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IBTEX No. 79 of 2021 April 26, 2021

US 74.78| EUR 90.58| GBP 103.97| JPY 0.69

NEWS CLIPPINGS

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INTERNATIONAL NEWS

ZCE cotton futures surge amid heavy snow in North Xinjiang

In early Apr, temperature in South Xinjiang was relatively low, with excessive rainfall, while the weather in North Xinjiang was relatively normal. However, the weather forecast of Xinjiang Uygur Autonomous Region Meteorological Service on Apr 18 showed that there would be blizzards in the mountainous areas of Ili Kazak Autonomous Prefecture, Urumqi and Changji from the night of Apr 20 to the night of Apr 23, and the temperature in Tarbagatay Prefecture, Shihezi, Urumqi and Changji will drop by 8-10°C. Cold waves and frost will appear in the plains.

From Apr 24 to Apr 27, the temperature will maintain low in North Xinjiang. Snow has appeared in North Xinjiang on Apr 22, and the heavy snow on Apr 23 covered the most areas of North Xinjiang. It is the crucial sowing and development period for cotton crops in North Xinjiang in late Apr. Under the impact of weather condition, Zhengzhou cotton futures surged on Apr 23, and the major contract, Sep contract, once hit 15,975yuan/mt.

Looking back on Apr, after the concerns over the Xinjiang cotton issues disappear gradually, Zhengzhou cotton futures market has been flat and range-bound before mid-Apr. After the Tomb-Sweeping Festival (Apr 3-5), cotton yarn sales improved somewhat, but the improvement was not obvious. The looking-on mood still covered on the market. Moreover, spinning mills have replenished much feedstock previously, so they only procured for pressing demand before mid-Apr.

Trading volumes declined obviously from Mar. With the digestion of cotton inventory for more than half a month, part of spinning mills has seen the cotton inventory down to one month or below one month. Therefore, from Apr 20, some spinners began to purchase feedstock, leading to improved inquiries and purchases for spot cotton. Around Apr 16, the demand for cotton yarn 40S in Nantong market gradually strengthened, and the price increased. Although the market remained sluggish in Guangdong market, the overall situation of cotton yarn was still improving compared with the previous period, and cotton yarn inventory has not continued to accumulate. With the outbreak of the pandemic in India, market players pay high attention to the flow of foreign orders from India to China, which remains uncertain.

Under the condition with slight improvement cotton yarn market, on Apr 23, the snowy weather in North Xinjiang affected market sentiment, leading to the upswing of cotton futures. Of course, some market participants believe that it was the speculation on weather influence, and the actual influence remained not large. Like the crop year of 2018/19, the strong winds in Xinjiang were heard to be affected the crop development, but finally, the Xinjiang cotton production was assessed at 5.20 million tons, up about 3.4% year on year.

However, according to our analysis, the weather influence this time should not be underestimated. The snow and frost has direct influence on the crop. Besides, it is a crucial period for cotton crop to sprout, and the re-plant will also prolong the growing period. The weather and sowing condition in Xinjiang still need to pay high attention. Currently, cotton yarn profit and sales are tolerable, but grey fabric market orders are dull. With higher ZCE cotton futures, whether the downstream market will follow remains questioned.

Source: ccfgroup.com– Apr 26, 2021

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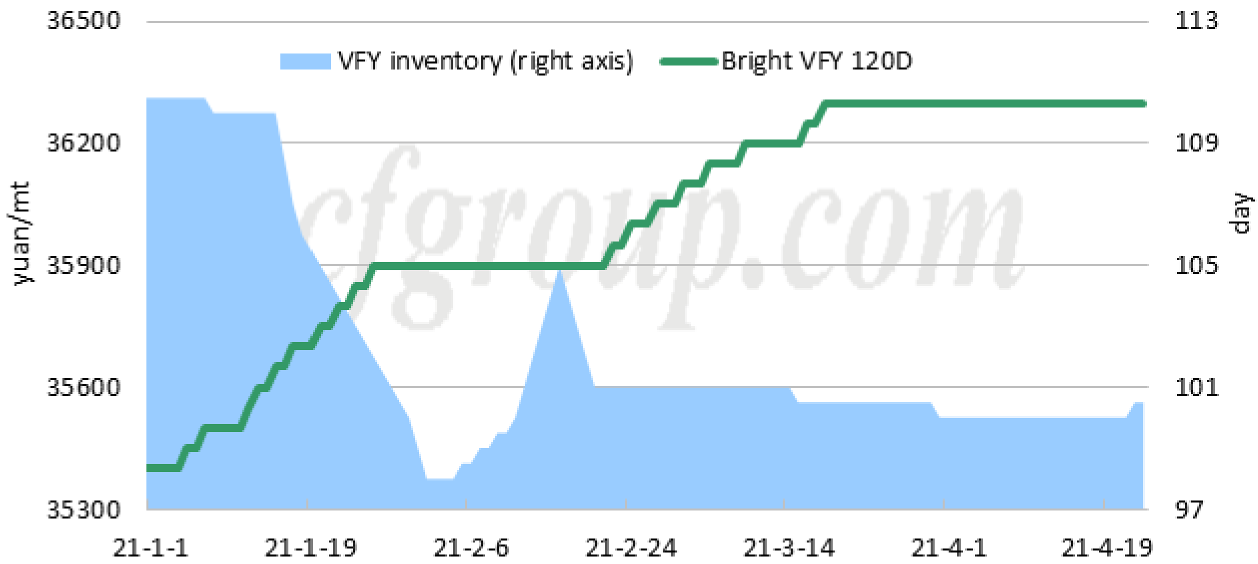
Will VFY export of China hit new highs in 2021?

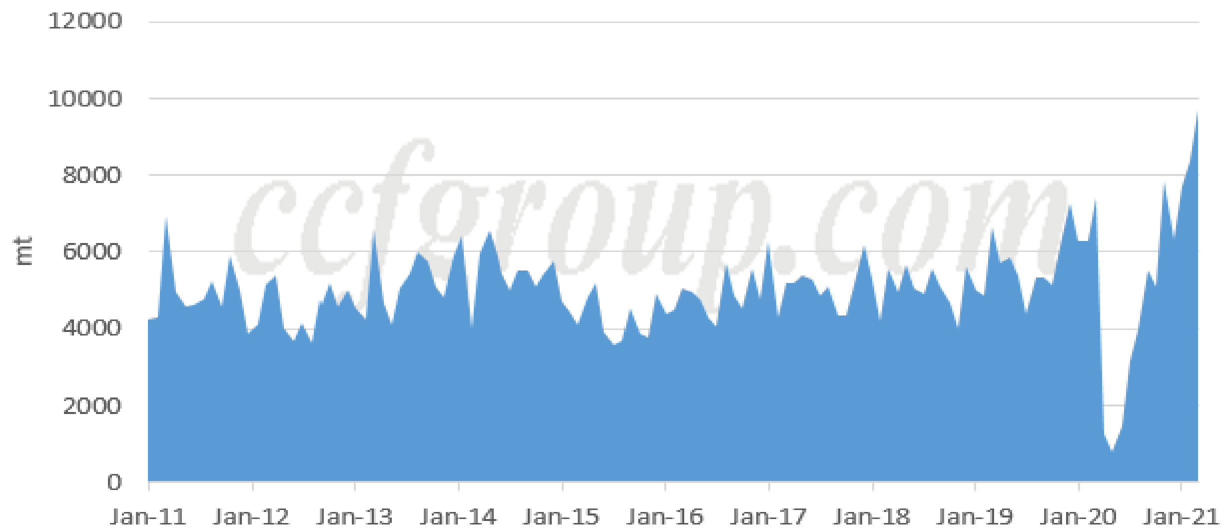
VFY price continued to rise in the first quarter of 2021. Driven by stronger textiles amid the control of the epidemic and the expected recovery of economy and demand, combined with the support of VFY sales and feedstock cost, VFY price was gradually moving closer to the level at the beginning of 2020. By late Apr, the offer of bright VFY 120D had increased to 38,000-41,000yuan/mt.

VFY price trend and inventory of China



Pulp price kept rising amid continued tight supply and VFY price recovered somehow, but the pressure from cost still weighed on the profit of VFY companies.

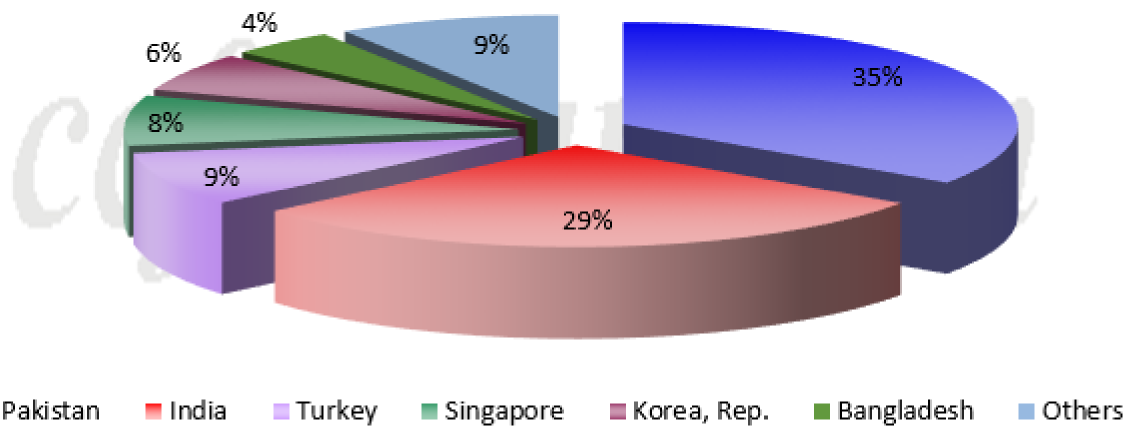
VFY export of China since 2011



Overseas demand continued to be strong in the first quarter, and the monthly export volume hit a record high. However, the demand in China local market was relatively stable, which had not recovered to pre-epidemic level. In Mar 2021, VFY export of China set a record high of 9,681kt, up 16.02% m-o-m and up 30.45% y-o-y.

The export market in the first quarter of 2021 was outstanding with monthly export volume refreshed a decade high. The export volume in the first quarter totaled 25.7kt, up 29% on yearly basis and the export to India and Pakistan respectively occupied 34% and 28% of total.

VFY export of China in Mar 2021 by origin



Source: China Customs

The export this year was likely to resume to pre-pandemic level, which might depend on the control of COVID-19 in India. If the situation could be well controlled later, there may be short-term impact on VFY export and the demand may recover in the fourth quarter, but if not, the export volume of 2021 may be hard to reach 60kt. In consideration of the vaccine, the export market is still expected to be relatively optimistic.

Source: ccfgroup.com– Apr 25, 2021

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US sees strong demand for Chinese goods in early 2021: data from Alibaba.com

The US ranks first in active users and turnover growth among all countries on alibaba.com according to recent data provided by the platform. This shows the reliance of US industries on Chinese supplies despite the lingering political uncertainty between the world's two largest economies.

US consumers constituted the largest group of active buyers on alibaba.com in March with a growth of 91 percent year-on-year. It is followed by the UK, Canada, Australia and Brazil according to data from the platform.

US buyers also recorded the fastest growth in trade turnover with Chinese manufacturers during alibaba.com's March Expo 2021, the platform's largest annual online trade event. In total, Alibaba's trade turnover rose by 129 percent year-on-year during the expo.

Chinese clothes, digital products and cosmetics have been among the hottest items with the highest demand by US companies, the data showed.

This shows that US companies, particularly medium and small-sized businesses are pragmatic. Their demand for Chinese products has not been blocked by the Trump administration's provocations of a trade war or their accusations against China on the origins of the pandemic, according to alibaba.com's General Manager Zhang Kuo.

"Neither a hike in the importing tariffs nor the news against China would influence US companies' business strategies as they still look for cost efficiency, convenience in terms of trade and stable services as the deciding factor in their business cooperation," Zhang told the Global Times on Thursday.

He also noted that according to surveys made with US small and medium-sized enterprises (SMEs), Chinese suppliers continue to be on their top priority for the quality or variety of their supply chain.

Zhang also noted that the surge of US orders for Chinese supplies has been triggered by the country's massive rescue packages after the pandemic, as well as the fact that more and more US companies have participated in overseas trade because of the pandemic.

"With repeated stimulus plans that allow overseas families to get subsidies from the government, their purchase power has not fallen sharply amid the pandemic. When they have the need to shop there are not many regions apart from China that can satisfy their needs," according to Zhang.

He also noted that US companies that used to rely on local distributors have started to do direct business with end suppliers, many of which are Chinese factories, on the Internet during the pandemic. This has caused US SMEs to growth at a very fast speed during the pandemic period.

Alibaba.com has also rolled out special services to respond to the China-US trade boom. The company has now normalized chartered air freight services between China and the US established in March with one daily flight from China to the US to deliver products.

Xu Xinyuan, General Manager of fabrics producer, Huasheng Shuanglang Beijing Textile Co, also told the Global Times that she saw a growth of US orders after the pandemic hit.

"This year, a lot of orders from US clients have resumed or even surpassed the level in 2019 as many US brands had a strong business rebound after a year of being shut down," Xu said, adding that some of her clients, who also supply the US market, told her that they are worrying about whether they can complete the orders from US clients with the sudden sales surge on the amazon.com.

Source: globaltimes.cn– Apr 23, 2021

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Global fashion e-com market to reach $668.1 bn in 2021: Report

The global fashion e-commerce market is expected to grow from $549.55 billion in 2020 to $668.1 billion in 2021 at a compound annual growth rate (CAGR) of 21.6 per cent, as per a recent report. The growth is mainly due to the companies resuming their operations and adapting to the new normal while recovering from the impact of the COVID-19 pandemic.

The e-commerce fashion market size is expected to reach $1207.23 billion in 2025 at a CAGR of 16 per cent, according to the Business Research Company's report titled 'Fashion e-Commerce Global Market Report 2021: COVID 19 Growth and Change to 2030'.

The e-commerce fashion industry analysis shows Asia Pacific to be the largest region in the global fashion e-commerce market, accounting for 32 per cent of the total in 2020. It was followed by Western Europe, North America and then the other regions.

Going forward, the fastest-growing regions in the fashion e-commerce market will be the South America and Middle East, where growth will be at CAGRs of 16.7 per cent and 15.7 per cent, respectively, during 2020-2025, the report said. These will be followed by Africa and Eastern Europe, where the markets are expected to grow at CAGRs of 13.1 per cent and 12.1 per cent, respectively.

The increasing awareness about internet shopping and e-commerce is expected to support the growth of the fashion e-commerce industry through 2023. Social media technologies are also expected to aid fashion e-commerce companies to promote their goods and services directly to the customers, noted the report.

Following the affordable and expanded access to the internet, social media platforms, online industry-specific magazines and forums, consumers' awareness about fashion goods such as fashion accessories, clothes, shoes, other luxury goods is expected to increase, thus benefitting the market.

Source: fibre2fashion.com– Apr 24, 2021

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Chinese e-commerce market to reach $3 trillion by 2024: GlobalData

The Chinese e-commerce market is set to grow from $2.1 trillion in 2021 to $3 trillion at a compound annual growth rate (CAGR) of 12.4 per cent by 2024, forecasts GlobalData, a leading data and analytics company. E-commerce sales in China are expected to register a growth of 17.2 per cent in 2021 as consumers shift from offline to online due to the pandemic.

The pandemic has led to a slump in the overall consumer spending, but it has also resulted in the growth of e-commerce purchases, according to GlobalData's E-Commerce Analytics.

"Chinese e-commerce evolved rapidly over the last five years, supported by high internet and smartphone penetration, increasing consumer confidence in online shopping, the emergence of e-commerce platforms, and the availability of alternative payment solutions such as Alipay and WeChat Pay. The COVID-19 pandemic has further accelerated this trend as consumers are increasingly using online channels for their purchases," said Nikhil Reddy, banking and payments analyst at GlobalData.

According to the National Bureau of Statistics of China, while the total retail sales of consumer goods in the country declined by 3.9 per cent in 2020, online retail sales of physical goods increased by 14.8 per cent during the same period.

Alternative payment solutions such as Alipay and WeChat Pay are the most popular payment methods for online transactions in China and collectively account for over half of total e-commerce sales in the country. They have also introduced new payment models such as 'buy now pay later'.

"Chinese e-commerce market has been on the rise during the last five years. The uptrend is likely to continue over the next few years driven by the growing consumer preference, and the emergence of new online payment methods," added Reddy.

Source: fibre2fashion.com– Apr 23, 2021

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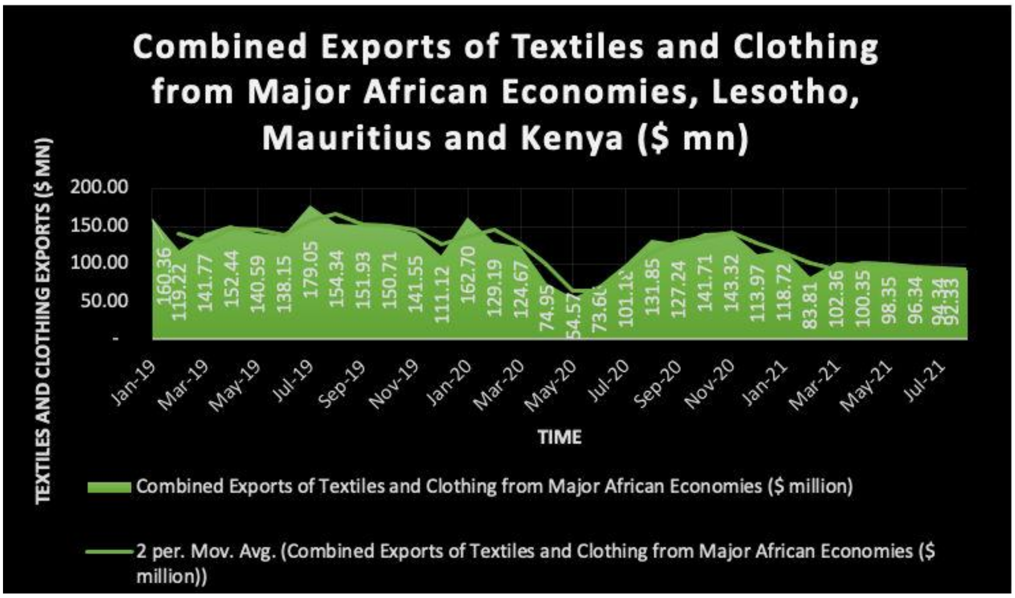
T&C exports from major African economies may surge in 2022: TexPro

The combined exports of textiles and clothing from the major African economies such as Lesotho, Mauritius and Kenya are expected to surge in 2022 due to current efforts of the governments of these countries and other stakeholders of the industry. However, exports are likely to slightly decline this year due to the second wave of COVID-19 pandemic.



In 2019, total exports of textiles and clothing from Lesotho, Mauritius and Kenya were valued at $1,741.23 million with monthly average of $145.10 million.

This figure dropped by 20.80 per cent to $1,379.02 million in 2020 due to the impact of COVID-19 pandemic. The monthly average exports is further expected to decrease by 14.44 per cent to $98.33 million during January-August 2021 from the monthly average exports of $114.92 million in 2020, according to Fibre2Fashion's market intelligence tool TexPro.

The African Continental Free Trade Area (AfCFTA), which came into effect from January 1, 2021, is expected to significantly stimulate the intra-African trade in the short term and global trade in long term. The AfCFTA agreement is based on the principle of reciprocity. Out of 55 member states of AU (African Union), 54 members, except Eritrea, have signed the agreement. Around 35 member states have even ratified the agreement.

However, the negotiation on the rules of origin under AfCFTA is still going on and is likely to be completed by the end of June 2021. The rules of origin have already been finalised for more than 81 per cent of the total commodity items, but negotiation is still pending on approximately 19 per cent of goods, including textiles and clothing. The rules of origin will help to expand the integration of markets at the regional and continental levels.

Meanwhile, the Parsons School of Design in New York and the African Development Bank (AfDB) are working together to develop and improve digital tools to support the African textile and fashion industry. This will help to create jobs, revamp regional integration, and increase intra-African trade and entrepreneurship.

The India-Mauritius Comprehensive Economic Cooperation and Partnership Agreement (CECPA), which came into force on April 1, 2021, will also help in increasing textile and apparel trade between the two countries.

The US and the countries of EU (European Union) are the major markets for top African textiles and clothing exporters due to the preferential access under the African Growth and Opportunity Act (AGOA) and other free trade agreements.

In addition, many of the investors in the export zones of African countries such as Kenya are investors from Asia, as they get proximity and tax benefits while exporting to developed and lucrative markets including the US and the EU. Governments are also focusing on the attractiveness of the export zones through modifying tax incentives and services offered to investors. This will further increase the exports of the country and will create employment.

Recently, the US has planned to offer a $11.93 million fund to Kenya to improve compliance with international labour standards in key export sectors.

Source: fibre2fashion.com– Apr 23, 2021

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Vietnam-Taiwan textile exhibition to open in HCM City next week

Garment products from Vietnam and Taiwan (China) will be showcased at the Vietnam-Taiwan Textile and Garment Industry Exhibition held in HCM City from April 26-27.

The event, co-organised by the Taiwan Textile Federation (TTF) and the Vietnam National Trade Fair and Advertising Company (Vinexad) under both direct meeting and online meeting platforms, aims to strengthen cooperation between Vietnamese and Taiwanese enterprises in the textile and garment sector. There will be 16 Taiwanese textile manufacturers participating in the event via Zoom, exchange experiences with and introducing products to Vietnamese enterprises with interpretation support.

Taiwanese enterprises have constantly researched and improved techniques to produce fabric types using dyeing technique treatments that can save energy, water and reduce the influence on the environment. They have also applied innovative technologies in production to produced fabrics with many outstanding features such as being antibacterial and using environmentally friendly materials from oyster shells and recycled plastic.

In 2020, Taiwan's largest textile and garment export market was Vietnam, with an export turnover of up to 1.9 billion USD and accounting for 25.3 percent of the country’s total export turnover of textiles and garments. The top five export markets, including Vietnam, mainland China, the United States, Indonesia and Hong Kong, account for 60.3 percent of Taiwan’s total apparel exports.

Taiwan's largest and second-largest sources of textile in 2020 were mainland China and Vietnam, accounting for 43 percent and 14 percent of total textile imports and valued at 1.46 billion USD and 467 million USD, respectively. The main import items from mainland China and Vietnam were clothing and accessories.

The Vietnam-Taiwan Textile and Garment Industry Exhibition will be held at Saigonexpo Showroom at No 92-96 Nguyen Hue street, District 1 in HCM City with the participation of nearly 60 Vietnamese enterprises and 16 Taiwanese manufacturers.

Source: en.vietnamplus.vn– Apr 24, 2021

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Cameroon set for new record in cotton production

Cotton production in 2020-21 season, which will conclude in the next few days, in the Central African country of Cameroon is expected to witness a new record of 350,000 tons, according to the country's cotton development corporation Sodecoton. Cameroon's cotton production was 328,000 tons in the previous season, most of which was exported.

Cameroon exports its cotton to Asian countries, with China being the main destination. Other Asian countries importing Cameroon cotton are Bangladesh, Vietnam and Indonesia.

In 2019, 18.4 per cent of Cameroon's cotton production was exported to China (compared to 22 per cent in 2018), followed by 12.2 per cent to Italy, and 11 per cent to India.

Sodecoton is planning to increase the country's annual cotton production to 600,000 tons by 2025. To reach the ambitious target, Sodecoton plans to develop high-yielding seed varieties, instead of the earlier planned introduction of genetically modified (GM) crops.

Last year, as part of its 2020-30 National Development Strategy, the Cameroon government merged Sodecoton and Cotonnière Industrielle du Cameroun (Cicam) to boost the country's cotton textiles industry. Prior to merger, Sodecoton organised the production and marketing of cotton in Cameroon, while Cicam specialised in the manufacture of 100 per cent cotton loincloths and towels.

Source: fibre2fashion.com– Apr 26, 2021

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Bangladesh: Low-cost, cleaner production processes paying off

IFC-led initiative helped garment factories cut water, energy use

Bangladesh's textile and garment factories have significantly cut water and energy consumption by adopting low-cost and cleaner production processes and installing new technologies under a programme initiated by the International Finance Corporation (IFC).

Some 338 washing, dyeing, spinning, weaving, and garment factories are saving 28.7 billion litres of water a year by adopting the solutions of the Partnership for Cleaner Textile (PaCT), a flagship programme of the private sector lending arm of the World Bank Group.

Similarly, the factories are saving 2.9 million megawatt-hours (MGh) of electricity annually and avoiding 558,391 tonnes of carbon emission, according to data from the PaCT.

Under the PaCT-2 programme, the mills and factories slashed wastewater discharge by 24.1 billion litres. Participating mills and factories invested $44 million for the purpose.

Investment of a single US dollar can cut the consumption of 26 cubic metres of water, avoid 0.2 tonnes of greenhouse gas (GHG) emission, save two MWhs power, and reduce wastewater discharge by 23 cubic metres a year with the adoption of technologies, said the PaCT.

"We are using technologies to save energy in collaboration with our retailers and brands and PaCT experts. We are saving a substantial amount of energy and water," said Mohammed Al Tauhidul Islam, assistant general manager of the sustainability department of Envoy Textile Ltd.

The export-oriented company used 60.47 litres of water to produce one kilogram of denim fabrics in 2016. The water use has gone down to 44.9 litres thanks to the installation of the full-water metering technology in collaboration with the PaCT.

It has cut water consumption for processing fabrics. It can process one kg denim fabrics using 55.63 litres of water, which was 85.76 litres earlier.

The Bhaluka-based factory has targeted to reduce water consumption by 34.91 per cent by 2021 compared to 2016.

Envoy Textile has so far cut water consumption by 25.7 per cent, and the rate will go up by the end of the year, Islam said.

The exporter has drawn a roadmap covering five to seven years to reduce water and energy consumption and use the heat of gas boilers.

Urmi Group, another garment exporter, currently consumes 60 litres of water to dye one kg knit fabrics, way down from 100 litres to 105 litres needed two years ago.

"I have a target to bring down water consumption to 40 litres by next one and a half years as I have been upgrading technologies," said Asif Ashraf, managing director of the group.

Launched in 2013, the PaCT supports the entire textile value chain – spinning, weaving, wet processing and garment factories -- in adopting cleaner production practices. It focuses on reducing the environmental impact and resource consumption.

The PaCT is the first programme ever to incorporate cutting-edge innovations to address the environmental and sustainability challenges related to the textile sector.

These ranges from low-cost or no-cost changes in management and housekeeping practices to process modifications to larger investments such as new equipment.

Apart from the sector's participation in the initiatives regarding climate change and circularity, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has also taken a pledge to sustainability, said Rubana Huq, the immediate past president of the association.

In collaboration with the UNDP and the Global Reporting Initiative, a survey to develop a report highlighting the impact of ready-made garment factories on the Sustainable Development Goals was conducted.

The BGMEA has joined the UN Climate Change and the Fashion Industry Charter for Climate Action with an ambition to reduce GHG emission by 30 per cent by 2030.

"We have also committed to the Green Button Initiative of the German government," Huq said recently.

Sustainability in the supply chain of garments is a major concern for Bangladesh.

For instance, local fabrics makers used to consume 250 litres to 300 litres of water to wash one kg of fabrics previously. Because of the overuse of groundwater by washing, dyeing, spinning and garment factories, the water level has fallen by three metres every year in Dhaka and its adjacent areas.

The Fashion Industry Charter for Climate Action has identified ways for the textile, clothing and fashion industry to move towards a holistic commitment to climate action.

Source: thedailystar.net – Apr 26, 2021

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CPEC emerges as boon for strategic Partnership between Pakistan, China

The great initiative, China-Pakistan Economic Corridor (CPEC), is swiftly exploiting immense potential in industrial cooperation between the two neighbouring countries, and the largest trading partner of Pakistan, China is making huge investment in the energy and infrastructure sectors here.

In terms of geo-economic growth, development and regional connectivity, CPEC has emerged as the largest bilateral investment project, and a boon for Pakistan as well as the landlocked regional countries in south Asia.

Pakistan and China are tied in multidimensional cordial relations on the basis of being good neighbors, and having mutual trust and understanding.

According to a document of the Ministry of Communication, the Pak-China bilateral trade reached $ 18 billion during 2018. With the official launch of CPEC, the bilateral relationship has been elevated to a higher level, aiming at enhancing connectivity and building up road and energy infrastructure between the two countries.

As we know, CPEC is a flagship project of Chinese President Xi Jinping's initiative of "One Belt, One Road" (Belt and Road Initiative).

The Year 2021 is being celebrated as a historic year as it marks the completion of 70 years of diplomatic relations between Pakistan and the People's Republic of China.

Pak-China diplomatic relations were established on 21 May 1951, according to the Institute of Policy Studies (IPS). To commemorate this historic milestone in a befitting manner, both brotherly countries will organize a series of events throughout the year.

In this connection, friendly exchanges are taking place between Pakistan and China, and several high-profile cultural events, seminars are being organized to highlight people-to-people interactions.

Though both countries have been making policy adjustments from time to time in the light of global transformations, yet their mutual ties have continued to be in the best coordination and harmony.

The world has witnessed that Pakistan and China are time-tested friends and they depend on one another to fulfill their strategic interests. In the past, whenever Pakistan confronted any external, internal pressure or threat to its interests or security, China immediately extended full support to Pakistan in all fields.

At the international diplomatic fore, China has significantly supported Pakistan, like at Nuclear Suppliers Group, (NSG), the G-20, and during the United Nations Security Council (UNSC) sessions.

The first phase of CPEC has successfully accomplished its tasks on the road infrastructure and energy development projects in Pakistan. In the second phase, the initiative envisioned industrial cooperation, which has started bearing fruits, and is proving beneficial for development of economy of Pakistan.

CPEC and its related projects have brought forth many opportunities and resources for both the countries by promoting their profits and interests respectively.

However, the mega project is being viewed negatively by our neighbouring country India and the US, who are making attempts to portray it negatively and sabotage it.

A document of Pak-China Free Trade Agreement (CPFTA -Phase-II) says that it will help deepen trade ties between Pakistan and China by expediting liberalization of trade and protecting and safeguarding mechanisms for domestic industry of Pakistan and trade products.

Industrial worker:

Parliamentary Secretary for Commerce, Textile, Industries and Production Aliya Hamza Malik said that the Federal Government has disbursed Rs. 75 billion among the industrial workers in the aftermath of Covid-19.

She said this while speaking at Pre-budget symposium and launch of SDPI's report on 'Supporting export competitiveness amid Covid-19 in Pakistan', held by Sustainable Development Policy Institute (SDPI) in collaboration with UK's Foreign, Commonwealth & Development Office (FCDO).

She said that during the first and second wave of the corona pandemic Rs. 75 billion were released for the Utility Stores whereas relief packages were also provided to factories and industries in the electricity and gas bills.

She termed SDPI's report highly valuable, adding it would help the government in finalizing Federal Budget for the next financial year as well as to accelerate the reforms and incentives for the export led firms. The availability of rapid evidence from businesses could help the Ministry of Commerce to improve the facilitation on the part of the government, she added.

While highlighting the role of export in Pakistan economy, Annabel Gerry, Development Director, FCDO, Pakistan, suggested that trade openness, decreasing tariff barrier, regional integration and liberalizing regional trade will be important for Pakistan's export led industries.

Source: dailytimes.com.pk– Apr 25, 2021

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Pakistan: Weekly Cotton Review: Spot rate increased by Rs500/maund

The spot rate of cotton increased by Rs 500 per maund. Bullish trend was witnessed in international cotton markets. Government has allocated Rs 10 billion under cotton package. Private and public sector organizations are actively playing their role for increasing the production of cotton in the country. Cotton sowing has completed on 50% area and sowing has completed on 15% area in Punjab.

The rate of cotton remained stable in the local cotton market due to the lack of interest showed by textile and spinning sector in buying. On Wednesday some needy mills took interest in buying due to which the spot rate committee increased the spot rate by Rs 500 per maund.

Ginners had left the stock of 65000 bales and they were trying to sell it because textile mills were not taking interest in buying. One reason behind lack of interest in buying by the textile mills because the rate of dollar decreased due to which the rate of yarn decreased.

Now again the COVID 19 is increasing and like other regional countries Pakistani government is thinking to impose lock down in the country while on the other hand smart lock down is going on for many days. Other than that traders' community is showing lack of interest because they feared that if the lock down was imposed like last year they have to bear a huge loss.

Last year many industries remained shutting other than businesses. Many textile mills remained shut for around one and half month due to this they had to face difficult time. Now again there were rumors of imposition of lock down due to which whole the business community is under pressure and not taking interest in business.

It is welcoming that private sector is taking interest in the revival of cotton crop in the country. Pakistan Cotton Ginners Association is actively playing its role and has constituted a task force for creating awareness among the farmers regarding increasing the production of cotton. Other than that regional cotton committee of Federation of Pakistan Chambers of Commerce and Industry and convener of textile and cotton sector Malik Talat Sohail is also very actively playing its role.

Government departments are also active due to which activities regarding cotton has increased. Government has also started taking interest in increasing the production of cotton. It looks that allocation of 10 billion rupees by the government for increasing the production of cotton in the country will have a positive impact on the cultivation of cotton.

The rate of cotton in Sindh is in between Rs 10200 to Rs 10600 per maund. The rate of cotton in Punjab is in between Rs 10800 to Rs 11500 per maund. On the basis of quality sometimes cotton was sold at Rs 12000 per maund.

Phutti was almost finished. Most of the Phutti was in ginning factories while most of the ginning factories were not functional. The rate of Banola was not available however the dealers having Khal were not happy because the rate of Khal is continuously decreasing.

The Spot Rate Committee of the Karachi Cotton Association has increased the spot rate by Rs 500 per maund and closed it at Rs 11300 per maund.

Chairman Karachi Cotton Brokers Forum Naseem Usman told that in the majority of the world bullish trend was witnessed in international cotton market while in some areas the rate of cotton is stable.

USDA weekly export report witnessed a decline of 16% despite of that the rate of dollar decreased and dry spell in Texas the Rate of Promise (Waday Ka Bhao) after increasing reached 88.80 American cents.

The cotton market in Brazil, Argentina, Central Asian states, Africa and India remained either stable or bullish.

Agriculture minister Sindh Ismail Rahu told on Monday that cotton will be cultivated on 600, 000 hecters of land out of sowing has been completed on fifty percent land.

Rahu also participated in ministerial meeting held in Islamabad regarding wheat and cotton. The meeting was presided by Federal Minister for National Food Security and Research Syed Fakhar Imam. He showed his reservation on the quality of seed given to the farmers.

Secretary Agriculture Punjab told that cotton will be cultivated on 40 lac Acers and up till now sowing was completed on 15% land. He also told that government of Punjab under its subsidy program is giving subsidy to farmers on cotton seed and fertilizer. Punjab Seed Council has given approval for the 15 new varieties of cotton.

Official also told the meeting that government will give subsidy to farmers on pesticides for killing white fly through Kissan Card. He also told that government is working on new varieties of cotton and on tracking so that quality seeds should be supplied to the farmers.

Agriculture Minister Balochistan engineer Zamarak told the meeting that provincial government has decided to extend the cultivation of cotton in twenty districts. He said that quality of cotton in Balochistan is better than other provinces. He also told that Balochistan is the first province in the country which is producing organic cotton with non GMO seed.

Federal government has announced Rs 10 billion agriculture package for farmers as per Prime Minister Imran Khan Package for cotton farmers of all the four provinces. As per package subsidy will be given to farmers of all provinces on seeds, fertilizers and pesticides. Moreover, farmers will be given special discount on the loans given by Agriculture Development Bank.

This was disclosed by vice president Pakistan Central Cotton Committee Dr Muhammad Ali Talpur in its statement. He also said that federal government was working on the package for cotton farmers under the leadership of Federal Minister for National Food Security and Research Syed Fakhar Imam. Due to the efforts of other members of the group who worked on the package includes federal secretary Ministry for National Food Security and Research Ghufran Memon and other officials the funds were released to provinces. The provinces will provide funds to the farmers according to their discretion and powers.

Farmers of Punjab will be given Rs 5 billion subsidy on DAP, Rs 127 million subsidy to farmers of Khyber Pakhtunkhwa, Rs 430 million to Balochistan while Rs 2.7 billion was allocated to Sindh.

Rs 1500 subsidy will be given to farmers on per bag of DAP. Rs 3 billion subsidy will be given on cotton seed. According to the break up on the demand of Punjab subsidy of Rs 114 million will be given to Punjab, 0.42 million to Khyber Pakhtunkhwa while 111 million were released for Balochistan. Rs 1.2 billion has been allocated for subsidy on cotton seed in Sindh.

According to the package a subsidy of Rs 1200 per acre has been announced on cotton seed. In the same way Rs 114 million has been released for pesticides to kill white fly in Punjab, 0.45 million for KP, 118.26 million for Balochistan and Rs 1.2 billion for pesticides in Sindh.

Federal government has given subsidy of Rs 1200 per acre on pesticides. In the same way federal government has allocated Rs 7 billion under the head of agricultural loans out of which Rs 4 billion has been released to Agriculture Development Bank which will be implemented from July 1st, 2020.

Mark up of Agriculture Development Bank was reduced for the farmers having land holding up-to 12.5 acre.

Dr Muhammad Ali Talpur was of the view that federal government will provide subsidy to the cotton farmers during the season and utilize funds accordingly to the needs of the farmers.

A delegation of Federation of Pakistan Chambers of Commerce and Industry will met Prime Minister Imran Khan next week. Former President FPCCI Mian Anjum Nisar told this to the regional convener of the Cotton and Textile Committee Malik Talat Sohail during a meeting that a strategy regarding increasing the production of cotton will be on top of the agenda.

Anjum Nisar reiterated his stance that they will play its vibrant role for decreasing the mark up and decreasing the power rates.

Last week FPCCI meeting under the chair of raw cotton committee chairman Atif Dada was held on zoom. All the participants gave proposals regarding increasing cotton production in the country which were compiled by Karachi Cotton Association and will be sent to FPCCI which will be later presented to Prime Minister of Pakistan in the meeting going to be held next week.

Source: brecorder.com– Apr 25, 2021

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Pakistan: Textile mills less interested in cotton buying amid lockdown fear

Lack of interest among buyers remained persistent in the local cotton market during the outgoing week, but some lots of quality lint were sold, which caused the spot rate to rise by Rs500 per maund.

Traders said ginners were left with hardly 65,000 bales, which they were selling slowly and gradually in the market, as textile mills were less interested in buying due to cotton yarn prices.

Cotton prices in Sindh remained at Rs10,200 per maund to Rs10,600 per maund. Rates in Punjab varied between Rs10,800 per maund to Rs11,500 per maund.

Some good quality isolated lots and sale on credit were also recorded at Rs12,000 per maund.

Spot committee of the Karachi Cotton Association increased the spot rate by Rs500 per maund to Rs11,300 per maund.

Due to pandemic, the government imposed smart lockdown and trade decreased in the local market and the traders are less interested, as they are afraid amid assumptions for a complete lockdown.

Last year several industries were closed while textile mills also remained shut for one to one and half months.
Thus, fear of the lockdown has kept the traders on the backfoot.

On the other hand, there was a positive news that the private sector is also interested to get the cotton production increased along with the public sector.

Pakistan Cotton Ginners Association is also active and has formed a task force for the awareness of the growers.

Besides, Federation of Pakistan Chambers of Commerce and Industry's regional cotton committee and textile and cotton sector are active and held meetings.

In addition, government departments have also become energetic and they have shown interest to increase the cotton production while the government has allocated Rs10 billion for enhancement of cotton production, which would be spent on seed production and subsidy to the farmers.

Traders said cotton was almost out of market, whereas some stocks were left with the ginners. However, with exception to few mills, all ginning factories were closed due to the end of the season.

Chairman Karachi Cotton Brokers Association, Naseem Usman, told The News that prices in the international market were almost at an increasing trend and stable in some markets.

US exports dropped 16 percent during the week due to dollar depreciation and drought like situation in the largest cotton growing Texas Estate.

Prices either remained stable or increased in Brazil, Argentina, Central Asia, Africa and India.

Sindh Minister for Agriculture Ismail Rahu cotton would be grown on 600,000 hectares in Sindh. Of which, half of the land has been cultivated.

Source: thenews.com.pk– Apr 25, 2021

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Pakistan: Commerce ministry releases Rs2.5 billion under DLTL

Ministry of commerce has released Rs2.5 billion under drawback on local taxes and levies (DLTL) in line with the longstanding demand of industries that are facing liquidity crunch due to unsettled funds, commerce adviser said on Friday.

“MoC [ministry of commerce] has released Rs1,154 million for the non-textiles sector and Rs1,346 million for the textiles sector, a total of Rs2,500 million under DLTL schemes,” Adviser to Prime Minister for Commerce and Investment Razak Dawood wrote on Twitter.

“Hope this will resolve the liquidity issues of our exporters and enable them to enhance exports,” Dawood added.

Textile sector that accounts for over 60 percent of the country’s exports has been calling for release of stuck refunds and rebates to get out of liquidity crunch.

Analysts said the government is showing sense of economic management by trying to meet the demands of businesses. Recently it removed duties on cotton and cotton yarn imports to reduce gap in demand and supply in the local markets. Textile exports increased 9.1 percent to $11.4 billion during the first nine months of the current fiscal year. Textile exporters want the government to allow duty free import of cotton yarn till time the government achieves its set cotton production target of 10.5 million bales.

“To ease down the cotton yarn availability crisis, it is also imperative that to also place ban on export of cotton yarn from Pakistan or impose 10 percent duty on export of cotton yarn from Pakistan and take necessary steps and measures to import cotton yarn safely from Central Asian Republics through land route by activating all the transit trade agreements signed with regional countries as the sea route is taking prolong duration due to shortage of containers and vessels,” Pakistan Hosiery Manufacturers and Exporters Association said in a statement.

Nontextile sector is still struggling to turn as beneficial as textile sector is seen during the pandemic tumult. Textile businesses have received export orders for six months with the sector expanding production capacity to meet robust demand from foreign buyers.

The growth was despite the global economic slowdown caused by the pandemic-related lockdown and waning consumer demand. However, the government's decision to keep businesses open is leading to benefits of orders diverted from closed economies, while US-China rift is also diverting orders to Pakistan. Nontextile exports fell 4.3 percent to $7.3 billion during the nine months of the current fiscal year.

With influx of inflows of foreign debts, the government has been able to improve external account. However, it still needs to improve exports.

Source: thenews.com.pk– Apr 24, 2021

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Bangladesh: Apparel exporters demand package for 3 months' worker wages

Readymade garments and textile exporters have urged the government to allocate to the sectors a financial package similar to that of 2020 for payment of workers' wages for three months saying that the sector had been facing financial crises due to the fresh surge in coronavirus infections across the globe.

The three RMG and textiles sector trade bodies – the Bangladesh Garment Manufacturers and Exporters Association, the Bangladesh Knitwear Manufacturers and Exporters Association and the Bangladesh Textile Mills Association – on Sunday sent a letter to finance minister AHM Mustafa Kamal demanding financial support for payment of workers' festival allowances and wages for the months of April, May and June.

In the letter, the apparel sector leaders demanded the allocation under the same conditions of the stimulus package received in 2020 for payment of workers' wages but did not mention a definite amount.

In March 2020, the government announced a package worth Tk 5,000 crore with 2 per cent service charge for export-oriented industries to pay workers' wages for three months to fight the adverse impacts of the coronavirus outbreak on local businesses.

Finally, the apparel and textiles received around Tk 10,500 crore under the package to pay five months of workers' wages.

Citing the facility received in 2020, the country's apparel exporters in their letter said that it would be difficult for the factory owners to pay festival allowances and wages to their workers before Eid-ul-Fitr without allocation of funds from the government on easy terms like the previous year.

They said that the apparel exporters were facing liquidity crises as a good number of buyers had declined to pay on time due to fresh lockdowns imposed in many countries.

'We have sent a letter to the government seeking funds for payment of three months' wages and festival allowances for the workers as the exporters have been facing additional pressure due to the second wave of Covid-19,' BGMEA president Faruque Hassan told New Age on Sunday.

He said that they had not mentioned any amount in the letter as the government ministries and departments concerned had knowledge of the amount needed from disbursements made in 2020.

The BGMEA president said that judging by the 2020 estimates, the amount needed to pay three months' wages, including festival allowances, would stand at around Tk 8,000 crore.

Source: newagebd.net– Apr 25, 2021

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Amid Covid-19 pandemic, exports could come as a saviour for India

The alarming rise in Covid-19 infections in recent weeks and partial lockdowns and restrictions in many parts of the country have increased uncertainty regarding the pace of economic revival.

Given the strong possibility of modest-to-severe disruptions in domestic supply chains and contraction in domestic demand, the best hope for posting reasonable economic growth comes from improved export prospects.

Last week, the Prime Minister spoke about the enormity of the challenges the country faces in the health sector and assured the people that necessary steps will be taken to cope with the crisis. He said that total lockdowns should be the last resort.

Despite his assurances, worries persist regarding the ability of the administration to manage the situation. Surely, significant resources will have to be diverted to address the health emergency, and to that extent, the funds for economic development will be constrained.

The global trading environment, however, is very encouraging. Developed countries have increased the pace of vaccinations and are reporting lesser numbers of infections, hospitalisation and Covid-related deaths. They are relaxing the restrictions on economic activity at a faster rate than expected.

The United States is in the cusp of a booming economy and China has already posted a robust economic recovery. Most countries in East Asia and West Europe have shown strong economic recovery.

So, the global demand for consumer goods, intermediates and commodities is growing at a fast pace, as their rise in prices show. Most exporters are flushed with orders.

The freight rates have gone up across the board for road, air and sea transportation of goods. The demand-supply mismatches in transportation services and container shortages persist. It takes over a week to get containers and over two weeks to get shipping space.

However, exporters and logistic service providers have learnt to plan better and minimise the scope for disruptions. Most exporters have managed to renegotiate with buyers and get better prices that take into consideration the higher logistics costs. However, the exporters of low-value items find that buyers abroad increasingly prefer geographically-closer alternative sources at higher prices and lower transportation costs.

The recent depreciation of the rupee vis-à-vis the dollar by about 3 per cent has helped exporters. Productivity gains due to increased adoption of information technology, lower interest rates, easier availability of credit and various cost-cutting initiatives have helped exporters.

The government can facilitate exports by releasing the legitimate dues of exporters quickly. Last year, the government disenabled the facility of filing the applications under the Merchandise Exports from India Scheme (MEIS) for exports made in 2019-20 and 2020-21.

Earlier this month, the government allowed MEIS applications to be filed for exports made in 2019-20. The government should immediately allow exporters to file MEIS applications for exports made in 2020-21 also. The government should swiftly finalise the rates under the Refund of Duties and Taxes on Export Products (RoDTEP) scheme and notify the scheme.

Last month, merchandise exports increased to $34.5 billion, a rise of about 60 per cent over exports during March 2020, with 28 of the 30 sectors showing impressive growth. This growth momentum needs to be sustained to counter the effects of a possible domestic demand contraction.

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

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Ind-Ra revises FY22 GDP growth forecast down to 10.1%

India Ratings and Research (Ind-Ra) has revised its GDP growth forecast for FY22 to 10.1 per cent from earlier projection of 10.4 per cent. The revision assumes that the second wave of COVID-19 will start subsiding from mid-May 2021 onwards. The agency also believes that the second wave of COVID-19 infections will be less disruptive than the first wave.

In its latest forecast on the Indian economy, Ind-Ra said despite the case load per day reaching more than 3.0x of the peak level attained during the first wave, it would be less disruptive, mainly due to three reasons. First, the administrative response is likely to be confined to the regional/local lockdowns and containment zones (and not the entire country).

Second, unlike the first wave, the administrative response is not abrupt, and is unfolding gradually in a graded manner. Also, households. businesses and other economic agents are better prepared and there is a significant amount of learning by doing, which can help them withstand and navigate through the second wave of COVID-19 crisis. Third, the roll-out of COVID-19 vaccine since January 16 would enhance safety and reduce the fear element among the vaccinated economic agents.

Real GDP in FY22 is estimated to come in at ₹148.2 trillion, which is 10.7 per cent lower than FY22 GDP trend value. Consumption slowdown is estimated to contribute 63.4 per cent of the decline, followed by investment 47.7 per cent, the Ind-Ra report said. Since fiscal arithmetic of the FY22 budget is more convincing than earlier years, Ind-Ra continues to believe the budgeted fiscal deficit of 6.8 per cent of GDP is achievable. However, the success of this number hinges on the government’s ability to achieve FY22 disinvestments target of ₹1.75 trillion.

Current account surplus of FY21 will give way to the current account deficit of 0.4 per cent of GDP in FY22. But the evolving domestic and global macro conditions will continue to keep Indian rupee volatile. Ind-Ra expects the depreciating bias of the Indian rupee to persist in the near term and the Indian rupee to average 77.1 per USD in FY22.

Source: fibre2fashion.com – Apr 26, 2021

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Exports on upswing despite Covid surge

As the second wave of Covid rages in the country, one sector of the economy seems to be thriving despite all odds. And that is exports. The latest data for exports in March shows a 60 per cent increase over the same month last year. And Commerce Ministry officials are surprisingly upbeat about the outlook for 2021-22. This is despite the fact there was a 7 per cent contraction in exports in the last fiscal which was during the pandemic, when literally nothing was going right.

The last few months of that year, however, saw economic growth pick up in most sectors and exports has been no exception. These rose by 6 per cent in December, 0.1 per cent in January and then fell marginally by 0.3 per cent in February on a year on year basis. The spurt in March to $34.45 billion compared to the same month last year reflects the rise in global demand for goods as well as the ability of Indian export industries to raise output to meet the requirements.

At the same time, this positive perception needs to be tempered by looking more realistically at the data. The March increase is over the extremely low base of the same month in 2020. Exports had then fallen by about 34 per cent compared to March 2019, reaching only $21.49 billion.

The dip was reflecting the effect of the virus that had caused a slowdown all over the world. The steep 60 per cent rise in March 2021 must be viewed in this larger context. Yet it cannot be denied that exports have shown a rising graph of exports on a month to month basis since January this year. From $27.45 billion then, the value of export rose to $34.45 billion in March, the highest ever in a single month.

So there is room for some cautious optimism on the export front. Overall, there was a dip of 7.4 per cent in fiscal 2020-21 as exports fell to $290.18 billion compared to $313.36 billion in the previous year. This level of decline was only to be accepted in the year of the pandemic. It now has to be seen whether the steep rise in March will be sustained in the current fiscal.

For this to happen, the scenario related to the Covid surge will have to improve in the coming months. As of now, it is clear that the localised curfews and movement curbs in many parts of the country will affect export oriented production during April and May.

Subsequently, however, much will depend on export strategies and policies. For instance, more incentives need to be given to agricultural exports. These continued to show a significant increase of 18 per cent during the last fiscal (April to February 2021) going counter to the decline in all other segments. Wheat, rice, soya meal, spices, sugar, raw cotton and vegetables were among the commodities that showed the highest growth. Wheat showed sharp growth largely due to government to government supplies to Afghanistan and Lebanon. In any case, it is clear that greater attention needs to be paid to agricultural storage and processing so that India can become a long-term player in global markets.

One of the problems facing agricultural exports is the curtailment of export commitments owing to domestic needs. To become a long term supplier in the market, buffer stocks need to be built up to ensure that export contracts are fulfilled in a timely manner.

The second issue related to the present scenario is the need for export industries to provide better wages and housing to migrant workers. This will prevent an exodus every time there are movement restrictions due to the pandemic. This is an issue being faced by most export hubs like Ludhiana and Jodhpur.

In the case of the knitwear export centre, Tirupur, exporters have decided to provide incentives to workers to stay on during the temporary dislocation. In the long run, however, export industries will have to ensure better living conditions for workers along with providing a social safety net. This has to be long term strategy to sustain the workforce that comes from distance places.

Thirdly, even as the government is funding large scale investments in infrastructure, some of this must find its way to support the supply chain for exporters. Warehouses and storages in ports and airports as well as cold chains for agricultural and horticultural products are critically needed to ensure that exports can be sustained on a long term basis.

And finally, and perhaps most important, red tape needs to be cut down drastically. The latest scheme to provide support to exports known as the Remission of Duties and Taxes on Export Products (RoDTEP) scheme has come into effect since January this year but the rates have not yet been notified.

The scheme replaced an earlier one that was successfully challenged by the US at the World Trade Organisation. The new one rebates taxes and duties for export industries. But in the absence of the new rates, it is difficult for exporters to specify pricing for their goods. These are critical issues that cannot be taken lightly by the Commerce Ministry as it has a direct impact on the country's export earnings.

Export industries are doing relatively well despite being buffeted by the Covid surge along with the entire gamut of trade and industry. But if given adequate support for tiding over these short term issues, this sector may ultimately achieve the optimistic projections being made for export growth in the current fiscal.

Source: thehansindia.com– Apr 25, 2021

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While Govt has got the PLI scheme right, it must address the criticism about protectionism on the trade front

The way to realise the aim of becoming a $5tn Indian economy (currently $2.9tn), is to increase the speed of and scale up investments so as to make the manufacturing sector grow in double digits on a sustained basis, as compared to the mere 3-4 per cent growth in recent times. Only then can manufacturing attain a share of around 25 per cent of GDP, presently stagnant at 16 per cent. Simultaneously, core competence, cost effectiveness and governance standards need to be strengthened, coupled with imbibing cutting-edge technology. Additional advantage could be attained by being cost-competitive. Such a path can enable India to become an integral part of global value-added supply chains.

The most notable reform – the Production Linked Incentive (PLI) scheme, towards achieving the above goals, was introduced during the pandemic in April 2020 and expanded in Budget FY22. The PLI provides incentives for targeted import-dependent 13 sectors in the range of 4 to 6 per cent on incremental sales over a chosen base year on domestically produced goods for five years. Notably, these sectors' linkage with the pervasive MSME sector (via mandating higher local value addition) could prove to be a real game changer.

The plan is to create global champions for an 'Atmanirbhar Bharat' (ANB). Here, it is vital to understand the concept of ANB. It seems the concept is being wrongly interpreted by some economists. The key element here is the 'need to create an eco-system' that will allow Indian companies to be globally competitive, thereby making India self-reliant. The PLI initiative should help India to build a supply chain both home and abroad, for products that are critical. ANB is neither inward-looking i.e. just import substitution nor economic nationalism.

Employment for youth

The government has committed nearly Rs 2 lakh crore for five years, starting FY 22. The PLI initiative will help bring scale and size to key sectors, create and nurture global competitors and provide jobs to youth. In case of each of the 13 sectors, a holistic distinctive approach has been adopted. For ex. in case of textiles, seven mega investment textiles parks (MITRA) are being launched to support the PLI scheme to create world-class infrastructure with plug-and-play facilities to enable creation of global champions in textile exports.

Globally, manufacturing is incentivised variously - like creating special economic zones; tailored logistics and specific incentives; tax- and credit-based schemes and research and development-based approaches. India's quantity-based PLI scheme is akin to the 'piece rate' method. Apart from being simple, it is considered the best method to ensure higher productivity. In the wake of investments, employment and development would follow and with incentive payments, a virtuous cycle is expected to set in. The scheme has been carefully constructed, to adhere to WTO rules. It is expected to encourage companies to indirectly commit to exports and local value-addition targets.

Benefits

The PLI scheme has gained significant traction --- easy to avail and boosting output and exports without flouting WTO rules. The incentive offered (4-6 per cent of incremental sales with a defined base year) is simple and tied to specific conditions that are easy to calculate. According to the Economic Survey, it "will ensure efficiencies, create economies of scale, enhance exports, provide a conducive manufacturing ecosystem and make India an integral part of the global supply chain".

The PLI scheme fulfills many objectives:

· Targets specified product areas having deep linkages;

· Undertakes measures to make products compete more effectively with cheap imports;

· Blends domestic and export sales to make manufacturing competitively sustainable and

· Promotes domestic manufacturing while encouraging investment from domestic as well as abroad.

Analysis

Though the PLI scheme has been widely welcomed by Industry, two contentious issues are noticeable. One, the policy appears to carry a nationalist mindset on the ground -- raising import duties, picking winners and incentivising them. The criticism is that this policy makes the country traverse a route away from the market-based system. Raising import duties after about 30 years of reforms doesn't bode well. Budget FY22 provided import duty protection to several products. To make our industrial products globally competitive, what is needed is sequencing of the required reforms. The responsibility to be competitive also lies with industry.

It is important to note that there is a thin line between protectionism and making domestic industry strong through incentives. The government needs to continuously have awareness campaigns, clarifying its stand on ANB. The second debatable issue is -- why only 13 products (advanced battery, electric vehicles, pharmaceutical, renewable energy, electronic and technology products, auto and auto components, drugs, telecom and networking products, textiles, food products, solar PV modules, air conditioners, LEDs and specialty steel), why not the entire spectrum?

The debate is currently on whether to stick to 13 or extend it to more products. Why are textiles included, and not leather? Based on the experience with 13 sectors, a select few may be taken up. The request of the bicycle industry to be included appears convincing, especially in Covid times. A case for widening the list is being made on the plea that as MSMEs constitute around 90 per cent of industry, these can work as anchor units for large corporates.

In the case of a few chosen sectors, some monitoring mechanism has been internally built in the policy. As the task of increasing the share of manufacturing in the GDP to 25 per cent is indeed huge, the ideal solution could be to set up an overall monitoring panel of independent experts to strictly examine the scheme's progress and to make studied recommendations to the authorities. Leading chambers of commerce and industry and other business associations could be involved. After all, the PLI policy's success would mainly depend on constructive cooperation between industry and government.

Good response

Within a short time, the PLI scheme has received favourable traction from investors. Telecom gear makers like Ericsson and Nokia have shown interest. Global companies like Samsung, Cisco, Ciena and Foxconn want to set up manufacturing bases for telecom and networking products for domestic and export markets. In the pharma sector, 130 companies have submitted expressions of interest. In the electronic components sector, companies like Ascent Circuits, Visicon, Neolync and Vitesco have applied. Some companies want the government to move the benchmark year ahead by declaring the pandemic a 'force majeure' event. Companies like Godrej Appliances (for its made-in-India new ACs that eliminate 99.9 per cent viral and bacterial particles), are banking on the scheme's long-term benefits.

Manufacturing costs

Manufacturing inefficiencies are inherently structural. The main challenge lies in controlling high operational costs, including compliance costs, simplifying the cumbersome taxation policy and reducing complexities in business. Competitiveness gets dented with high cost and poor quality of power, exorbitant logistics cost, distorted credit access for MSMEs, low labour productivity and abysmal research and development assistance. Regulatory uncertainty and contempt for legitimate profit-making are familiar to every entrepreneur. It is indeed welcome that the government has initiated reforms in all these areas, which need to be speeded up. States are being ranked on ease-of-doing business, just like the World Bank ranks countries.

Summing up, after a string of inept implementations. it seems that the government has got the PLI scheme right, except for the criticism about it being protectionist on the trade front. Apart from clarifying this, the government should go all out to enable companies to meet their targets. It should facilitate their operations by improving logistics, ensuring water and electricity and enabling companies to freely produce and get their products to market. This will not only boost employment and production but also quicken private investments that have remained dismal for over four years now.

The second Covid wave could spark greater economic uncertainty and may impact the PLI drive adversely. Though the PLI scheme is growth-oriented, it requires constant nurturing, so that its effective execution is assured. All stakeholders will have to work jointly to run the PLI scheme, as only then would India be able to attain its vision.

Source: freepressjournal.in– Apr 24, 2021

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Micro enterprises need exclusive treatment

Micro enterprises are identified from the survey-based information captured by National Sample Survey Organisation (NSSO), a key data-collection agency of the government. It is dissatisfying that the same schedule is used to seek responses by clubbing micro enterprises with small and medium enterprises (SMEs), which collectively are referred as MSMEs.

In 2007, the Ministry of MSMEs was formed in recognition of their distinctness from the large firms. For most part of the policy and stimulus package, the incentives and relief are designed as common across MSMEs bringing them under one umbrella. This tends to bypass micro enterprises even if they are overwhelmingly predominant in the collective group of MSMEs.

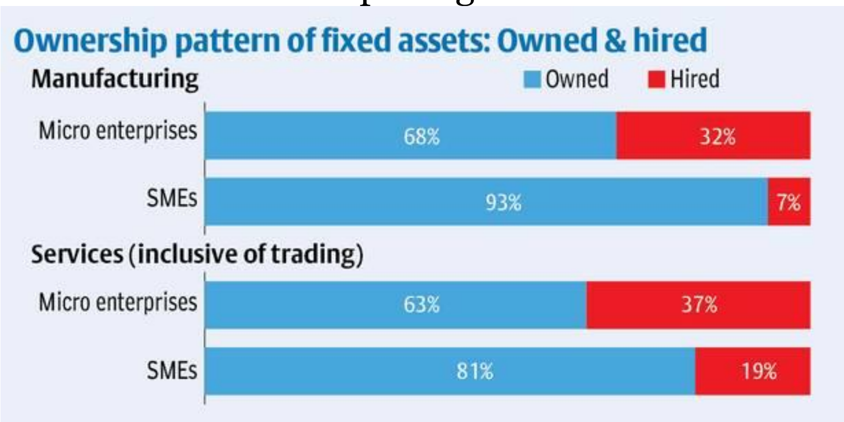
Consequently, a clear understanding of the huge heterogeneity, characteristics, constraints and other attributes, which are critically important for policy design, is just not possible. Nor does the umbrella policy for the MSMEs have much relevance for micro enterprises.

Latest available NSSO data show that manufacturing-based micro enterprises constitute 99.7 per cent of the MSMEs while supporting 97.5 per cent of employees. The micro units account for 90.1 per cent of the MSME output and 91.9 per cent of income. A similar pattern is observed for the service-based micro enterprises that also happen to be twice as much (in number) the micro-sized manufacturers.

The micro enterprises have lesser employees (typically up to 10), are started with low capital and have relatively localised market. Even more distinct is their asset ownership pattern vis-à-vis SMEs. A high proportion of the fixed assets of the SMEs are owned. This is in contrast to the ownership pattern of micro units, where fixed assets are more dispersed between the owned and hired, with the latter accounting for around one-third (see figure).

The share of hired assets is even higher for services. This is in sharp contrast to a much lower share of hired assets under the SME segment. Heterogeneity in the form of greater use of hired assets under the micro segment can be interpreted in two different ways. First, the ability to own capital is low, also implying that rental expenses constitute a higher share in total costs.

Second, greater use of hired assets indicates that capital loans for machinery and equipment may not be sought after. It could be the case that a micro-enterprise is unwilling to invest in view of the risks associated with market uncertainties. Very often, capital loans are used to stimulate growth of the MSMEs; this could have little relevance for the micro-enterprises. And, evidence for the same is not too far in the past when there were few takers of the Covid stimulus package.



Vulnerable segment

Undoubtedly, micro enterprises represent the most vulnerable segment. These were the major victims of both demonetisation and the sudden lockdown to contain Covid-19. These enterprises are omnipresent in the business environment around us. A craftsman, weaver, food processor, fisherman, carpenter, shoe-maker/cobbler, tutor, tailor, plumber, electrician, street side food shop, ice-cream parlour, beauty salon, motor (repair) garage, transport agency, advertising entity are just a few examples. Notably, most of these are service-based.

Their presence in high numbers makes them the most diffused segment in our socio-economic system. Therefore, micro-enterprises are distinct in the variety of activities and characteristics, but low in economic contribution. Nevertheless, these enterprises are hugely consequential for the marginalised sections bypassed by the development process. Their existence is compelled by subsistence necessities of a workforce which has no access to training and formal jobs. Despite supporting a large proportion of the workforce, they lack a lobby to voice their concerns simply because of a fragmented structure.

The heterogeneity vis-a-vis the SMEs also gets underscored from wide difference in their incomes. The income per enterprise of a manufacturing SME is 26 times that of a micro enterprise. Similarly, income per enterprise of a service SME is 14 times higher.

The asset ownership pattern has implications for technology upgradation. Greater use of hired assets inhibits technology upgradation. Embracing technology in the micro units has a different context, at least in the present. Technology refers to doing things more efficiently, not necessarily the best and high-tech method.

To illustrate, a small food-selling outlet can be facilitated through better kitchen technology (vegetable cutters, packing machines, fuel saving) and the adoption of practices for improved hygiene and sanitation; a fisherman would benefit from digital connectivity for price discovery and access to a deep-freezing utility; plumbers, carpenters, electricians and beauticians gain from training; while craftsmen require aggregators, textiles units need market access through information; transport agency requires real-time information on routes and passenger traffic, and an advertising entity benefits from printing and installation equipment.

All this clearly suggests the type of information within the diverse micro-segment that is required to design trade-wise policy for effective solution. Foremost is the need to acknowledge that serving micro-enterprises and SMEs through a common policy does not meet the needs of micro units. In fact, the RBI expert committee report on MSMEs documents that micro (and small) enterprises have limited bargaining capacity. They also fear retaliation from buyers in response to raising the issue of delayed payments.

The earlier set-up, Micro and Small Enterprises Facilitation Council (MSEFC), was also found to be differentially effective in addressing their payment concerns. In another attempt to expedite the settlement of payments, an online portal, SAMADHAN, was launched. Here again, the awareness of micro-enterprises was found inadequate. Similarly, these units are disproportionately disadvantaged when it comes to participating in public procurements due to a limited understanding of the procedures and low volumes.

With a greater role envisioned for MSMEs in the $5 trillion economy by 2024-25, it is important that the micro segment is not left behind. Their inclusion is contingent upon recognition of the uniqueness for policy design. The first step would be to gather information recognising their uniquely diverse attributes.

Despite a dedicated ministry, this recognition for data collection on micro-enterprises is conspicuous by its absence. Subsuming them into the wider MSMEs amounts to losing their individuality. Consequently, addressing their concerns through blanket polices for the MSMEs amounts to a one-size-fits-all approach. A thoughtfully crafted and focussed approach towards micro-enterprises for gathering and capturing specific information is an inevitable consideration for the New Industrial Policy.

Source: thehindubusinessline.com– Apr 24, 2021

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Sharp rise in Covid-19 cases in India, how about yarn mills?

A ring-spun yarn mill in Maharashtra said that the current situation in Maharashtra is not optimistic. It is common for migrant workers to leave Maharashtra. Some of workers in his spinner are migrant workers, and some have returned home since last week. This phenomenon continues until now. In addition, the night time curfew policy has affected the operating rate time, and the output has gradually declined. Comprehensive operating rate has decreased by about 20-25% compared with that in early-April, reaching about 70%.

A ring-spun combed yarn mill in Maharashtra said their operating rate is affected, and the comprehensive operating rate is about 85%.

A ring-spun yarn mill in Maharashtra said the mill is losing workers and the output is also affected by the curfew. Current operating rate is about 70%, but the decline in output means that the spinner will not quote down again.

A trader in Maharashtra said that the panic migration of migrant workers occurred when the first epidemic wave occurred last year. At that time, because of the lockdown policy, transportation was slow and stagnant, and many workers could not return to their hometown. Therefore, after the outbreak of the second wave, although the policy is still on the way, the workers of yarn mills around Mumbai began to flee the city. Many spinners reflected the loss of workers, which he predicted would continue.

A first-lined combed yarn mill in Punjab in northern India said that although Punjab is also affected by the epidemic, the mill still sees 100% operating rate, because the workers are arranged to live in the mill, including about 20% of the migrant workers.

We provide shelter and food for them, so they are not ready to return home. The person in charge of the mill said that large-scaled mills generally have conditions for their employees to stay in the mill, but small-sized mills will suffer a lot. The production capacity and yarn quality of him mill were not affected.

A trader in New Delhi said that the situation of workers leaving this time is not as serious as last time. The yarn mills around New Delhi are still in operation, but the operating rate will certainly be affected.

An open-end yarn mills in Andhra Pradesh said the mill has not been greatly affected, but the operating rate has also declined, mainly due to curfew and weekend lock down. The comprehensive operating rate is about 75-80%.

Ring-spun and open-end yarn mills in Andrabang said the current operating rate is about 70%, and the loss of workers is mainly caused by the curfew. The operating time is limited, and it is unable to maintain 24-hour operation. At present, the inventory has been available for 45 days, and the sales are bleak.

A ring-spun mill in Gujarat said that the loss of workers exists, and a small number of migrant workers have left their mills.

Conclusion

Operating rate and output of Indian yarn mills are declining, which may drop further due to the lockdown policy. By then, the supply of the Indian yarn mills will significantly reduce, which may be one of the reasons to prevent yarn prices decrease. However, the epidemic situation in India weakens the local downstream buying interest and the impact will be larger. Purchasing enthusiasm of overseas markets (except China) for Indian yarn has not been greatly affected.

Over the past two months, Indian local demand has played a key role in supporting yarn prices. The impact of the epidemic on local market demand may make Indian prices lose the main support. Although Bangladesh can absorb part of yarn production capacity, Chinese market may become the main support for Indian yarn demand in the short term. At that time, the bargaining power of China will strengthen, and Indian yarn may weaken further.

However, if the epidemic situation in India is not controlled, the lockdown may have a cliff like blow to cotton yarn production, especially for the combed yarn mills that have not yet fulfilled previous contracts, whose main task is to complete the early orders after the lockdown. The supply side and demand side of yarn are weakening at the same time, and the future price trend depends on which side of supply and demand is weakening more severely.

Source: ccfgroup.com– Apr 23, 2021

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Second wave hits small apparel manufacturers: Report

With the surge in covid-19 cases forcing closure of non-essential stores in several states, apparel manufacturers could be staring at delayed orders yet again.

A report by brokerage Motilal Oswal tracking the business of malls, apparel retailers, as well as apparel manufacturers, paints a grim picture for the manufacturing sector whose business is directly dependent on stocks moving at large retailers.

“Retailers were operating at sales of 70–80% pre-covid levels over January–Feb’21. However, the industry has once again been put on the back foot due to fresh lockdowns being imposed; the impact from the second wave could be more severe given the already weak condition of many players," the brokerage said in a report on the apparel manufacturing industry after speaking to key players and industry associations such as the Clothing Manufacturing Association of India (CMAI).

The CMAI said a large proportion of smaller players are closing down their businesses, plagued by an uncertain outlook, stretched working capital and liquidity, and rising raw material costs.

Roughly 80% of the apparel manufacturing sector remains largely unorganized and highly dependent on cash and credit, which means smaller players are the first to get impacted with state-level closures, it said.

Apparel manufacturers have faced a cut in orders both from domestic as well as export markets. That's because the pandemic lowered the demand for formal wear and subsequent lockdowns meant an inventory pile-up with retailers, the report said.

“Apparel manufacturers commenced delayed operations in late November amid a huge inventory pile-up at retailers. Although manufacturers were allowed to operate after the lifting of lockdown restrictions last year, they remained distressed due to no fresh orders—weighed by the lack of demand from retail stores and consumers," the report said.

For manufacturers, a high credit period remains a concern. “The apparel retail industry has low entry barriers, with low capital requirements and the easy availability of products and resources. The credit period has historically been high in the industry, which has burdened manufacturers and vendors. Manufacturers have always been highly dependent on credit, limiting the liquidity and growth prospects in the industry," it said.

Source: livemint.com– Apr 24, 2021

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Control room in DPIIT to monitor the issues of internal trade, manufacturing, delivery and logistics of essential commodities during Covid pandemic

Department for Promotion of Industry and Internal Trade(DPIIT), Ministry of Commerce and Industry, Government of India has decided to monitor the status of transportation and delivery of goods, manufacturing, delivery of essential commodities to common man and the difficulties being faced by various stakeholders due to current restrictions imposed by various States/UTs in view of the surge of Covid-19 cases.

DPIIT is setting up a Control room to monitor the issues of internal trade, manufacturing, delivery and logistics of essential commodities during Covid pandemic. In the event of any manufacturing, transportation, distribution, wholesale or e-commerce companies facing difficulties in transportation and distribution of goods or mobilization of resources, information can be given at the following telephone number/email:

Telephone: (011) 23062383, 23062975

E-mail: dpiit-controlroom@gov.in

The above telephone numbers will remain functional from 8 AM to 10 PM w.e.f 24th April, 2021. The issues reported by various stakeholders through this control room shall be taken up with the concerned State/UT Governments.

Source: pib.gov.in– Apr 23, 2021

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250 participants take part in virtual textile expo

'Textile Exchange 2021,', a business to business platform, saw more than 250 participants at its two-day virtual expo that concluded on Saturday.

Hosted by Supporting Indian Trade and Investment for Africa (SITA) initiative of the International Trade Centre (ITC), jointly with India ITME Society, the exchange was for Indian and east African textile businesses to network and capitalise on marketing opportunities.

S. Hari Shankar, chairman of India ITME Society, said that the platform enabled buyers and sellers to interact. Africa is a rapidly growing market and there are opportunities for buyers and sellers to present their businesses, showcase products, connect and network with relevant partners.

"It (the platform) will focus on machinery, fibre, yarn, fabric, trimmings and accessories. It extends opportunities to both, buyers and sellers. India's textile and apparel sector is undergoing structural changes to retain its competitiveness. The pandemic has thrown open supply chain and logistics challenges and we should make this challenge into opportunity," he said.

According to a press release, over 700 business to business (B2B) meetings were planned. Close to 250 businesses from Ethiopia, India, Kenya, Rwanda, Tanzania and Uganda used the Textiles Exchange platform to present their company's products, source inputs, exchange knowledge, ideas and technology, and create vibrant business networks in the process.

Govind Venuprasad, co-ordinator of SITA, said, "Covid-19 pandemic with ensuing travel restrictions has limited opportunities to network through physical trade fairs and exhibitions. This has been to the detriment of business and trade...SITA is attempting to fill the gap through virtual means, by hosting this online trade fair for the textile sectors of India and east Africa."

Kanzayire Theopiste, chairperson of Apparel Manufacturing Group (AMG) of Rwanda, highlighted access to finance as a major challenge for the group's members, 99% of whom were women. Anda Valla, SITA project officer, explained about SITA's Access to Finance guide that seeks to address this problem, the press release said.

Majority of the east African delegates to the programme were women. Sheena Frida from the Kenyan Fashion Council emphasised the timeliness of the Textiles Exchange event, since the sector has been particularly badly hit by the Covid-19 pandemic.

The participants also took part in technical sessions.

Source: thehindu.com– Apr 25, 2021

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