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INTERNATIONAL NEWS

Global Manufacturing Picked Up in March—in Some Cases at Record Levels

There were definite signs of improvement in global manufacturing in March as demand grew and new orders increased.

However, the global pandemic was still leaving its mark around the globe in limiting expansion, and supply chain woes such as the bottleneck aftermath of the Suez Canal crisis put a damper on expectations.
United States

March Purchasing Manager's Index (PMI) data from IHS Markit indicated the second-strongest improvement in the health of the U.S. manufacturing sector since data collection began in May 2007.

The overall expansion was supported by the steepest rise in new orders since June 2014, although production was reportedly held back by supply shortages. Supplier lead times lengthened to the greatest extent on record.

At the same time, inflationary pressures intensified, with cost burdens rising at the quickest rate for a decade. Firms partially passed on higher input costs to clients through the sharpest increase in charges in the survey's history. The seasonally adjusted IHS Markit U.S. Manufacturing PMI posted 59.1 in March, up from 58.6 in February but broadly in line with the earlier released IHS estimate of 59.

Goods producers registered the fastest upturn in new business for almost seven years in March. Anecdotal evidence suggested the expansion was due to a broad-based strengthening of client demand. Some companies also reported stockpiling efforts among their customers amid soaring input prices.

While output rose for a ninth successive month, the faster rise in demand did not translate into sharper production growth as output was reportedly constrained by supply shortages and unprecedented extensions to lead times. Although still strong overall, the rate of expansion in output was the slowest since last October.

“March saw manufacturers struggle to cope with surging inflows of new orders,” Chris Williamson, chief business economist at IHS Markit, said. “Although output continued to rise at a solid pace, capacity is being severely strained by the combination of soaring demand and supply chain disruptions–supply chain delays and backlogs of uncompleted orders are growing at rates unprecedented in the survey’s 14-year history, meaning inventories of finished goods are falling at a steep rate.”

Williamson said pricing power has risen as demand outstrips supply. Raw material prices are increasing at the sharpest rate for a decade and factory gate selling prices have risen to a degree not seen since at least 2007.

“The fastest rates of increase for both new orders and prices was reported among producers of consumer goods, as the arrival of stimulus checks…added fuel to a marked upswing in demand as the economy continued to pull out of the malaise caused by the pandemic,” he said. ““With business expectations becoming even more optimistic in March, further strong production growth looks likely in the second quarter, but the big question will be whether rising price pressures also become more entrenched.”

Canada

Canadian manufacturers ended the first quarter with a survey record improvement in overall business conditions. A substantial rise in new work boosted production volumes and stimulated job creation in March.

The surge in demand contributed to a strong rise in backlogs. However, material shortages and border restrictions linked to the coronavirus pandemic continued, which contributed to the greatest lengthening in lead times since April 2020.

The seasonally adjusted IHS Markit Canada Manufacturing PMI registered 58.5 in March, up considerably from 54.8 in February, to become the highest reading in over 10 years of data collection. Manufacturers reported the second-fastest rise in output levels since the series began, which was often linked to increased workloads and greater production capacity.

Survey respondents widely commented on greater demand from domestic and export markets. To cater for the surge in demand, manufacturers added to workforce numbers during the month, with the rate of job creation reaching a three-month high. Despite this, there were further signs that manufacturing companies were unable to keep up with rising workloads at the end of the quarter, with volumes of unfinished business increasing at a near survey-record pace.

"Canadian manufacturers ended the first quarter of 2021 on an upbeat note," Shreeya Patel, economist at IHS Markit, said. "The growth was driven by stronger demand as COVID-19 restrictions continue to ease across the provinces. Turning to areas of concern, global supply chain pressures continued in March. Border restrictions and tighter COVID-19 measures in international markets continued to hinder the supply of inputs. As a result, firms have had to incur rising costs and production delays. That said, the more resilient demand environment has allowed firms to protect profit margins by raising selling prices."

Eurozone

The Eurozone's manufacturing economy performed strongly during March, with operating conditions improving to the greatest degree in nearly 24 years of data collection.

The PMI surged to 62.5, up from February's 57.9 and indicative of a considerable strengthening of sector performance. Growth was broad-based across the region, with Germany and the Netherlands leading the way. Austria also performed exceptionally well, while Italy and France both recorded levels among the highest in their respective survey histories.

Underpinning the headline Eurozone PMI were record rises in both output and new orders in March. A general strengthening in demand, on the back of increasing confidence about future economic conditions, helped to drive the record increases in production and output.

"Eurozone manufacturing is booming, with production and order books growing at rates unprecedented in nearly 24 years of PMI survey history during March," IHS's Williamson said. "Although centered on Germany, which saw a particularly strong record expansion during the month, the improving trend is broad based across the region as factories benefit from rising domestic demand and resurgent export growth. "Driving the upturn has been a marked improvement in business confidence in recent months, with expectations of growth in the year ahead running at record highs in February and March. This has not only boosted spending but has also led to rising investment and restocking, as firms prepare for even stronger demand following the vaccine roll-out."

"The picture is blighted, however, by record supply chain disruptions, which will likely be exacerbated further by delays arising from the Suez Canal blockage," he added. "Prices are already rising at the fastest rate for a decade as demand outstrips supply, resulting in a sellers' market for many goods."

Brazil

Brazil's manufacturing sector recovery was interrupted in March, as a spike in coronavirus cases and the introduction of new restrictions reduced new orders. Subsequently, companies lowered production, trimmed employment and reassessed their forecasts for output over the coming year.

The results also highlighted severe supply-chain disruptions, which triggered a steep increase in input costs and delivery delays. To protect their margins, firms lifted their selling prices again. Owing to a sharp increase in supplier delivery times, the IHS Markit Brazil Manufacturing PMI remained above the 50 no-change mark in March, declining from 58.4 in February to a nine-month low of 52.8.

"The Brazilian manufacturing sector experienced a setback in March, with new orders and output dipping back into contraction due to a spike in COVID-19 cases and the introduction of new controls aimed at curbing the spread of the disease," Pollyanna De Lima, Economics Associate Director at IHS Markit, said. "Supply-chain constraints remained a key feature of the PMI survey. Average lead times lengthened to one of the greatest extents we've seen amid the shipping crisis and raw material shortages."

U.K.

The upturn in the U.K. manufacturing sector gained momentum at the end of the third quarter. March saw the fastest output growth since late-2020, as inflows of new business from domestic and overseas markets strengthened.

The sector remained beset by severe supply chain and logistic issues, however, leading to delivery delays from suppliers and disruption to production and distribution schedules.

The IHS Markit/CIPS PMI rose to a decade-high of 58.9 in March, its best outcome since February 2011. The PMI level was supported by improved growth of output, new orders and employment along with increased supplier lead times. A slower decrease in stocks of purchases also had a positive impact on the latest reading compared to one month ago.

Consumer goods production returned to expansion following back-to-back contractions. Higher output was linked to improved new order intakes, the vaccine roll-out and preparations for the planned loosening of lockdown restrictions.

Companies reported improved demand from domestic and overseas clients, rising business confidence and customers ordering early to guard against potential price rises and further supply-chain disruption. The ongoing rebound in domestic and global economic conditions underpinned increased optimism and job creation at U.K. factories.

"Signs of Spring have appeared in the U.K. manufacturing sector," Rob Dobson, director at IHS Markit, said. "The domestic market remained the prime source of new orders, as companies reported that the vaccine roll-out and clients' preparations for the loosening of lockdown restrictions underpinned the expansion. Many expect this process to be supportive during the year ahead as well, raising business optimism and jobs growth to their highest levels for seven years."

China

Chinese manufacturing companies signaled a further improvement in operating conditions in March. Production and new orders continued to expand at mild rates, with new export business returned to growth.

At the same time, inflationary pressures intensified, with input costs and output charges rising at steeper rates. At 50.6 in March, the PMI was down from 50.9 in February, however, indicating a marginal rate of improvement, was the softest seen in the current 11-month period of expansion.

Chinese manufacturers increased production during March for the 13th straight month, but the rate of growth edged down to an 11-month low and remained modest overall. Firms frequently mentioned that a further recovery from the pandemic and rising customer orders had supported the latest upturn.

Underlying data suggested that a softening of domestic demand was largely offset by increased foreign sales, which rose for the first time in three months. The sustained upturn in new orders led to renewed pressure on capacities, with backlogs of work rising modestly after a marginal drop in February.

“Overall, the manufacturing sector continued to recover in March, but the momentum of both supply and demand weakened,” Wang Zhe, senior economist at Caixin Insight Group, said. “Manufacturing enterprises were still confident that the economy will continue to recover and that the pandemic will be brought under control, with the gauge for future output expectations exceeding the long-term average. We should pay attention to inflation in [the] future as the gauges for input and output prices have been rising for several months. The growing inflationary pressure limits the room for future policies and is not a good thing for sustaining an economic recovery in the post-epidemic period.”

Vietnam

Growth gathered pace in the Vietnamese manufacturing sector at the end of the first quarter. Marked increases in output, new orders and exports were recorded, leading to stronger rises in employment and purchasing activity. Meanwhile, business confidence surged to a 20-month high.

On a less positive note, disruption to supply chains continued to affect the sector and strengthened inflationary pressures. Input costs and output prices rose at the fastest rates in just over three and four years. respectively. The Vietnam Manufacturing PMI rose to 53.6 in March, up from 51.6 in February and signaling a solid improvement in the health of the manufacturing sector.

The rate of production growth hit a 20-month high. Output was up across main sectors, with consumer goods firms leading the expansion.

Source: sourcingjournal.com– Apr 02, 2021

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Mask Contracts and Biden Administration Push on U.S. Manufacturing

The domestic textiles industry has hailed the award of government contracts to Parkdale Mills and Ferrara Manufacturing Inc. to buy as many as 22.2 million masks made in the U.S.

The contracts, unveiled in late March, are the latest chapter in the Biden administration's stated goal to prioritize domestic manufacturing as local production recovers from the still ongoing COVID-19 pandemic.

"The masks will be made in America with American-sourced supplies and provided to essential workers at community health clinics, food pantries, and soup kitchens across the nation," according to the Workers United union that represents workers at Ferrara Manufacturing in New York.

The contracts also come at a time that the Biden administration has encouraged states to implement, or in some cases reimplement, mask mandates as the number of COVID-19 cases in the U.S. remains high. In the past day alone, there have been more than 79,029 new reported cases of COVID-19 in the U.S. and 1,064 deaths from the illness, according to the Johns Hopkins University statistics.

"The U.S. textile industry has been at the forefront of the efforts to produce lifesaving PPE since the onset of the COVID-19 pandemic a year ago," said National Council of Textile Organizations chief executive officer Kim Glas.

"To that end, the industry has produced over a billion lifesaving PPE and other medical products over the last year.

"The fact that these awards will support more than 5,000 American workers and our domestic supply chains represents an important signal from the administration that it is serious about bolstering the American manufacturing base," she added.

The moves echo the Biden administration's agenda enshrined in his "Build Back Better" program, in which the administration has indicated policies to boost federal procurement of domestically made products, and to build up "critical supply chains" in the U.S.

"U.S. manufacturing was the Arsenal of Democracy in World War II, and must be part of the Arsenal of American Prosperity today, helping fuel an economic recovery for working families," according to the agenda outlined on the Build Back Better website.

The NCTO has voiced its support for investing in U.S. supply chains of essential products including personal protective equipment, and to potentially incentivize the private sector to buy American-made PPE.

"It is critical that the administration and Congress enact policies to help onshore personal protective equipment and other products to build a permanent domestic supply chain for future crises," Glas said.

"The U.S. textile and apparel industry needs long-term government contracts to reshore a critical global supply chain that failed our nation when it needed it most," she added. "These contracts are a step in the right direction."

Labor leaders have lauded the development as a boost for American workers.

"The Biden administration has proven today that when the federal government leads a key marketplace as a buyer, with the right standards, American companies and workers can meet the demand, stabilize the economy, create good jobs, and propel the recovery forward," said Lynne Fox, president of Workers United. "So I know I speak for our members in saying that we are honored to partner in helping serve our nation's ongoing crisis."

Source: wwd.com - Apr 03, 2021

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Multinationals tread cautious path in China boycott

A backlash in China against foreign brands that have sought to distance themselves from “forced labour” in Xinjiang cotton threatens to drag multinationals into a lengthy diplomatic spat as Beijing demands that the global apparel industry reject the allegations.

Online calls, fanned by state media, for boycotts of Hennes & Mauritz, Nike, Adidas, Burberry, Uniqlo and Zara among others have mounted pressure on brands to take a side in the diplomatic row between Beijing and western governments over alleged rights abuses in the region, which produces more than 80 per cent of China’s raw cotton.

The campaign was launched a day after the UK, US, EU and Canada imposed co-ordinated sanctions on officials in Xinjiang over a mass internment campaign that has detained more than 1m Uighurs, Kazakhs and other Muslims in “re-education” camps. China denies allegations of abuses.

Unlike in some previous nationalist outcries targeting foreign groups, multinationals appear reluctant to apologise and acquiesce to China’s demands. To do so could spark criticism at home from politicians and human rights groups lobbying for Beijing to be held accountable for using “forced labour” in the region.

Zuzanna Pusz, an analyst at UBS, said the boycott was more serious than past crises as the brands have “been caught up in something that’s political”.

“If a brand makes a mistake in terms of its communications or the choice of an influencer, it can apologise and make things right. Here, by trying to make things right, they would actually make things wrong,” she said, noting that many western groups have committed to following guidance on sourcing from Better Cotton Initiative, a Geneva-based ethical trade group that counts more than 2,000 brands as members, including Nike and H&M.

Yet membership is now a liability in China, after state media accused BCI of “smearing” Xinjiang and sparking a widespread rejection of its cotton. The non-profit group stopped licensing cotton from Xinjiang last year citing “sustained allegations of forced labour and other human rights abuses in Xinjiang”.

Chinese state broadcaster CCTV last week aired an interview with BCI's Shanghai representatives, who accused the Geneva headquarters of disregarding its assessments declaring that there was no evidence of "forced labour" in Xinjiang.

Mei Xinyu, a researcher affiliated with China's commerce ministry, told the Financial Times that he believes BCI is now "just one step away from Chinese government sanctions". The group should reform its verification work to focus on technical standards and "steer clear of politicised acts", he said.

BCI declined to comment.

Previous boycotts in China, such as that of Dolce & Gabbana after one of its advertising campaigns was branded racist, have targeted single companies, but the BCI's withdrawal of its ethical stamp on Xinjiang cotton has meant brands that have sought to alter supply chains have been ensnared.

H&M, which has taken the brunt of the latest campaign, is absent from searches on China's largest ecommerce platforms Alibaba's T-mall and JD.com. Local media have reported that some of the Swedish group's stores have shut, although those in major cities remain open.

Dozens of brand ambassadors have ended their representation of foreign brands caught up in the boycotts, although Nike and Adidas have so far kept their sponsorship deals with major Chinese sports teams.

Many apparel groups had already been wary of indicating that Xinjiang cotton would no longer appear in their supply chains, partially as most lack oversight of where exactly components for clothes come from.

Cotton will change hands "at least" six or seven times from harvest to being spun into textile, sometimes passing through several different countries, according to BCI.

A Bangladeshi garment factory owner, who did not want to be named, said it was "incredibly difficult" to ensure that cotton is not from Xinjiang.

"Almost all brands are telling their suppliers 'don't buy Xinjiang cotton' but the whole issue is traceability," he added, explaining that most garment manufacturers had no choice but to trust suppliers' assurances on the origin of cotton.

Brands have sent mixed messages about their position on Xinjiang, with what appeared to be internal disagreements leading some groups to release contradictory statements in Chinese and in English.

The official Hugo Boss account on Weibo, the Chinese microblog, said last week that the brand would “purchase and support” Xinjiang cotton, while its website said the company “has not procured any goods originating in the Xinjiang region from direct suppliers”. The Weibo post was later deleted with the company saying it was “unauthorised”.

Luxury groups like Hugo Boss and Burberry are much more exposed. China is H&M’s fourth-biggest market but accounts for just roughly 5 per cent of revenues. Chinese consumers accounted for roughly 40 per cent of the €281bn spent on luxury goods in the year before the pandemic, but drove 80 per cent of the growth, according to Jefferies.

Still, Greater China is Nike’s third-largest market: in the year to May 2020 it recorded its sixth consecutive year of double-digit revenue growth in the region, with $6.7bn of sales.

More recently, China’s economic recovery has made the country a rare bright spot for western brands as demand in Europe and North America remains weak.

H&M declined to comment and Burberry did not respond to a request for comment. There are, however, indications that brands have tried to soften the impact of their previous statements. H&M has, for example, updated its original statement, removing lines stating that it would “reduce exposure” to Xinjiang.

Source: ft.com - Apr 04, 2021

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China's cotton imports set to soar in Jan-Aug '21: TexPro

The value of cotton imported by China is set to soar to monthly average of $601.05 million during January-August 2021, compared to monthly average of $297.27 in 2019 and $296.87 million in 2020. This is due to the increasing orders placed with Chinese clothing manufacturers by western nations that have banned the use of Xinjiang cotton and cotton products.

In 2019, China imported $3,567.23 million worth of cotton, for converting to yarn and fabric. Despite the COVID-19 pandemic, its cotton imports last year stood almost the same at $3,562.38 million. Though cotton imports remained low between April 2020 and August 2020, fluctuating in the range of $150 million to $250 million, they recovered in the following months, according to Fibre2Fashion's market analysis tool TexPro.

In December 2020, cotton imports grew 89.33 per cent month-on-month, as manufacturers started replacing Xinjiang cotton with imported cotton fibre. Xinjiang cotton contributes for the 70.00 to 80.00 per cent of China’s cotton output.

Recently, the US banned import of all products that contain cotton produced in Xinjiang autonomous region of China, due to human rights concerns. If Chinese manufacturers use local cotton to fulfil the orders from western countries, they will face issues such as quality compromise and order cancellations.

Source: fibre2fashion.com - Apr 02, 2021

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Global garment makers unite to demand better terms from retailers

Garment makers in nine countries spanning Asia, the Middle East and North Africa have banded together to demand better contract terms from global clothing retailers, according to a draft document seen by Reuters.

The suppliers hope their united front will prevent retailers from playing them off against each other in search of more lenient terms after suffering from widespread cancellations and payment delays at the start of the coronavirus pandemic.

Global retailers including Arcadia, Gap, Kohl's, and Primark cancelled or paused orders with garment-making factories in Bangladesh worth almost $3.7 billion in March and April last year, the results of a local survey of factories seen by Reuters showed.

While some, including Primark, H&M, Inditex and Gap, later committed to paying the cancelled orders in full, campaigning coalition PayUp estimates $18 billion out of $40 billion worth of payments are still outstanding globally.

Arcadia and Kohl's did not respond to a Reuters request for comment.

Thirteen associations representing garment suppliers in China, Bangladesh, Myanmar, Cambodia, Vietnam, Pakistan, Turkey, Morocco and Indonesia have drafted minimum terms they hope to present to clients, including a maximum 90-day payment term and an end to discounts after orders are placed.

The draft document, due to be finalised and released in late April, is a joint initiative of the Star Network, funded by Germany's international development agency GIZ, and the International Apparel Federation.

"It has become very clear to manufacturers that their vulnerability has increased and that they must play a stronger role in setting standards for purchasing practices," a statement announcing the initiative published on Thursday said.

Though the document will not be legally enforceable, the aim is to foster purchasing practices which "do not cross the boundary of misuse of buying power to the obvious and avoidable detriment of the manufacturer," according to the release.

A later phase of the initiative would also aim to build ways of enforcing the terms, including an international arbitration mechanism for manufacturers to raise grievances with buyers.

"We tended to blindly trust our customers," said Miran Ali, spokesman for the Star Network. "If they said they want to buy 100,000 yards of fabric from us and they'll send the purchase order in three weeks, we'd just go ahead and do it. That faith has been lost."

Global retailers lost $1.2 trillion in sales in 2020, a 3.9% drop, according to research firm Forrester, as global lockdowns decimated demand and shut stores for months on end. Though some sales were recuperated online, many clothing retailers were forced to impose steep discounts in an attempt to get rid of unsold stock.

The Penn State Center for Global Workers' Rights said in a report that U.S. and European Union trade data showed a $16.2 billion drop in apparel imports in April through June 2020.

While clothing sales are beginning to recover from last year's record losses, orders are still far smaller than before the pandemic, with shorter lead times and longer payment windows, factory owners, sourcing agents and retailers themselves say.

'NOT A HAPPY MESSAGE'

The draft document says retailers must pay suppliers within 90 days, with deferred payments attracting an additional fee to cover interest and loss of profit, while discounts could not be requested after a purchase order is issued.

A letter from Marks & Spencer to its suppliers on April 7, 2020 stated orders shipped after March 24 would be paid up to 120 days from invoice receipt date, up from 75 days previously and nearly three times the pre-pandemic industry average of 43 days. These terms remain in place, a Marks & Spencer spokesperson said, declining to comment further.

In anticipation of lower sales, other retailers imposed discounts on orders already in production.

A letter sent by Hong Kong-based sourcing agent Li & Fung to some suppliers of American Eagle Outfitters in April last year and seen by Reuters said that a 20% discount would be applied to orders affected by the coronavirus.

“We know it is not a happy message...but...it is the crucial fact we’re facing now because we all know chicken dies, no eggs,” the letter said. “A PIECE OF CAKE IS NOT ABLE TO FEED ALL.”

Li & Fung did not respond to a request for comment. American Eagle Outfitters referred Reuters to its statement made last July when it said it had to make “immediate and difficult business decisions” and had “negotiated a one-time discount on a small amount of unshipped orders last April”.

Click here for more details

Source: reuters.com – Apr 01, 2021

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Winners, losers in Xinjiang cotton row

XINJIANG has never left the radar of the United States and its allies in their relentless efforts in recent years to vilify Beijing. They have hurled accusations ranging from human rights violations to baseless claim of "genocide" against the Muslim minority groups.

The most recent blow, which has kicked up a huge international firestorm since March 24, centered on the alleged use of "forced labour" in the huge and vibrant cotton industry in Xinjiang.

Calling these accusations "malicious lies and fabrications", Beijing has imposed tit-for-tat sanctions on politicians and groups in the US, Britain and the European Union (EU), in retaliation for Western sanctions on Chinese officials over their role in alleged human right violations in Xinjiang.

In its attempt to show the brain and culprits behind these allegations, Beijing has also said there are geopolitical and economic reasons in the conspiracy to "blacken" Xinjiang cotton.

Accusing the US of aiming to destabilise China, Beijing's foreign ministry on March 26 showed the media a 2018 video that recorded a speech by career US army officer Lawrence Wilkerson, who told the US Central Intelligence Agency to use Uyghurs in Xinjiang to hit China from within.

Beijing has also highlighted the subtle link between US government and Geneva-based NGO Better Cotton Initiative (BCI), which has sanctioned Xinjiang cotton despite being informed by its Shanghai branch there are no signs of forced labour in Xinjiang in the latter's own investigation.

The BCI, hitherto thought to be an independent trade group to promote better standards, is accused by China to have allegedly taken funding from US Agency for International Development (USAID).

According to USAID's website, the work of the agency "advances the government's national security and economic interest".

The Chinese social media has taken this further. It points out that BCI council chairman Marc Lewkowitz is the president of Supima – the promotion and marketing organisation for American Pima cotton growers.

“The US has no right to accuse China over human rights. It’s time for some US politicians to end the drama they made up, directed and performed themselves, and it’s time for them to wake up from their own Truman Show, ” said Hua Chunying, China’s key foreign ministry spokesperson, at a regular press briefing last Wednesday.

As the history of Xinjiang is marred with bloody terrorism and separatism, which was only put to an end by the central government in 2016, the province populated with 12 million Muslim Uyghurs has become an easy target for anti-China groups to fan up religious and anti-China sentiment.

However, amid allegations against China, leaders from the Muslim world who have visited Xinjiang have not uttered disapproval. In fact, some Middle East nations even voiced support for Beijing’s treatment of the Uyghurs.

A 25-year strategic cooperation agreement signed on March 27 between China and Iran is seen as a stamp of confidence on China by a major Muslim country. The pact, signed at the height of the cotton conflict, covers military, trade, energy and economic cooperation. It has attracted Western media and eyes.

In countering the claim that Xinjiang cotton is tarnished by forced labour, China has questioned why its accusers have persistently refused to visit Xinjiang and do their own fact-finding.

In the past, Beijing has adopted a relatively passive response towards western accusations. Its rebuttals often came in the form of press statements and media interviews to show the good work they have done in Xinjiang, which include eradicating extreme poverty in this arid mountainous north-western province, setting up schools for the young, and creating employment for the jobless.

But this time around, China has dropped its soft approach. It has hit back mercilessly.

For politicians with wide-ranging commercial interest in China, it really hurts. One named person facing China’s sanctions saw his family fortune dwindle by US$1bil as businesses linked to him are hit, according to social media posts.

It is understandable that Beijing has to respond fast as these claims are hurting Xinjiang and undermining China's economy. It has triggered boycott of Xinjiang cotton by Western brands led by H&M, Nike and Adidas – all members of the BCI.

According to China Daily, the boycott has had an instant impact on Xinjiang's cotton/textile industry. Textile factories are planning to lay off workers and cutting purchase from local farmers due to cancelled orders.

The cotton/textile industry in Xinjiang has created jobs for 600,000 local people. More than 50% of farmers in Xinjiang grow cotton, with over 70% of these farmers coming from ethnic minority groups – the Uyghurs, Kazaks and Uzbeks, says the daily.

According to commentators on China's official CCTV television (Channel 4) last Sunday, cotton farming was introduced to help eradicate abject poverty. As the soil and climate is ideal for cotton farming, Xinjiang produces one of the best cotton crops (in terms of quality) in the world.

With an annual output of 5.2 million tonnes, Xinjiang's cotton accounts for 87% of China's output and 23% of world supplies. By end-2019, there were 808 cotton processing plants in Xinjiang, accounting for 84% of China's total, says a report in Global Times.
These statistics show that cotton farming and textile manufacturing has become a mainstay of Xinjiang's economy, apart from tourism.

If Xinjiang's cotton is tarnished, this segment of Chinese economy will be affected. More so will be China's efforts in poverty eradication, hailed by the World Bank as a great achievement.

Hence, it is no surprise China has had to roar back to stop further damage.

Arguing against the "forced labour" claim, the Global Times noted that over 90% of cotton fields in the northern part of Xinjiang is mechanised.

And interestingly, the cotton-picking machines of Xinjiang are imported from the US. John Deere of the US has sold US$500mil worth of cotton-harvesting equipment to Xinjiang since 2017, according to the South China Morning Post.

But the loss in this row is not just confined to China. Western brands that have dropped Xinjiang cotton are feeling backlash from the mainland's consumers, who have called for a nationwide boycott by China's 1.4 billion people.

Sweden's garment company H&M, reported to have 505 sales outlets in China, saw its stores empty on March 25, shunned by local customers. It was reported that six stores have closed after landlords cancelled their leasing contracts.

As China is a major market for H&M in terms of revenue, H&M last Wednesday posted a statement on its website to defuse tension. It said without mentioning Xinjing: "We are dedicated to regaining the trust and confidence of our customers, colleagues, and business partners in China."

But Chinese netizens are not happy with this statement.

The Chinese sentiment is largely reflected by a post by China's Communist Youth League: "Spreading rumours to boycott Xinjiang cotton, while trying to make a profit in China? Wishful thinking!"

The foreign ministry's Hua Chunying stated similar stance: "Chinese people will not allow foreigners to eat our rice and break Chinese bowl".

More than 40 celebrities in the entertainment world have responded to call for boycott by quitting as brand ambassadors for foreign companies.

It was not a surprise when share price of some multinational companies plunged after the public outcry in China.

According to media reports, Germany's Adidas saw its share price plunge by over 6% on March 25. Adidas and US-based Nike saw their combined market value dissipate by more than 70 billion yuan or US$10.7bil. The market value of H&M slumped by about 4.8bil yuan.

But if these multi-national corporations (MNC) want to continue to operate in China and earn billions from 400 million middle-class consumers, they may have to do soul-searching and research.

Zhang Yi, CEO of Shenzhen-based iiMedia Research, told Global Times these MNCs may find prospects and growth potential in the rapidly-expanding Chinese market dimmed, and their brand value could be reduced by half.

Before this cotton episode, many MNCs had rosy growth projections for 2021 in the Chinese market. For instance, Adidas was expecting 20%-30% growth in China in 2021, Zhang noted.

Apart from growth, MNCs could also face an irreversible loss in the world's largest market. When an MNC loses its market share in China, another will promptly scramble in to fill the vaccum, according to Zhang.

Click here for more details

Source: thestar.com.my– Apr 01, 2021

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Australia's SMX to authenticate Israeli cotton

Australia's Security Matters (SMX), a platform for authenticating chemical markers and blockchain, recently signed a cooperation agreement with the Israeli Cotton Board (ICB) to certify and trace organic and conventional cotton, which represents all cotton farmers in the country, from seed to product. The first project will label conventional and organic cotton at the field level.

The process will ensure identification of cotton products at the end of life and sorted for recycling or reuse.

Successful completion of the project would lay the foundation for SMX technology to be adopted by all cotton farmers in Israel.

The project also fits well with the other work done by SMX's Fashion Sustainability Center, which initially focused on authenticating t-shirts, athletic shoes and sunglasses, according to Australian media reports.

All Israeli cotton is certified by the Better Cotton Initiative (BCI).

"For cotton farmers in Israel, sustainability is not a fad, but a way of life," says Yizhar Landau, Managing Director of the Israeli Cotton Board. "Our cotton farmers use recycled water, drip irrigation and integrated pest management on site."

Source: fibre2fashion.com– Apr 04, 2021

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Turkey's exports to Saudi Arabia all but dry up in March amid boycott

Following record-low figures in recent months, trade between Turkey and Saudi Arabia almost zeroized in March, according to official data, reinforcing the damage suggested to be caused by the kingdom's monthslong unofficial boycott.

Exports to Saudi Arabia plunged to just $19 million in March, Turkish Exporters Assembly (TIM) data showed, collapsing 93.7% year-on-year from around $298.23 million a year ago.

The data showed that in the first quarter of the year Turkish exports to the kingdom shrunk 93% on an annual basis to $56 million, down from $810.6 million in the January-March period of 2020.

Furthermore, many industries have seen their sales almost reset in March, including ship-yacht, carpet, jewelry, water products and animal products, ornamental plants, tobacco, fresh fruit and vegetables. Many others saw drops of up to 90%.

The electric and electronic industry's exports also dropped significantly but somewhat maintained flow. The sector alone accounted for $6 million of the overall exports in the month.

Turkey raised the boycott issue this week at a World Trade Organisation (WTO) Goods Council meeting in Geneva, at which Saudi Arabia's "restrictive policies and practices concerning Turkey" was discussed and Riyadh responded, the WTO's website said. Ankara's move could help bring about a settlement.

Saudi business people and retailers last year called for a ban on Turkish imports over political tensions between the two regional rivals. The Saudi government has never formally acknowledged the boycott and said the authorities have not placed any restrictions on Turkish goods.

To circumvent the unofficial blockade, some Turkish exporters have been rerouting food, clothing and other goods. Production in nearby countries allows exporters to obtain customs documents and to ditch "Made in Turkey" product tags, allowing goods to enter the kingdom, exporters, traders and a diplomat told Reuters Thursday.

Brokers are taking the Turkish goods to other ports and forge the documents so they appear to be coming from China or Europe for fees, one importer of building materials to Saudi Arabia, who requested anonymity, told Reuters.

The trade data also shows unusual parallel jumps of 200% to 400% in Turkish garments, textiles, chemicals and jewelry arriving in Oman and Lebanon. Large Turkish companies are said to have held talks in Saudi Arabia in recent months to reopen trade with the kingdom, without any clear breakthrough.

A diplomat who requested anonymity said Saudi traders had lost billions of riyals last year as goods piled up at customs.

They complained to authorities and eventually found “a turnaround to still get the Turkish products in, especially those with no better alternatives,” the person said.

Ankara and Riyadh have in recent months attempted to repair some diplomatic damage after a decade of tension, especially after the 2018 murder of dissident Saudi journalist Jamal Khashoggi in Saudi Arabia’s Istanbul consulate.

The international community has blamed the Saudi authorities for Khashoggi’s murder, namely Crown Prince Mohammad Bin Salman (MBS). The whereabouts of Khashoggi’s body remain unknown.

Aside from the Khashoggi incident, Saudi Arabia’s rapprochement with Israel, support of the coup in Egypt and its stance on Libya and Syria have been other points of contention between Ankara and Riyadh.

President Recep Tayyip Erdoğan and Saudi Arabia’s King Salman agreed in November to “keep channels of dialogue open to improve bilateral ties and overcome issues,” and Ankara has also recently pursued better ties with Saudi ally Egypt.

Source: dailysabah.com – Apr 03, 2021

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How Sustainability Drives the Future of Turkish Apparel Production

Turkey is the sixth-largest supplier of apparel worldwide, with the country producing more than $17 billion worth of exports in 2020, according to the Istanbul Apparel Exporters' Association (IHKIB). But the success of the industry down the road isn't going to come down to sheer volume, the association believes. In fact, as more apparel is produced, manufacturers must keep adapting their technological and production infrastructure in a more sustainable way if they want to truly flourish.

IHKIB, which now has more than 17,000 exporter members, feels the industry is in a prime position to evolve based on its sustainability-driven mindset. Although sustainability has been a recent buzzword for many apparel players over the past decade, sustainability investments have been a part of the Turkish apparel sector's agenda for 20 years.

As the third-leading supplier to the European Union, with an 11 percent market share of apparel distributed across its 27 countries, the Turkish apparel industry continues to serve the interests of buyers from E.U. nations. Social rights and climate issues have become even more paramount in recent years—leading to the formation of The European Green Deal, a set of policy initiatives aiming to make Europe climate neutral in 2050.

Turkish manufacturers are keeping a close eye on the evolving global agenda and preparing action plans according to the occurring changes. The current and future plans of the Turkish apparel industry are fully meeting and further orienting the sustainability concerns of the global apparel value chain, according to Mustafa Gültepe, chairman of IHKIB.

While European-based fast-fashion retailers like H&M and Zara were initially focused on two main imperatives—price and speed—the sustainability, circularity and durability issues that have entered the global apparel agenda have pushed these companies to understand the value add of a more sustainably produced garment.

This gives factories in Turkey a major edge ahead of global competition due to its established ties in Europe and its level of certification, which extends from ISO to Global Organic Textile Standard (GOTS) to OEKO-TEX, according to Cem Altan, board member of IHKIB.

Knowing the continued collaboration between many E.U. buyers and Turkish manufacturers, brands in both the U.S. and across the globe could follow suit to develop more sustainable garments for their consumers.
Water treatment, renewable energy become top priorities

When it comes to producing apparel more sustainably, Turkish factories are focusing on various areas where they can improve the process, such as through water treatment, energy reduction and the de-emphasis of dyes.

“Ecologically, manufacturers are trying to minimize harm to the environment by using water treatment, collecting rainwater, wastewater retreatment and decreasing water consumption,” said Ismail Kolunsag, board member of IHKIB.

Turkish factories can offer all three of those water processes at once.

“This is relatively new and it has transformed the industry into a new shape,” Kolunsag said. “For instance, with digitization, denim producers are now using laser technology in the designing processes. Thanks to that, the water consumption in denim production has decreased.”

Beyond water, materials and energy reduction, recycling and the use of recycled materials are essential to the Turkish apparel manufacturing process.

The roles of compliance and digitization cannot be overlooked

IHKIB board member Mehmet Kaya emphasized the need for a “partner chain” within the Turkish apparel industry instead of a traditional supply chain, meaning that manufacturers in the partner chain are encouraged to take full responsibility for customer satisfaction with the product.

This partner chain mentality is even more important for driving sustainability, in that all stakeholders are aware of their role in delivering responsibly produced apparel to the end consumer. This extends to worker safety and labor compliance, particularly in factories, which are unfortunately neglected in many areas of the world.

“For more than 20 years, Turkish factories have not used any direct dyestuff within their apparel production process. Major companies are investing in renewable energy, using solar panels in their factories or windmills to decrease the level of energy used in factories.” according to Kaya.

Leftover materials are separated from each other in the pre-production process before they are sent to relevant registered recycling units and re-converted into yarn and fabric. The pre-production process in Turkey is very well organized and, more importantly, traceable, Kaya emphasized.

And with some countries establishing high duties for used garments as they are transported across borders, collaboration between the manufacturer and the brand is crucial in effectively handling post-consumer recycling processes to mitigate high costs and potential waste.

While digitization is another common talking point when discussing the apparel supply chain, it must be interrelated with sustainability to thrive.

“A couple of years ago, sustainability was a good thing to have, but today it is a ‘must’ and not something optional. It is not possible to trace and control sustainability without digitization,” Kaya added.

Source: sourcingjournal.com – Apr 02, 2021

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Pakistan's textile industry upset over Govt's U-turn

Pakistan's struggling textile industry has voiced its disappointment after the Imran Khan government rejected a proposal to import cotton from India, the world's biggest producer, saying it is the need of the hour to avoid a massive export decline, a media report said on Friday.

The Cabinet headed by Prime Minister Khan on Thursday rejected the proposal of a high-powered committee to import cotton from India, with Foreign Minister Shah Mahmood Qureshi asserting that there can be no normalisation of ties until New Delhi reverses its decision to revoke the special status of Jammu and Kashmir.

The Cabinet's decision has disappointed the textile export industry, the Dawn newspaper quoted Pakistan Apparel Forum chairman Jawed Bilwani as saying.

The textile export sector, which was already under pressure due to the Covid-19 pandemic, has been continuously demanding duty-free import of cotton yarn from all over the world, including India, to avert any big loss to textile exports.

The step would send a negative message to foreign buyers as cotton yarn was not available in the country, he said, adding that prices of cotton yarn have increased after the Cabinet's decision.

"The government must ensure availability of cotton yarn if it did not want to allow its import from India," Bilwani said as he feared massive textile export decline if import of cotton yarn from the neighbouring country was not allowed.

In the current year, Pakistan faced a 40 per cent plunge in cotton production and if it was compared with 15 million bales in 2014-2015, then the drop was 50 per cent this year, he said.

Bilwani said sea freights have already increased by 700 per cent due to the pandemic and the goods now reach their foreign destination in 105 days instead of 25 days. "If the government did not want to permit import of cotton yarn from India then it must impose a ban on export of cotton and cotton yarn for at least next six months," he added.

India is the world's largest cotton producer and second-largest exporter. Gujarat, Maharashtra, Telangana and Madhya Pradesh are main cotton growing-states.

India's cotton exports jumped over 40 per cent to 10 million bales (of 170 kg each) in the 2018-19 marketing year on strong overseas demand, especially from China, according to industry body CIA.

Source: thehindubusinessline.com– Apr 02, 2021

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Pakistan: Textile sector plans protest against cabinet decision

The value-added textile sector of Pakistan has expressed its reservations about cabinet's refusal to allow import of cotton yarn from India, saying that they are planning a protest in the coming days.

"According to the World Trade Organisation (WTO) laws, no one can object to trade with another country, the restrictions imposed by Pakistan on trade with India are based on political grounds, but if we allow imports of medicines from India, then why not cotton yarn," questioned Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) Patron-in-Chief Ijaz Khokhar.

Speaking to The Express Tribune, he said the entire value-added sector was shocked by the way the government reversed its decision, sparking concern among them.

"This step shows that mafias are still part of the government and this impression will reach our international buyers," he said, adding, "We now fear that this step will help a certain part of the textile sector whereas the rest will lose orders as buyers will prefer India and Bangladesh over Pakistan due to such steps."

The government earlier announced that it was allowing import of cotton yarn and sugar from India, however, within 24 hours of the statement which had the potential to defuse tensions between the two neighbouring countries, the cabinet opposed the decision.

Meanwhile, former All Pakistan Textile Mills Association chairman Shahzad Ali Khan told The Express Tribune that restricting yarn imports from India was a good decision.

"Yarn imports could have pitted Pakistan's spinning sector against the Indian counterparts and since the Indian industry is getting subsidised energy, the local industry would have been affected," he added.

"India will not export cotton yarn to Pakistan at cheap rates and there will be no difference between prices of yarn of both countries once imported into Pakistan," Khan said.

Cotton yarn is the basic raw material for the value-added textile sector and its scarcity is one of the reasons why value addition in Pakistani textile products is not growing.

“Local production of cotton is not sufficient to meet demand of the domestic textile industry, hence, the knitwear sector suggests to the cabinet to allow duty-free import of yarn from India so that exporters can achieve their production targets,” said Pakistan Hosiery Manufacturers and Exporters Association (PHMA) Zonal Chairman Faisal Mehboob. The association urged Prime Minister Imran Khan and his team to make bold decisions, which were vital for a smooth running of the industry.

Mehboob said that any decision to lift the ban on import of cotton and yarn from India would greatly support country’s value-added knitwear sector, besides contributing to stabilising the national economy through an increase in exports.

Source: tribune.com.pk– Apr 02, 2021

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Pakistan - Textile: does the mothership speak for everyone?

It is said that economic interests - and not geo-politics – is the key driving force in foreign policymaking. How fortunate for some when their economic interests perfectly align with national interests. Pakistanis saw this playout last week, when a proposal to import cotton and yarn from India was rejected by federal cabinet. But whose economic interests did it protect?

Over last month, this newspaper ran a slew of shikwa and jawab-e-shikwa press releases by warring factions within textile value chain, but without calling each other out by name. Their bone of contention? Whether or not to permit raw material import from India.

But whose raw material? In March alone, several trade associations called for permission to import cotton, yarn, and even fabric from India, to meet a shortfall in domestic supply. This comes after raw material prices shot up locally since January, allegedly forcing manufacturers in value-added segment to cancel export orders.

Export demand is on a rise after return of international buyers to Pakistan since last year, while supply of domestic raw material simply isn't enough. Import of low-cost Indian cotton and yarn through land route would allow exporters to capitalize on the buoyant demand, claim players in the value-add segment. Some have gone further and even demanded a ban on yarn export!

But not everyone seems to agree. The spinning segment insists that it has imported over 3 million bales of expensive and higher quality cotton since July last year, whereas resumption of trade with India will bring local cotton and yarn prices crashing down. There is no yarn shortage locally, as domestic prices are equivalent to landed cost of imports (through sea-routes). Therefore, value-added segment should chin up and oppose the hegemon next door for the sake of greater national interest.

So, what's really going on? Has the spinning segment truly created a shortage locally by taking advantage of favorable global prices? Pakistan's 8MFY21 cotton yarn output is virtually flat over last year, while yarn export volume has fallen by 17 percent over the same period. Unit prices of exported yarn have only begun to improve during last quarter. Thus, while spinners may be extracting a better bang for their (exported) buck, why shouldn't they? Moreover, why should spinners let go off an opportunity to mint dollars, only to keep garment players export competitive?

Except that while the spinning segment demands trade freedom for itself, it simultaneously asks for protection from imported Indian raw materials, to the detriment of value-added segment. Worse still, the spinning segment speaks through the forum of APTMA, which is widely presumed to be the representative organization of all segments within the textile value chain.

But does the mothership truly speak for everyone? Over the past three months, at least 15 national and regional level trade bodies have lobbied for yarn import, while APTMA is almost alone in its opposition. Events over last week may show that the interests of a minority group have carried the day. But should the numerical strength of trade bodies and their members determine national level trade policy?

An argument can always be made that if Pakistan's textile exports are to ever graduate beyond low-value added yarn and cloth, its policy tilt must shift towards garments, apparel, knitwear and other made-up products. After all, both Bangladesh and Vietnam have come to dominate global textile market by sourcing cheap raw materials regionally, instead of obsessing over indigenous production.

If only things were that simple. On one hand, significant level of overlap exists between registered members of the 15 associations and APTMA members. Moreover, APTMA is also home to 20+ largest composite units in the country that not only manufacture and export yarn but also export value-added denim fabric, garments, and knitwear. Worse still, because a high percentage of (non-APTMA) value-added segment players are privately owned, there is virtually no way of knowing whether these contribute a higher share of textile export dollars, or the APTMA members.

Click here for more details

Source: brecorder.com– Apr 05, 2021

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Pakistan: Exports hit decade high of $2.3 billion in March

Pakistan's exports in March reached a decade-high of $2.3 billion with monthly figures showing growth year-on-year and over the previous month, commerce adviser said on Thursday.

"Ministry of commerce is glad to share that according to provisional figures, in March 2021 our exports increased to $2.345 billion. This is an increase of 13.4 percent over February 2021. It is the monthly highest in last 10 years," Adviser to Prime Minister for Commerce and Investment Razak Dawood wrote on Twitter.

"This is also the first time since 2011 that exports have crossed the $2 billion mark for six consecutive months."

However, commerce adviser termed the annual growth as misleading because the last year's lockdown kept the industrial wheel extremely slow.

"The export growth of 29.3 percent over March 2020 should not be considered as it is misleading since there was a lockdown last year," Dawood said.

For the 9-month period of July-March of the current fiscal year, exports increased 7 percent to $18.6 billion as compared to $17.4 billion in the corresponding period last year, according to the ministry of commerce's data.

Exports are expected to get an upset due to shortage of cotton, the main industrial input of textile industry that accounts for more than 60 percent of total exports.

The government is uncertain about giving a go-ahead to cotton and yarn import from India, the world's largest cotton producer. Analysts said textile industry's growth is tied with cotton import from India to keep up momentum of textile exports from the country.

"It's extremely important as there is significant shortfall in cotton production this year. Lack of cotton will result in reduced textile output and hence exports," Saad Hashemy, an executive of Karachi-based BMA Capital said.

Although some analysts said banning Indian cotton would not deprive Pakistan's textile industry of the raw material, they still believe cross-border trade is more cost-effective.

"Eventually we will be importing from China and Europe as we are doing it right now," said Tahir Abbas, head of Research at Arif Habib Limited.

However, there are two differences when it comes to cost-effectiveness of Chinese and European cotton, Abbas said. One is transportation time and cost involved in importing cotton from neighbouring India vis-à-vis international import. Secondly, there is four to five percent difference in cotton prices.

In July-March period, imports grew 12 percent to $39.2 billion compared to $34.8 billion during the corresponding period last year. The growth has come from increase in import of raw material as well as import of wheat, sugar and cotton, commerce adviser said.

Source: thenews.com.pk– Apr 02, 2021

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No trade with India under current circumstances: Pakistan PM Khan Imran Khan

Prime Minister Imran Khan decided that Pakistan cannot go ahead with any trade with India under the current circumstances after holding consultations with key members of his Cabinet on importing cotton and sugar from the neighbouring country, a media report said on Saturday.

The prime minister after consultations on Friday instructed the Ministry of Commerce and his economic team to immediately take steps to facilitate the relevant sectors, value added, apparel and sugar, by finding alternative cheap sources of import of the needed commodities, the Dawn newspaper quoted sources as saying.

Various proposals have been presented to the Economic Coordination Committee (ECC) which considers these suggestions from an economic and commercial point of view. After consideration by the ECC, its decisions are presented to the Cabinet for ratification and final approval, the report said.

In the present case, a proposal was presented to the ECC to allow the import of cotton, cotton yarn and sugar from India keeping in view domestic requirements, it said.

With regards to the ECC decision to allow import of sugar, cotton and cotton yarn from India, Khan held consultations with key members of his Cabinet on Friday and decided that Pakistan could not go ahead with any trade with India under the current circumstances, it said.

The ECC had decided on commercial grounds to recommend these imports for the Cabinet's consideration. While the decision was not on the formal agenda of the Cabinet meeting, the issue was brought up by Cabinet members and the prime minister instructed that the ECC's decision be deferred and immediately reviewed, the report said.

The Cabinet headed by Prime Minister Khan on Thursday rejected the proposal of the high-powered committee to import cotton from India, with Foreign Minister Shah Mahmood Qureshi asserting that there can be no normalisation of ties until New Delhi reverses its decision in 2019 to revoke the special status of Jammu and Kashmir.

Pakistan’s U-turn on Thursday came a day after the ECC, under newly-appointed Finance Minister Hammad Azhar, recommended importing cotton and sugar from India, lifting a nearly two-year-long ban on its import from the neighbouring country amidst tensions over the Kashmir issue.

India has said that it desires normal neighbourly relations with Pakistan in an environment free of terror, hostility, and violence. India has said the onus is on Pakistan to create an environment free of terror and hostility.

India has also told Pakistan that talks and terror cannot go together and has asked Islamabad to take demonstrable steps against terror groups responsible for launching various attacks on India.

The ECC’s decision had raised hopes of a partial revival of Pakistan-India bilateral trade relations, which were suspended after the August 5, 2019 decision of New Delhi to revoke the special status of Jammu and Kashmir.

In May 2020, Pakistan lifted the ban on the import of medicines and raw material of essential drugs from India amidst the COVID-19 pandemic.

India’s move to revoke the special status of Jammu and Kashmir in 2019 angered Pakistan, which downgraded diplomatic ties and expelled the Indian High Commissioner in Islamabad. Pakistan also snapped all air and land links with India and suspended trade and railway services.

Source: financialexpress.com– Apr 05, 2021

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NATIONAL NEWS

RoDTEP Scheme: Revenue Dept vetting Pillai panel's report on refund rates

Exporters want govt to implement the recommended rates without cuts

The Department of Revenue is vetting the duty refund rates for exporters proposed by the GK Pillai Committee in its full report on the new Remission of Duties and Taxes on Exported Products (RoDTEP) scheme and will take a call on whether to go with the suggested rates or lower them to keep expenditure in check, sources tracking the development have said.

"As long as the Department of Revenue sticks to the refund rates that have been proposed by the GK Pillai Committee, the Commerce Department should not have a problem in supporting and notifying them, as these have been scientifically calculated. In that case, the exporters' wait for the rates would soon be over," an official source told BusinessLine.

The RoDTEP rates have been calculated by the Pillai Committee based on all input taxes paid by exporters, including embedded taxes, that have not been refunded under any other scheme.

However, if the Department of Revenue decides to lower the rates, there is a possibility that the Commerce Department may have issues with it, the official added.

RoDTEP Vs MEIS

Exporters are aware that under the RoDTEP scheme, most sectors would not be eligible for a refund as high as the one they were enjoying under the Merchandise Exports from India Scheme (MEIS) that was discontinued from January 1, 2021 (simultaneously with the implementation of RoDTEP). However, they don't want cuts beyond the rates suggested by the Pillai Committee.

"Exporters understand that RoDTEP is not the same as MEIS which was basically an incentive scheme and, therefore, an export subsidy disallowed by the WTO. But they want all their input levies to be refunded fully under the scheme, as recommended by the Pillai committee," the official said.

Under the MEIS, exporters from a number of sectors would get refunds ranging from 2-4 per cent of the value of the exported goods. However, this calculation was not based strictly on input taxes paid.

The Pillai Committee's suggested refund rates may be lower than the MEIS rates, but it may still be difficult for the Revenue Department to implement them within the budgeted ₹13,000 crore. The Finance Ministry had initially projected that the revenue foregone towards the scheme would be ₹50,000 crore annually.

"The funds could be increased if the Finance Ministry wishes," the official said.

More funds needed

Exporters body FIEO wants the government to provide enough funds for RoDTEP and announce the rates soon. "RoDTEP is a scheme that is here to stay for some time. It is one of the few instruments available to support exports. Under all pragmatism, one should look into that aspect," said Ajay Sahai, Secretary General, FIEO.

With exports of goods estimated to fall by 7.4 per cent (year-on-year) to $289.92 billion in fiscal year 2021, and outlook for the new fiscal still being uncertain due to the rising wave of the Covid-19 pandemic, exporters have been asking the government for more support.

Source: thehindubusinessline.com– Apr 04, 2021

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RBI seen leaving repo rate unchanged in first review of FY22

To persist with accommodative stance as recovery still tentative amid rising Covid cases

The Monetary Policy Committee (MPC) is likely to leave the signal repo rate unchanged in the first bi-monthly Monetary Policy Review of 2021-22 as economic recovery is still tentative and retail inflation, though within the tolerance band, surged in February.

The six-member MPC has kept the repo rate (the interest at which the Reserve Bank of India provides liquidity to banks to overcome short-term mismatches) steady at 4 per cent in the last four bi-monthly Monetary Policy Reviews.

The last time the repo rate was changed was in May 2020, when it was cut from 4.40 per cent to 4 per cent. Then the reverse repo rate (the interest rate banks earn for parking surplus liquidity with the RBI) was also cut from 3.75 per cent to 3.35 per cent.

The second Covid-19 wave and its impact on the economy is expected to figure prominently in MPC's deliberations that will start on Monday and go on till Wednesday. The committee is expected to persist with the accommodative monetary policy stance.

The meeting is also taking place in the backdrop of the February reading of the output of eight core infrastructure sectors showing a 4.6 per cent (year-on-year) contraction and retail inflation (consumer price index — CPI) rising nearly one percentage point to 5.03 per cent, from 4.06 per cent in January.

Edelweiss Securities expects the RBI to leave rates unchanged and stick to its accommodative stance. "Economic recovery is still uneven and the pace of improvement has slowed of late after a sharp rebound from lows (IIP has averaged just about 0.6 per cent YoY in the past five months). Further, the recent rebound in Covid cases poses a fresh challenge. Thus, continued policy accommodation is very much warranted," it said in a report.

Rahul Bajoria, Chief India Economist, Barclays Securities (India) Pvt Ltd, and Shreya Sodhani, Research Analyst, Barclays Investment Bank, Singapore, in a report, said:“We believe the RBI can maintain its monetary accommodation for a while to enable the recovery to become entrenched.”

The Barclays report observed that transmission still has room to improve, and the RBI can play its part by holding steadfast to its commitment to maintain surplus liquidity and keep policy rates low to allow the prior cuts to percolate fully to lending and deposit rates.

“Indeed, of the 250 basis points of repo rate cuts (during the easing cycle from February 2019 till February 2021), only about 93 basis points have been transmitted to lending rates, while deposit rates are down by 145 basis points,” said Bajoria and Sodhani.

Source: thehindubusinessline.com– Apr 04, 2021

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Goods exports in March surge 58.23% to $34 billion

Exports in April-March 2020-21 fall 7.4%; imports decline 18.07%

Goods exports in March 2021 jumped 58.23 per cent (year-on-year) to $34 billion — the highest ever monthly export figure — propelled by sectors such as engineering goods, gems & jewellery and pharmaceuticals, per preliminary data shared by the Commerce & Industry Ministry on Thursday.

Total exports in April-March 2020-21 are at an estimated $289.92 billion, which is 7.4 per cent lower than exports worth $313.36 billion in April-March 2019-20.

Imports in March 2021 increased 52.89 per cent to $48.12 billion, with gold imports alone accounting for rise of $7.17 billion (584.2 per cent rise), while trade deficit was at $ 14.12 billion, according to the preliminary numbers.

Imports for the entire April-March 2020-21 period can be estimated at $388.92 billion which is about 18.07 per cent lower than imports of $474.71 billion in the previous fiscal.

These numbers would, however, change if the quick estimates of March 2021 released by the Commerce & Industry Ministry in two weeks time are significantly different from the preliminary data.

“March 2021 had the highest ever exports in Indian history,” according to information shared by the Ministry.

The numbers gel with WTO’s latest projection for growth in world trade (in volume terms) in 2021 at 8 per cent. According to the projections, both the US and the EU, that are key markets for India, will post robust increase in imports.

Exports in February had declined marginally by 0.25 per cent to $27.67 billion.

Exports excluding POL (Petroleum, Oil and Lubricants), have also increased in March 2021 over same period of previous year by 62.30 per cent, the preliminary data revealed. Imports excluding petroleum have increased in this period by 77.12 per cent.

Engineering goods

Engineering goods exports in March 2021 increased by $3.81 billion posting a 70.28 per cent rise while gems & jewellery increased by $1.52 billion (75.57 per cent) and pharmaceuticals grew by $732.28 million (47.37 per cent).

While import growth in March 2021 was led by gold, other items showing a significant rise included electronic goods which shot up by $2.5 billion (76.66 per cent increase) and machinery by $1.3 billion (59.92 per cent increase).

A decline in exports in March 2021 was suffered by items including oilseeds and cashew while imports declined significantly for transport equipment, project goods and silver.

Source: thehindubusinessline.com– Apr 04, 2021

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Cotton growers may face seed shortage as they prepare to expand acreage

Industry confident of supplies, but experts say issue about availability of seeds of 3-4 firms that account for 50% of market

Supply of cottonseeds might become tight in the coming kharif season if farmers decide to expand the area under the fibre crop going by the high price that prevailed during the current season to September. Cottonseed production and quality were affected last year due to excessive rains in the key producing State of Telangana and some parts of Tamil Nadu.

"Due to continuous rains last year, there was lot of damage to seed production in Telangana and Tamil Nadu. In Telangana, the largest producer of cottonseeds, production dropped 20-25 per cent. As a result, there may be a tight supply situation this kharif season if the demand goes up," said M Ramaswami, Founder, Rasi Seeds, the largest player in the segment.

Cotton is cultivated during the kharif season starting June and the crop is harvested from September-end onwards with the farmers picking the bolls thrice until January. However, in some States such as Haryana and Punjab, sowing begins early around April-end.

Higher acreage

The industry expects the cotton acreage to be higher than the normal 12 million hectares as farmers may opt to plant more with prices of raw cotton ruling higher at ₹6,000 per quintal compared with the minimum support price of ₹5,515. Also, Telangana, already a major cotton producer, plans to bring in more area under the fibre crop.

However, the industry doesn't see much difficulty in seed availability for the kharif season. In a normal year, the demand is 50-55 million packets (of 450 gm each). The industry is ready with about 70 million packets, including a carry-forward stock of 13 million packets, sources said.

"We sold about 45 million packets last year. Even if the demand goes up a bit, we still will be able to meet it as we have enough stocks," a top executive of a seed company said on conditions of anonymity.

Though the rains had hit some of the seed production areas in the undivided Mahboobnagar district, "we are confident that we can meet the demand for the season," said M Prabhakahara Rao, President of National Seed Association of India (NSAI).

The industry, however, needs to factor in a likely demand for four million packets from Telangana, which is planning to increase the area under cotton to 80 lakh acres from last year's 60 lakh acres.

Though the industry contends that it has enough stocks for the season, the real issue is about the availability of seeds of 3-4 companies that share over 50 per cent of the overall market.

Placement of seeds has already started in Punjab, Haryana and Rajasthan, where the planting will begin from mid-April. Ramaswami said that there might not be any carry-forward stocks at the end of kharif planting. The cottonseed industry typically carries forward 10-15 million packets every year.

Source: thehindubusinessline.com– Apr 03, 2021

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Insolvency scheme: Govt, regulator finalising pre-pack framework, MSME scheme

The government and the regulator are in the process of finalising a so-called pre-pack insolvency scheme, while a special framework for micro, small and medium enterprises (MSMEs) is almost ready, sources told FE.

As authorities brace for a potential rise in bad loan cases with the lifting of a suspension of insolvency proceedings against Covid-related defaults on March 25, the schemes are being tailored to incentivise early identification of stress, facilitate fast resolution and reduce costs and litigation.

“Work is on. Stakeholders’ comments on pre-pack insolvency scheme have been obtained. Both the schemes could be notified soon,” a source said. The Insolvency and Bankruptcy Code (IBC) needs to be amended for the pre-pack scheme.

Under the special framework for MSMEs, only the debtors could be allowed to trigger their own bankruptcy process, albeit with the approval of unrelated financial creditors who account for at least 25% of outstanding claims. Creditors can still trigger insolvency proceedings against MSMEs, but only through the usual corporate insolvency resolution process (CIRP) under extant rules.

The pre-pack insolvency scheme offers greater leeway to the honest promoter, who will retain the control of their firm during the insolvency process. In fact, he will get to submit resolution plans first. This will then face a Swiss challenge, a move that is expected to lead to more resolutions and less litigation.

As part of its measures to soften the Covid-19 blow, the government had last year proposed to bring in a special framework for these small businesses. At the same time, it wanted to firm up a pre-pack scheme that will yield resolution fast before the stressed firm sees substantial value erosion.

The pre-pack scheme will be based on the report submitted by a panel headed by Insolvency and Bankruptcy Board of India chairman MS Sahoo. The panel has suggested that this scheme be available for any stress — pre-default and post-default.

The implementation of the scheme can be phased, starting with resolution of defaults from Rs 1 lakh to Rs 1 crore and Covid-related defaults; this is to be followed by defaults above Rs 1 crore, and then defaults from Rs 1 to Rs 1 lakh.

Under both the pre-pack scheme and the framework for MSMEs, the time limit for the resolution will also be drastically reduced. Market participants will get 90 days to submit resolution plans and the National Company Law Tribunal will have another 30 days to approve them. The IBC currently stipulates a maximum of 270 days for the completion of the entire CIRP.

Already, the central bank has warned that, under a severe stress scenario, banks' gross non-performing assets (NPAs) may almost spike to as much as 14.8% by September 2021 from 7.5% a year before. In the Financial Stability Report released in January, the Reserve Bank of India said even under the baseline scenario, the NPA ratio may surge to 13.5% by September. This means chances of a rise in insolvency cases are for real.

Data available with the IBBI show, of the 1,942 ongoing cases as of September 2020, the resolution of as many as 1,442 has been dragging on beyond the mandatory 270 days. In many cases, analysts have attributed this delay to the legal hurdles posed primarily by defaulting promoters' dogged pursuit to hold on to their companies. In fact, most of the large cases, including Bhushan Steel, Essar Steel and Bhushan Steel and Power, had witnessed inordinate delays due to litigations. The pre-pack scheme is expected to significantly minimise litigation.

Also, since MSMEs typically account for the largest chunk of these cases, a special framework will help them resolve stress better and faster, analysts reckon.

Similarly, under the MSME framework, several procedural requirements on issues, such as claims of creditors, may be simplified to make the entire process less rigorous. This is aimed at reducing the cost as well as time required for stress resolution. Firms with annual turnover of less than Rs 250 crore or investments less than Rs 50 crore will be covered under the new mechanism.

Source: financialexpress.com– Apr 05, 2021

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GST collection at all-time high of over ₹1.23 lakh crore

One of the best indicators of economic activity, GST receipts, soared in March; Portends well for fiscal deficit as 28 States, 8 UTs report higher collections

At ₹1.23-lakh crore, the Goods and Services Tax collection in March was the highest ever since the GST regime was introduced in July 2017.
“In line with the trend of recovery in GST revenues over past five months, the revenues for March are 27 per cent higher than the GST revenues in the same month last year,” a Finance Ministry statement said. During the month, the revenue from import of goods was 70 per cent higher and that from domestic transactions (including import of services) 17 per cent more than the same month last year.

GST revenues improved steadily through 2020-21 rising from a negative 41 per cent in the first quarter to (-)8 per cent in the second and to 8 per cent and 14 per cent in the third and fourth quarters compared to the same time-frame of the previous year, “clearly indicating the trend in recovery of GST revenues as well as the economy as a whole,” the statement said

GST revenues have been holding above the ₹1-lakh-crore mark for six months now. “Closer monitoring against fake-billing, deep-data analytics using data from multiple sources including GST, income-tax and Customs IT systems, and effective tax administration have contributed to the steady increase in revenues over the last few months,” the statement said.

Key highlight

A key highlight is that barring two Union Territories (Daman & Diu and Andaman & Nicobar Islands), all 28 States and 8 UTs have reported a growth in the collection. Big contributor such as Maharashtra registered a growth of 14 per cent, while Gujarat, Karnataka, Tamil Nadu and Andhra Pradesh saw an increase of 20 per cent, 11 per cent, 23 per cent and 5 per cent, respectively. Another big contributor Haryana posted a 17 per cent jump in collections while Delhi raked in 20 per cent more in March than the corresponding month of last fiscal.

MS Mani, Senior Director at Deloitte India, noted that in addition to the trend of higher overall GST collections over the past six months, all major States have shown a significant increase over the previous year. “Further, the increase in collections on imports accompanied by the increase in domestic transactions would indicate that the overall production/consumption cycle is back to normal," he said.

Aditi Nayar, Principal Economist with ICRA, said the healthy GST collections in March, along with the additional devolution of ₹45,000 crore to States for the just-concluded fiscal, confirm "our view that the tax revenues in FY2021 have exceeded the RE. As a result, we continue to expect the GoI's fiscal deficit to undershoot the FY2021 RE of ₹18.5 trillion, suggesting ample cash balances at the start of FY2022."

Source: thehindubusinessline.com– Apr 01, 2021

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Korean textile major Youngone to begin production in Warangal soon

South Korea's textile major, Youngone Chairman and Chief Executive Officer Ki-Hak Sung, said that five of their factories would be up and running at the Kakatiya Mega Textile Park (Warangal) in the next six months. “Another three units will come up in the second phase,” he said.

In a video conference with Telangana Ministers K T Rama Rao and Errabelli Dayakar Rao, he said that the factories were to be ready in early 2021 but were delayed due to the Covid-19 pandemic.

About 12,000 people would be employed once all the all units begin production.

He told the Ministers that ‘Made in Telangana’ textiles would hit the global markets soon. “We will run our India operations from Warangal,” he said.

“Youngone Corporation’s venture at Warangal should be seen as a milestone in the Indian textile industry. More Korean companies are looking forward to investing in the park after Youngone committed its investments,” K T Rama Rao said.

Source: thehindubusinessline.com- Apr 01, 2021

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Cotton exports may touch 70 lakh bales

Prices likely to remain stable: Ganatra

Cotton exports so far this season (October 2020 to September 2021), have clocked 47 lakh bales and are expected to touch 60-70 lakh bales by the end of the season. Pradeep Kumar Agarwal, CMD, Cotton Corporation of India (CCI), said total cotton exports may touch 70 lakh bales.

The CCI, which has 47 lakh bales in stock and has exported almost one lakh bales so far, is looking at shipping an additional 10 lakh bales. There may be exports of 10-12 lakh bales to Bangladesh, he said.

However, Atul Ganatra, president, Cotton Association of India (CAI), said the association estimated total cotton exports this season at about 60 lakh bales.

International prices have dropped and those of Indian cotton are now on a par with international prices. So, exports may not account for much. Prices in India are expected to remain stable or vary slightly. It will depend on government agencies that have almost 50 lakh bales in stock, he said.

Source: thehindu.com– Apr 01, 2021

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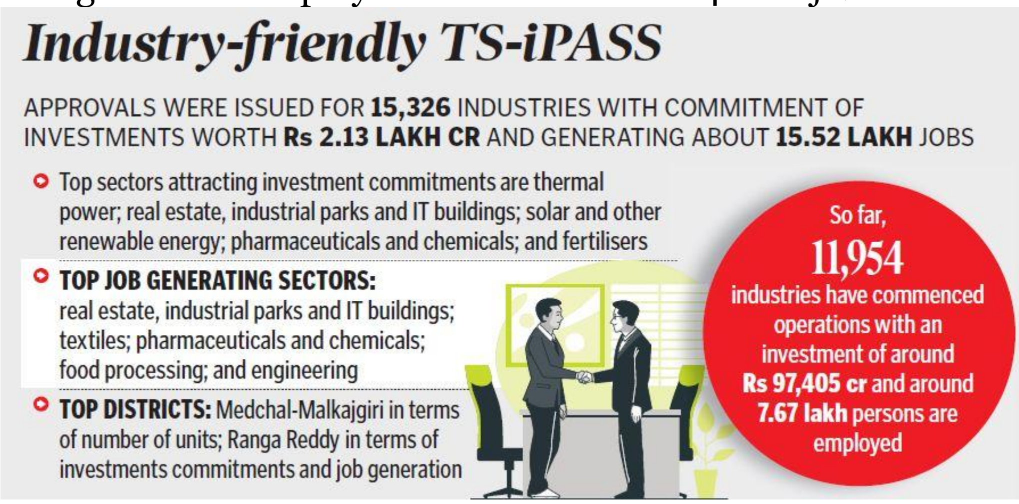
Telangana go-to place for industries

Telangana's emergence as a progressive and industry-friendly State can be gauged from the fact that it saw a three-fold jump in the number of new industrial units coming up in the State and subsequent employment generation in these industries, thanks to the implementation of its unique TS-iPASS, the single window clearance system in 2015.

Under the scheme, approvals were issued for establishment of 15,326 industries in the State in the last six years with commitments to invest Rs 2.13 lakh crore that would also generate employment opportunities to 15.52 lakh persons, both direct and indirect.

So far, 11,954 industries have commenced their operations with the total investment estimated at around Rs 97,405 crore. Around 7.67 lakh persons are employed in these industries at present. Prior to 2014, successive government could only attract 5,100 industrial units in Telangana region that generated employment of a little over 4 lakh jobs.



Thermal power sector attracted the largest investment commitments since 2015 through TS-iPASS with 29.7 per cent of total investments and is worth Rs 61,646 crore.

The other top four sectors that attracted large investment commitments are real estate, industrial parks and IT buildings (27.4 per cent) at Rs 56,899 crore, solar and other renewable energy (9.6 per cent) at Rs 19,945 crore, pharmaceuticals and chemicals (6.2 per cent) with Rs 12,770 crore, and fertilisers (4.2 per cent) at Rs 8,691 crore.

However, the sectors that registered the highest number of jobs under TS-iPASS include real estate, industrial parks and IT buildings (57.2 per cent) generating 8.34 lakh jobs, textiles (13.8 per cent) with more than two lakh jobs, pharmaceuticals and chemicals (5 per cent) with 73,620 jobs, food processing (3.9 per cent) 57,419 jobs, and engineering (3.5 per cent) 51,522 jobs.

The number of units registered, investment committed and employment generated through the industries processed under TS-iPASS varies substantially at the district level. The top three districts in terms of number of units registered are Medchal-Malkajgiri (23.3 per cent) with 3,327 units, Sangareddy (8 per cent) with 1,149 units and Rangareddy (7.6 per cent) with 1,089 units.

Source: telanganatoday.com– Apr 04, 2021

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