apparel exports of $5.3 billion in 2019, solidifying its reputation for compliance, high labor standards, ethical integrity and speed of delivery.

Apparel accounts for more than 40 percent of total exports, with the European Union and U.S the major markets. It also makes up 7 percent of the country's gross domestic product (GDP), giving employment to more than 15 percent of the country's workforce of 400,000.

Tuli Cooray, founder and secretary general of the Joint Apparel Association Forum (JAAF) for the last 17 years, talked with Sourcing Journal about some of the blind corners that the industry rounded as a result of Covid-19, as well as the effects of the dramatic directions the industry has taken in the past 10 years.

Sourcing Journal: How much has Sri Lanka recovered from the impact of Covid-19?

Tuli Cooray: We all know that this has been a global crisis, something we haven't experienced on this scale in decades, disrupting people's lives and the global economy. The ill effects could not be mitigated.

It has been a difficult year, but given the situation, our total performance in 2020 is less by a little over a billion dollars. By the end of the year, we actually lost approximately 21 percent—to be at $4.15 billion for apparel exports against $5.3 billion in 2019.

SJ: For many Asian countries, the supply chain was affected by issues related to migrant labor and raw materials. Being an island country, were these harder to overcome in Sri Lanka?

T.C.: When we started, the first implication we faced was our inability to have an active supply chain. We are not a country that is strongly vertically integrated—with an extremely limited supply of raw material or fabric. We import $1.5 billion worth of fabric—of which 80 percent is from China. There are also limited imports from other countries, including India, Pakistan, Europe, etc. The raw materials were a primary concern as China was closed, and we had to suspend our production. Then from March to May Sri Lanka was shut down.

The industry is also largely dependent on a migrant labor force—a lot of the labor is from other regions, and they had to be brought back, and the boarding houses had to work, as a result, we did not perform well during that period.

SJ: How did the manufacturers manage the costs, including those for safety protocols and for keeping labor employed?

T.C.: We started slowly opening the factories on the basis of the new health protocols in May. In addition to masking, social distancing, etc., it was mandatory to have Covid testing—which had to be at 5 percent a week, or 1 percent a day. This was not a prevalent requirement in other countries where the pandemic was spreading—for example in Bangladesh, Cambodia, India. If you consider the tests to be done for 1 percent of the workforce in apparel, that was roughly 24 million rupees ($123,800) a day. So, at this point we have spent more than 1.5 billion rupees ($7.7 million) on Covid testing alone.

At that point, the government insisted—and we agreed—that we should not at any point terminate the services of our employees. The government gave us support. They permitted us to pay 50 percent of the salary, or 14,500 rupees ($75), whichever is higher to the people who are not working and are at home. In addition, the government gave support in working capital at 4 percent interest for the companies to utilize for the payment of salaries.

SJ: You were not allowed to fire any labor, but did factories close down?

T.C: Only for health purposes, but not as a business, not even 10 percent.

SJ: When the second wave came, and more than 1,000 workers at a Brandix factory were found infected, did it spread to many other factories?

T.C: It is not a question of Brandix. Rather that it originated in an apparel company, and that apparel company was Brandix—although it was being talked about as if Brandix had created it—but in fact it could have happened anywhere. Thereafter there were a number of other clusters—the fish market, other places, but when it came to the apparel industry, starting from Brandix, people thought they were the culprits, they will have to be held accountable. Thank God, subsequent situations were such that those misgivings are no longer prevailing at the level that they prevailed, and we are continuing to operate.

SJ: Over the past years, the manufacturing industry in Sri Lanka has grown more niche. What keeps you from increasing the production?

T.C: We have the best of trimming and value added industry in this part of the world, we are the best dyeing people, the best embroidery people, you name it. The support services are well developed in the country as a result of the strategy developed in 2005.

But most importantly, the entire world of retail trade in apparel is dependent on two factors—one is the tariff payable, and second is the country of origin. Where there is a preferential treatment for those two factors, the retailers dictate manufacturers in the Asian world to shift their operations there—that is how Cambodia came in, that is how Ethiopia came in. Some countries have preferential treatment on a regional basis, like ASEAN.

We lose out on most of these factors. We have GSP plus from the EU, but it is only applicable on 47 percent of our exports because we cannot meet the Country of Origin criteria. Compare this with other fast-growing Asian countries that have zero percent duty, and our costs go higher.

SJ: So how does the industry survive?

T.C: We are surviving on our performance. Compliance is a strong pillar of our industry. We have a very strong labor law. We are very proud to say we do not have child labor. We do not have forced labor. It has also become about more niche areas than mass, with mostly casualwear, intimate wear, sportswear and children's wear. Though we can do various other things, we know this is our strength, and these are our product lines.

Over the years we have moved from contract manufacturing to become a total solutions provider, involved in the total value supply chain and that is our strength and that is how we are surviving the market. And we continue to improve on this.

Source: sourcingjournal.com– Feb 24, 2021

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British Retail Balance Sheets Brace for Lockdown's Worst

U.K. Prime Minister Boris Johnson on Monday said stores selling non-essential goods may be able to reopen on April 12 at the earliest, and that will mean more financial pressure for retailers.

Retailers have been closed since Jan. 4 amid the spread of a highly contagious Covid-19 variant. He said data will determine the reopening day, which will depend on vaccine rollouts and whether infections can be curtailed. That means retailers will be fine-tuning where they can cut operational costs to offset losses from the ongoing pandemic.

However, retail data firm Springboard says the anticipated reopening of shuttered stores and outdoor hospitality businesses is expected to drive a 47.9 percent surge in footfall across the U.K.

"As we approach the 12-month mark since the start of the pandemic in the UK, lockdown fatigue is at its height and the increases in footfall over the last five weeks have indicated the pent up demand for a return to normality," Diane Wehrle, insights director at Springboard, said Wednesday. "We know from when non-essential retail reopened at the end of Lockdowns 1 in June and 2 in December that footfall will rise sharply and we anticipate this will be more prominent than ever before" with the expected April uptick.

Meanwhile, Frasers on Tuesday said that it expects the ongoing restrictions to materially affect its financial performance. "Given the length of this current lockdowns, potential systemic changes to consumer behavior and the risk of further restrictions in [the] future, we believe this non-cash impairment could be in excess of 100 million pounds ($141.1 million)." This negative impact would compound what it previously reported late last year.

Mike Ashley, the founder of Sports Direct who also controls Frasers Group, called last year for lease terms to be transitioned from fixed monthly amounts to a percentage of sales that reflect the current economic reality. Retailers, including Frasers, had reportedly been granted rent reductions in 2020 due to the temporary store closures, as well as rent-free periods in certain instances. And just last month, Frasers Group decided to shut Jenners, the 183-year-old Scottish department store in Edinburgh effective May 3, following a dispute with the site's landlord. About 200 jobs will be eliminated due to the closure. There's a chance more store closures could be on the horizon for Frasers Group.

U.K.'s Sunday Times reported on Sunday that The John Lewis Partnership is also eyeing the closure of additional stores, depending on how negotiations go with landlords. John Lewis closed two department stores last year, one in Birmingham and the other at Watford, along with travel hubs at Heathrow and St. Pancras. It also received approval from the Westminster City Council to reduce its square footage at the Oxford Street store and convert the extra area to office space.

And Primark's parent Associated British Foods plc last month said that losses through the end of the fiscal half year will escalate as lockdowns shutter stores. For ABF's financial half ending Feb. 27, the company projected that losses could reach at least 1.05 billion ($1.43 billion) for Primark, which has famously resisted selling its cheap and chic wares online and has missed out on the pandemic-fueled e-commerce boom.

Separately, Giorgio Presca, the CEO of footwear firm Clarks, has abruptly resigned in what appears to be a management shakeup. In addition to Presca, other senior members of the management team, including chief commercial officer Massimo Barzaghi and chief people officer Difna Blarney, have also left the company. Clarks last year entered into a company voluntary agreement that saw Hong Kong-based LionRock Capital acquire a majority stake in the ailing shoe maker. Former Guess CEO Victor Herrero, a non-executive director on the Clarks board, is set to become chairman and CEO.

Source: sourcingjournal.com– Feb 24, 2021

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Walmart builds large private label brands

As it plans for more e-commerce growth in coming years, Walmart is building large private label brands competing with the likes of Target and Amazon. As per Women's Wear Daily in recent years, Walmart has built a roster of private label brands and elevated lines through a combination of acquisitions, high-profile collaborations and its own creative push.

Currently, the retailer courts a shifting demographic of shoppers online and has sought to refine its apparel mix in recent years to strike a balance between basics and more fashion-forward styles. The brands that Walmart has added to its platform include Levi's, Champion and Jordache, as well as the private lines. It now has 13 general merchandise private brands that qualify as billion-dollar brands, and that three of its apparel lines are $2 billion brands.

Competition from Amazon, and the receding importance of once prevalent fashion staple brands including Old Navy, may have pushed retailers like Walmart and Target to try to capture some of that market and boost their e-commerce infrastructure, said Jessica Ramírez, Jane Hali & Associates. In its Q4 earnings this month, Walmart expects its global e-commerce sales to surpass $100 billion in the next couple of years.

Source: fashionatingworld.com– Feb 24, 2021

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Paraguay plans new investments in textile and clothing

As per Business of Fashion, Paraguay plans to invest $1.1 million in the manufacturing sector, mainly benefiting the clothing, textiles, and footwear industries, among other areas related to assembly operations.

The investment, spread across seven projects, will boost Paraguayan exports of industrial origin which in January reached a total of $85.1 million. This represents a 22 percent increase compared to the same month in 2020, according to the latest report from the Central Bank of Paraguay.

82 percent of Paraguay's manufacturing exports go to Mercosur countries, specifically Brazil and Argentina. The rest is mainly destined for the United States, Thailand, Bolivia, Chile, Ecuador, El Salvador and Mexico.

Paraguay has placed an emphasis on assembly manufacturing for its economic development. Since 1997 the country has been implementing a special tax regime to encourage companies to establish production operations and assembly of auto parts, textiles, leather and footwear, among other products.

Source: fashionatingworld.com– Feb 24, 2021

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Home Depot sales jump 20% to $132 bn in FY20

The Home Depot, the world's largest home improvement retailer, has posted 19.9 per cent sales growth to $132.1 billion in its complete fiscal 2020 that ended on January 31, 2021, compared to the sales of $110.2 billion in the previous fiscal. Company's net earnings during the fiscal rose 14.4 per cent to $12.8 billion (FY19: $11.2 billion).

"The team demonstrated ongoing flexibility to operate effectively in a very challenging environment and deliver record-breaking sales and earnings. Our ability to grow the business by over $21 billion in fiscal 2020 is a testament to both the investments we have made in the business as well as our associates' unwavering commitment to our customers," Craig Menear, chairman and CEO at Home Depot, said in a press release.

Gross profit for FY20 was up to $44.8 billion ($37.5 billion). Selling, general and administrative expenses increased to $24.4 billion ($19.7 billion), whereas company's operating income grew to $18.2 billion ($15.8 billion).

"We were pleased with our record financial performance in fiscal 2020. As we look ahead to fiscal 2021, while we are not able to predict how consumer spending will evolve, if the demand environment during the back half of fiscal 2020 were to persist through fiscal 2021, it would imply flat to slightly positive comparable sales growth and operating margin of at least 14 per cent," Richard McPhail, executive vice president and CFO at Home Depot, said.

Source: fibre2fashion.com– Feb 24, 2021

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UK welcomes European Commission's draft data adequacy decisions

The UK government has welcomed the European Commission's draft data adequacy decisions, which recognise the United Kingdom's high data protection standards and termed those 'adequate'. The European Union (EU) already recognises many other countries, including Argentina, Canada, Israel, Japan, New Zealand, Switzerland and Uruguay, as having adequate standards.

Positive data adequacy decisions under both the EU General Data Protection Regulation (GDPR) and the Law Enforcement Directive (LED) would allow for personal data to continue to flow freely from the EU and wider European Economic Area (EEA) to the United Kingdom, the UK government said in a press release.

Seamless international data flows are essential in a hyper-connected world. They underpin the exchange of information and ideas supporting trade, innovation and investment, assist with law enforcement agencies tackling crime, and support the delivery of critical public services sharing personal data as well as facilitating health and scientific research.

Technical confirmation of the draft adequacy decisions will help make sure UK businesses and organisations in everything from logistics to legal services, healthcare to human resources, can continue to receive personal data from the EU and EEA without additional compliance costs, the government said.

This ensures they will avoid potential knock-on effects for consumers and boost UK startups and smaller firms which operate in EU markets and sell to EU customers.

The UK formally provided the Commission with comprehensive explanatory material nearly a year ago at the start of the adequacy assessment in March 2020. The United Kingdom has already recognised the EU and EEA member states as 'adequate', as part of its commitment to establish a smooth transition for the UK's departure from the bloc and manage data flows on an objective basis.

The draft decisions by the Commission will now be shared with the European Data Protection Board for a 'non-binding opinion', before being presented to EU member states for formal approval.

Source: fibre2fashion.com– Feb 24, 2021

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Bangladesh: Risk management apparel makers' main focus now

Bangladesh's apparel industry is now emphasising on risk management as order cancellations and reductions, payment deferrals and shipping delays left many in financial uncertainties during the Covid-19 pandemic, experts said.

They were addressing a webinar organised by HSBC, Serai and the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) on Tuesday to discuss how the sector could grow and manage risks in 2021.

Serai is the HSBC's technology subsidiary allowing highly secure data sharing among industry participants and access to a range of digital solutions, the bank said in a press release.

An effective risk management framework has become essential for apparel businesses while monitoring could allay threats, said the attendees, including businesspeople, exporters and regulators.

Vivek Ramachandran, Serai CEO; Kevin Green, country head for wholesale banking at HSBC Bangladesh, and Mohammad Hatem, BKMEA senior vice president, also spoke.

Source: thedailystar.net – Feb 25, 2021

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Pakistan: Cotton hits 11-year high of Rs 11,700

Massive fall in cotton production pushed spot rates to an 11-year high of Rs11,700 per maund in the domestic market, the Karachi Cotton Association said on Wednesday.

The sudden rise in demand in the intentional market increased the US cotton price by 12-15 cents per pound within fifteen days.

Brokers said cotton from Balochistan as well as bales imported from Afghanistan are being sold at Rs13,000 per maund.

Over the last ten years, the cotton crop has seen a sharp decline in production, yield and area of cultivation.

The Pakistan Cotton Ginners Association in its latest report up to Feb 15 said the production fell to $5.617 million bales this year compared to 8.547m recorded in the same period of last year, a decline of 34.29 per cent.

Brokers said the arrival of cotton from ginners has already ended for this year. “This means cotton prices could further increase in the domestic market while imports will see a sharp rise,” said Chairman of the Karachi Cotton Brokers Forum Nasim Usman.

Spinners may face more difficulties as the prices of US cotton have gone up during the last couple of weeks. Importers said US cotton price increased by 10 cents per pound has pushed up the prices from 84 cents to 94 cents per pound.

The higher prices of cotton in the country have increased the cost of yarn used by the value-added industry.

Yarn producers (spinners) found the growing situation against their business since the value-added industry has been demanding that imports from India are allowed.

Cotton production in India remained intact like the previous year and prices are relatively lower than in Pakistan. Yarn prices in India are also less than Pakistan.

Spinners claim that enough cotton yarn is available in the domestic market while the value-added industry said that yarn is being kept to increase the demand resulting in higher yarn prices.

Meanwhile, Senior Vice Chairman of Aptma Zahid Mazhar rejected the statements appearing in the media from Pakistan Hosiery Manufacturers Association and Pakistan Textile Exporters Association regarding yarn shortage in the country and their proposal of allowing imports from India.

He said that during the period from July to Dec 2020 as per the data released by the Pakistan Bureau of Statistics total production of cotton yarn was 1.715m tonnes compared to the corresponding period of last year when 1.714m tonnes were produced in the country.

Out of the total yarn production, only 10pc was exported in the first half of the current financial year whereas 90pc was available for the downstream industry.

Domestic downstream industry consumes only about 70pc and the balance 20pc remains as surplus.

He said that the higher yarn prices are mainly due to the increase in cotton prices to Rs12,000 per maund. The price of imported cotton has also risen to 95 cents per pound which is equivalent to Rs12,000 per maund.

“As the spinners are procuring expensive cotton this year from domestic and the international markets, therefore the cost of yarn manufacturing is also higher than that of the previous year,” he said.

Source: dawn.com– Feb 25, 2021

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NATIONAL NEWS

Textile industry has opportunities in infrastructure, healthcare: Minister

Smriti Irani highlights the 'historic' growth of the PPE sector during the pandemic

The Indian textile and clothing sector has several opportunities in the infrastructure and healthcare sectors, Union Minister for Textiles Smriti Zubin Irani has said.

Inaugurating the Global Textile Conclave, organised virtually by the Confederation of Indian Textile Industry, on Wednesday, the Minister said the Union Budget this year had proposed capital expenditure of ₹1 lakh crore in infrastructure projects next financial year and another ₹ 1 lakh crore in railways. The Jal Jeevan Mission of the Union Government was not only to provide clean drinking water but also to develop water bodies in rural areas.

These were also markets for the textile industry to focus on. The National Mission on Technical Textiles was to enhance the research capabilities, technology and production of technical textiles in India. There were opportunities in Buildtech, Meditech, etc.

"The PPE story of India is historic," she said. There were about 1100 companies that make PPEs in India while there were none before the pandemic. "This strength should become the foundation for the textile industry's growth," she said.

The Production Linked Incentive scheme of the Centre highlighted some product lines where India needed to become self-reliant and globally competitive.

The seven mega textile parks announced in the Budget should attract investments. However, the industry should also look at how the MSME units could benefit from these opportunities.

The Minister urged the industry to look at the challenges and the need for good technology that was effective for the silk sector and diversification in the jute sector.

In his message for the conference, Prime Minister Narendra Modi said the government was taking comprehensive measures for the textile industry. It had implemented several programmes to upscale infrastructure.

Contribution of the textile sector was vital for building a self-reliant India.

Integrating the industry with technology was a focus area. Indian textile industry should continue to innovate as well as research extensively to tap new markets. The impact of the pandemic showed how the industry could leverage on technology and convert challenges into opportunities.

Source: thehindu.com– Feb 25, 2021

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India needs to build on momentum to strengthen global position in PPE

The pandemic saw India emerge as the world's second largest manufacturer of PPE kits, after China. The textile ministry encouraged many manufacturers to venture into PPE production essential for the fight against COVID-19, says a India Today report.

Initially, manufacturers were apprehensive about entering a completely new domain. They faced logistic issues like sourcing yarn from Ludhiana and moving products from one location to another during lockdown. Bigger manufacturers could easily pivot into PPE. However, smaller ones like the Noida-based Sunlord Apparel faced many issues.

Dealing with challenges

One major issue was the lack of knowledge amongst factory owners and workers about PPE manufacturing. As Indian manufacturers were not able to meet the required quality standards, the Textiles Ministry and industry chambers tried to educate them through Zoom calls. They also sent PPE samples to Coimbatore for testing in the early days.

The ministry also called manufacturers to ensure they faced no challenges in in making PPE kits, says, Rahul Mehta, former CMAI president. The PMO and Gujarat Chief Minister's office allowed Welspun India to set up masks and PPE overalls manufacturing facilities and built the required ecosystem. This included knowledge transfer, sessions on R&D and testing facilities in every state. This led to India's daily PPE suits production increasing to 500,000 with over 600 Indian companies now certified to manufacture PPEs.

The textile ministry also collaborated with manufacturers to set up PPE factories and import the equipment. Single window procurement agencies like Hindustan Lifecare were set up to issue guidelines on PPE kits manufacturing.

Promoting medical textiles

Government agency for investment promotion and facilitation, Invest India estimates the global PPE kits market to be worth $52 billion (Rs 3.8 lakh crore) while the India market is worth $1 billion (Rs 7,300 crore. In this, the percentage of medical textiles is relatively less. Earlier, this market was largely dominated by China and Indian manufacturers faced a tough time convincing villagers to work in PPE manufacturing factories. Factories had to allow workers to stay on shop-floors to allay fears of catching the virus.

This led to manufacturers like Matrix Clothing abandoning PPE kits manufacturing. Its abandonment has compelled the government and textile manufacturers to ensure a sustained quality and deliverability of medical textiles.

In 2020, demand for face masks and PPE led to 30.4 per cent jump in China's textile exports, says General Administration of Customs. The government is also urging apparel manufacturers to aim for double digit share in global fabric exports. For this, the government proposes to upskill workers besides adopting latest technologies. It also proposes to set up seven mega textile parks across India.

Exploring its collaboration with industry leaders, the government needs to build on this momentum to strengthen India's position in the global PPE market.

Source: fashionatingworld.com– Feb 24, 2021

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PLI Scheme for Textile Sector: Raymond CFO welcomes move, says we will not get direct benefit

In a bid to boost manufacturing and shore-up job creation, the government announced the expansion of the production linked incentive (PLI) scheme to the textile sector. Amit Agarwal, Group CFO of Raymond said that the scheme will bring importance to the sector.

However, he said that as a company, Raymond will not be a direct beneficiary of the PLI scheme.

“The PLI scheme is important for the textile sector. It reflects how the government and the whole economy is viewing the textile sector. So, it will have a rub-off effect. It will not impact us because it is based on the investments to be made and the incremental revenue. Overall, it will help the textile industry which is good for all of us,” he said in an interview with CNBC-TV18.

On the non-convertible debentures (NCD) allotment, Agarwal said that they have been allotted to the third party and not related party promoters. He also said that the NCDs will deleverage the balance sheet.

“NCDs were allotted to third parties and has nothing to do with the promoter. These NCDs are on a long term basis and the philosophy of the company is clearly on a path of deleveraging as we have demonstrated in the third-quarter numbers. If you see the nine months numbers, we have been able to reduce the net debt by over Rs 230 crore. This reflects our philosophy that we want to deleverage,” he said.

He also said that recoveries have been good in Q3 and revenues have gone up close to Rs 1,300 crore. He also remains bullish on the upcoming summer wedding season.

“We see the summer wedding to be a strong point. We just had a wholesaler meet and we got a very good response from all those guys. We are very bullish about the summer trends,” he said.

Source: cnbctv18.com– Feb 25, 2021

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Arvind's Kulin Lalbhai expects apparel industry to see growth in second half of 2021

Amongst all retail segments, the apparel industry has had the most difficult time making a comeback after restrictions eased post lockdowns last year. Complete recovery for the industry is a while away as it depends solely on customers feeling completely safe stepping out and social interactions returning to pre-pandemic levels says Kulin Lalbhai, Executive Director of textile manufacturer and retailer Arvind.

"The recovery seems to be resilient, the industry is witnessing around five to six per cent growth with each passing month. I expect the industry to start seeing growth in the second half of 2021, in comparison to the second half of 2019, when sales were at normal levels," Lalbhai while speaking to ET Now on the sidelines of the Retail Leadership Summit 2021, hosted by the Retailers Association of India.

Since the company is under the silent period ahead of the Rs 200 crore rights issue which will open on March 4, Lalbhai refrained from commenting on the future plans of the company.

Commenting on which segments are seeing a revival in demand, Lalbhai said that formal and occasion wear are now seeing a comeback. "Both formal wear and occasion wear are still lagging behind comfort wear and casual wear as those categories are still in high demand.

But. more people are returning to offices. We may also see further traction in occasion wear in Q1 of the next fiscal as the wedding season picks pace. There will be a gradual recovery," he added.

On the manufacturing front, the industry is facing raw material cost pressures from higher cotton and yarn prices. Lalbhai expects these prices to be passed on to the customers if the pressures don't ease in the next few months. He added that the industry is also dealing with supply chain bottlenecks due to the sudden spike in demand and that is likely to continue for a few more months.

Source: timesnownews.com– Feb 24, 2021

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Finance Ministry allows private sector banks for government related transactions

All private sector banks will be allowed to conduct government related banking transcations such as tax and pension payments.

Finance minister Nirmala Sitharaman in a tweet said that private banks can now be equal partners in development of the Indian economy, furthering government social sector initiatives, and enhancing customer convenience.

"Embargo lifted on grant of Govt business to private banks. All banks can now participate," she said in a tweet.

In a statement the finance ministry said that the government has conveyed its decision to the Reserve Bank of India or RBI. At present besides state run lenders only a few selected private sector banks are allowed to conduct government related banking transcations.

"With the lifting of the embargo there is now no bar on RBI for authorisation of private sector banks for government buisness including government agency buisness, " the statement noted.

Government related banking transcations include taxes and other revenue payment facilties, pension payments and small savings schemes.

Source: economictimes.com– Feb 24, 2021

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Exporters' body FIEO elects A Sakthivel as its new president

Exporters' body Federation of Indian Export Organisations (FIEO) on Tuesday said it has elected A Sakthivel as its new president.

Sakthivel, a leading knitwear exporter, is currently chairman of Apparel Export Promotion Council.

He has replaced S K Saraf, who is a Mumbai-based businessman.

Sakthivel is taking charge of FIEO at a time when the country's exports are gradually reviving from the impacts of COVID-19.

Source: newindianexpress.com– Feb 23, 2021

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How India can improve its EoDB

India's 63 million enterprises translate into only a million formal employers. More than 98% of Indian employers stay dwarf with no access to institutional capital, talent, technology and supply chains. They employ an average of under three employees and are not bound to pay minimum wages, offer social security or provide safe and hygienic working conditions. This multidimensional problem has deep roots in India's complex regulatory environment, which levies a 'formalisation' tax on employers. This can take the form of over 400 compliances a year that become applicable after formalisation. As a result, there are clear incentives to stay small and informal.

India's challenge is not to create more enterprises but to nurture existing enterprises. If it could convert just 10% of its 63 million enterprises to formal, 100 million new formal jobs can be created. However, the key binding constraint is high regulatory cholesterol (a universe of 1,536 Acts and 69,233 compliances, which change over 3,000 times a year). Here are some suggestions for ease of doing business agenda for the government.

Constitute a National Compliance Commission: India's regulations need an urgent review. An empowered commission must be set up to reduce the compliance burden by at least 50%. It should focus on identifying duplication and redundancy among compliance requirements. The commission should remove ambiguity, standardise implementation and simplify record keeping.

Create UEN (Unique Enterprise Number): Indian enterprises deal with multiple identities (PF, ESIC, PAN, CIN, TAN etc.) issued by different central and state departments. There is often no single source of truth to build a corporate profile. This can be resolved with a UEN along the lines of Aadhaar. All departments of the government and financial institutions will register an enterprise based on UEN. It will help create a holistic corporate profile for governance, credit, risk and compliance.

Create enterprise document vault: India needs to go paperless. Managing paper is inefficient, expensive and non-sustainable. The concept of electronic document vault DigiLocker should be extended to enterprises. All documents (licenses / registrations / permissions / consent orders / notices etc) issued to an enterprise will be delivered by government departments to the vault. The documents can be retrieved by inspectors, financial institutions and other government departments upon consent. The UEN-based corporate profile of credit and risk along with an e-document vault will reduce document forgery and fraud, leading to deeper credit penetration and reduce NPAs.

Strengthen commercial courts infrastructure: India's commercial court system needs an overhaul. It takes 1,445 days to dispose of a commercial case as against 120 days in Singapore. While India ranked 63 in World Bank's EoDB rankings, it ranked a poor 163rd in enforcing contracts. Millions of commercial cases compete with civil cases for their turn for months in regular courts leading to delays. The government should expedite capacity building (judges, staff, courtrooms, e-hearings, etc) in hubs of economic activity in the country for faster disposal of cases, slashing the turnaround time by at least 50%.

Digitise compliance management: Compliances must go digital. Today, an entrepreneur deals with over 70 different licenses, registrations and approvals (related to entity, land, trade, construction, fire, electricity, labour, environment, weights and measurements etc.) to start his manufacturing setup. An MSME deals with at least 400 compliances annually on an on-going basis. The process is manual, paper-based and requires physical contact with government officials leading to delays and opportunities for corruption. All compliances should go digital with a vision of creating paperless, presence-less, cashless and faceless systems. This will enhance transparency, accountability and timeliness.

Digitise regulatory updates: With over 3,000 yearly regulatory changes that affect enterprises, India needs a centralised repository of all updates. Currently, they are published on at least 2,233 different websites at union, state and local levels. These changes affect an enterprise's obligations as they notify changes to dates, duty structures, revisions to forms, penalties, calculations, among others. The onus is on an enterprise to periodically visit the websites, discover the changes and evaluate applicability. The government needs to create a centralised repository (electronic gazette) of all regulatory changes that impact the enterprise. There should be personalised notifications based on preferences of industry, ministry, department, state, categories and types.

Digitise inspections: An MSME in India can be inspected by as many as 20 inspectors at any time. The current inspection system is manual, paper-based and requires physical contact. The system is so dreaded that it is called 'inspector raj' in popular parlance. There is an urgent need to reimagine the current system and replace it with a consolidated, risk-based and digital system with built-in self-certification and third-party inspections.

The last six years have been exciting from an EoDB perspective. India has jumped from 142nd rank in the World Bank EoDB in 2014 to 63rd in 2019. The low hanging fruit has been plucked. The road ahead will need deeper and more impactful reforms at all levels. These reforms will require tougher decisions, laser-sharp focus and greater allocation of resources. I am hopeful that India can get to its destiny of becoming a $10 trillion economy at the end of this decade.

Source: financialexpress.com– Feb 25, 2021

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Punjab cabinet approves amendment to industrial policy

The Punjab state cabinet last week approved an amendment to the Industrial & Business Development Policy, 2017, for extension of the goods and services tax (GST) formula for availing incentives under the said policy till October 17 next year. This was reportedly done to promote post-COVID industrial revival and attract greater investment.

The move was also a result of feedback from several industry associations, who had demanded extension of the last date of claiming the GST incentive, given in the notification dated October 17, 2018, and make this last date as coterminous till the expiry of the Industrial Policy of the state.

The fiscal incentive under the present policy was only applicable for investment proposals received by March 31, 2020, on the Invest Punjab Business First Portal.

To avail the benefit of additional borrowing of 2 per cent of gross state domestic product (GSDP) in 2020-21, the state cabinet also gave approval to amend the Punjab Fiscal Responsibility and Budget Management (FRBM) Act, 2003, according to media reports from the state.

Notably, the central government has allowed 2 per cent of GSDP, of which 1 per cent shall be unconditional and remaining 1 per cent shall be conditional to specific reforms.

Source: fibre2fashion.com– Feb 24, 2021

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India's consumption market likely to triple by 2030, says BCG report

A new report by Boston Consulting Group (BCG) says India's consumption market is back on the growth track after a year, having been disrupted by the pandemic. While growth projection for the consumption market was made before Covid-19 struck, BCG says that the economy has completely unlocked and there has been an uptick in demand across categories.

It says India's consumption market will triple by 2030, though there could be a lag of 1-2 years induced by the pandemic. The consumption spurt will be driven by urbanisation, higher disposable incomes, and nuclear families.

BCG also notes that retailers will have to develop new strategies to tide over challenges that may emerge in the post-Covid world.

Source: business-standard.com– Feb 25, 2021

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Seven more clusters commissioned

Tamil Nadu has got seven new cluster projects for the development of coir industry.

According to an official of Coir Board, Tamil Nadu has totally nine clusters for coir sector. Two, at Kangeyam and Palladam, were inaugurated two years ago and seven more were commissioned recently. The Board is the nodal agency for the cluster project.

All these clusters have a group of industries that have come together and formed special purpose vehicles. Common facility centres have been established and machinery installed. Apart from the members, other coir industries in these clusters can also benefit.

The products made at these clusters will be exported - directly and indirectly - and also sold in the domestic market through the outlets of the Board

The seven clusters in the State are Dindigul, Tirunelveli, Salem, Dharmapuri, Pollachi, Madurai, and Ethamozhy (Kanyakumari district). While Dharmapuri and Ethamozhy are mini clusters, Pollachi is a heritage cluster, and the rest are major clusters.

The total project for the seven clusters is nearly ₹ 30 crore and about ₹ 21 crore has come as grant. The rest of the cost is invested by the special purpose vehicles. The clusters will make a wide range of products, including coir panels, brooms, brushes, tufted mats, grow bags, peat, coir blocks, geo textiles, and even woven coir mats.

The aim is to promote value addition through the common facilities, the official said.

Source: thehindu.com– Feb 25, 2021

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