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SAYING CHILD
NO TO LABOUR

INTERNATIONAL NEWS

Will Uzbekistan cotton reap the benefits of Xinjiang's alleged labour abuses?

It's spring in Uzbekistan and a new wave of cotton plants is rising from the earth.

The crop is known as "white gold" in the Central Asian country and this year's harvest could be particularly lucrative.

After an easing in a decade-long international boycott over forced labour, Uzbekistan, the world's sixth-biggest cotton producer, is expecting to cash in as buyers turn their back on supplies from China.

Xinjiang, China's top cotton producer

China ranks second globally in cotton production, with more than 600,000 people employed in cotton processing factories in Xinjiang and producing nearly 5.9 million tonnes of the crop last year – the bulk of it from the far western region.

But now it is the one under international pressure, with critics accusing authorities of labour abuses in the far western region of Xinjiang and buyers looking elsewhere as they try to avoid the political fallout.

Labour analysts say that Uzbekistan's turnaround from pariah to preferred supplier could be an example for others – like Xinjiang – to follow.

Uzbek activists began raising the alarm about forced labour in the country's cotton industry more than a decade ago, with the Cotton Campaign starting in 2007 to bring attention the conditions faced by Uzbek agricultural workers.

At that time, millions of people, including doctors, teachers and even children, were mobilised to bring in the cash crop.

Sanctions followed, and more than 300 brands and retailers, including Zara and Adidas signed the international boycott of Uzbek cotton and textiles, called the Uzbek Cotton Pledge.

Uzbekistan has since launched radical reforms to end child labour and also begun to curb forced labour through privatisation of cotton farms and trying to move up the value chain.

More than 1,000km (620 miles) to the east in Xinjiang, Chinese authorities have been the target of similar accusations.

The United Nations and human rights groups allege that 1 million Uygurs and members of other ethnic minorities have been put in internment camps in Xinjiang, and suspected of being subjected to abuse including forced labour.

The central government has strongly denied the allegations and said the facilities are for vocational training and "deradicalisation" programmes.

But in January, the United States responded to the accusations by banning imports of cotton and tomato products from Xinjiang, with Canada and Britain following suit. Many international brands have also gone on record to declare their products are not made from Xinjiang cotton.

One of those brands is H&M. The fashion giant said in September that it had stopped using cotton from Xinjiang based on advice from the Better Cotton Initiative , an industry certification agent.

Sportswear brand Nike made a similar commitment, as did Ralph Lauren, Gap and American Eagle Outfitters, which explicitly prohibited their vendors and suppliers from sourcing any products or raw materials from Xinjiang.

"Ralph Lauren does not source any yarn, textiles or products from Xinjiang. Our suppliers are prohibited from using any cotton grown in the Xinjiang region," the company said.

"As part of our long-term, global supply chain strategy, we continue to diversify our sourcing locations and prioritise responsibly sourced materials to create a more agile and sustainable supply chain."

Consumers and state media in China responded with calls to boycott the firms but companies like Ralph Lauren have pressed ahead, saying "diversifying the supply chain has become a corporate strategy for the brand".

BCI, meanwhile, has stopped all field-level activities in Xinjiang, citing "sustained allegations of forced labour and other human rights abuses" that had "contributed to an increasingly untenable operating environment".

While the impact of the Western bans have yet to fully emerge, researchers say there are signs that US companies are decoupling from their Chinese suppliers to head off political risks.

Fan Di, assistant professor with Hong Kong Polytechnic University specialising in fashion retail and marketing, said this effect would spill over from cotton to other sectors.

Fan said that based on data on nearly 2,000 US companies compiled by American financial information service FactSet, Chinese companies were suppliers to 31.3 per cent of the firms in February, down from 37 per cent in 2017.

"There are two incremental decreases, reflecting how the friction between US and China affects the buyer-supplier relationship between the two countries. Despite the decrease, China remains to be the most important sourcing base for US firms for now," he said.

And it is that gap that Uzbekistan is hoping to fill.

An official source close to Uzbekistan's cotton industry said the central Asian country was expecting "a huge influx of trade and investment" in the next 18 to 24 months.

"What is happening in Xinjiang now is in fact a window of opportunity for Uzbekistan. We are seeing a sharp increase from large multinational brands and retailers expressing their interests to source from Uzbekistan as they were concerned with their exposure in China," the source said, declining to be named.

"I have spoken to at least 10 multinational companies, mostly European and some American companies, and industry associations, who said that they are looking to get out of Xinjiang.

"That's a very clear message we have heard consistently in the last two months. If Uzbekistan can present itself as an alternative sourcing destination with a lower sourcing risk, then companies would want to move their business here."

Major buyers such as Olam and Cargrill declined to comment on their latest cotton supply chain management strategies. Uzbekistan could also become a source of cotton for China, which consumes much more than it produces. Last year China imported a total of 2.16 million tonnes of cotton and 45 per cent of that came from the US.

But industry media outlet Ecotextile News reported last month that China was also looking to Central Asian nations such as Uzbekistan, Tajikistan and Kyrgyzstan to reduce its reliance on the US and Australia for cotton due to tension with the two countries.

Aidan McQuade, former director of Anti-Slavery International, said news reports indicated the alleged forced labour in Xinjiang were similar to the conditions in Uzbekistan as both appeared to be state-sponsored.

“However, in Uzbekistan, the system affected pretty much the entire population, both private companies and public services were expected to send employees to labour on the cotton harvest, and kids were taken out of school for the same purpose,” said McQuade, who researched conditions in the Central Asian nation.

“The way in which the forced labour system in Xinjiang seems to apply so comprehensively to Uygurs means that it has attracted the taint of genocide in the eyes of the international community as well as state-sponsored slavery,” he said, citing Western media reports.

China does not have a policy targeting specific ethnic minorities. The forced labour practices are generally alleged to be imposed on members of central Asian ethnic minorities.

Uzbekistan’s transformation began in earnest in 2017 when the then newly elected president Shavkat Mirziyoyev made a public commitment at the UN General Assembly in New York to work with the International Labour Organization to stamp out labour abuses.

It ratified ILO conventions and allowed monitors into the country.

Cotton farms are being privatised and the manufacturing of cotton as raw materials are also gradually being moved up the value chain to produce garments. In addition to macroeconomic policies to overhaul tax, currency and fiscal system, the country also pushed through social reform by allowing free speech.

According to Jonas Astrup, chief technical adviser with ILO's Third Party Monitoring Project, there were as many as 2 million child labourers in Uzbekistan's cotton harvest before 2013.

As of 2015, 3.5 million Uzbek adults, or about one-eighth of its population, were mobilised for the cotton harvest.

"It's staggering statistics. The practice of child labour ended in 2014 that saw 2 million schoolchildren back to school receiving education. We have seen a 500 per cent drop in forced labour compared to 2015 when the cotton harvest season ended last December. That's a very significant decrease," Astrup said.

The US Trafficking in Persons report noted those improvements but said there were still some abuses, including forced labour.

"It is hoped that the fairy tale-like transformation of Uzbekistan could be an encouraging model for other countries to follow," Astrup said.

Source: scmp.com – May 17, 2021

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Cotton Highlights from May WASDE Report

USDA has released its World Agricultural Supply and Demand Estimates (WASDE) report for May 2021. Here's this month's summary for cotton: U.S. cotton production in 2021/22 is projected to rise 2.4 million bales, but total supply is projected at its lowest in 5 years, and both exports and ending stocks are forecast lower than in 2020/21.

Production is anticipated at 17.0 million bales, with 12.0 million planted acres as indicated in Prospective Plantings, abandonment projected above the average of the past 5 years, and average yields. Exports are expected to fall 1.6 million bales, to 14.7 million. Domestic mill use is projected to rise 200,000 bales to 2.5 million, and ending stocks are 200,000 bales lower to 3.1 million. The upland cotton farm price is 75 cents per pound – 10% higher than in 2020/21.

For 2020/21, U.S. cotton production is reduced slightly from last month. The export forecast is increased 500,000 bales to 16.25 million as the expected U.S. share of world trade rises, and ending stocks are estimated 600,000 bales lower than in April, at 3.3 million.

The world 2021/22 cotton projections show global supply about unchanged from a year earlier as rising production offsets lower beginning stocks and falling ending stocks as consumption rises to its highest in 4 years. Production is projected at 119.4 million bales, 6.3 million higher than in 2020/21. Higher production is expected in Brazil, Australia, Mali, Pakistan, India and Turkey. A 2.0 million bale decline is projected for China's crop.

Global consumption is forecast to rise 3.5% percent to 121.5 million bales as global income growth remains strong. Global ending stocks are expected to shrink by 2.2 million bales to 91.0 million, equivalent to 75% of use.

For 2020/21, global production saw little net change from April, but beginning stocks and consumption are projected lower, and estimated global ending stocks are 300,000 bales lower. Indian 2019/20 and 2020/21 production is reduced by a total of 1.2 million bales.

China's 2020/21 crop is raised 500,000 bales, reflecting ginning and inspection data from Xinjiang. Global consumption is forecast 439,000 bales lower this month, as India's recent textile exports and economic disruption from COVID-19 reduced expected mill use there by 800,000 bales.

Source: cottongrower.com – May 17, 2021

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Port of LA Director: 'Historic' Import Surge Requires Federal Intervention

If there was any way to accurately describe the surge in imports into the U.S. in recent months, Eugene Seroka, executive director of the Port of Los Angeles, may label it best: "historic."

There's no doubt that the Southern California port and others have seen a barrage of shipments starting last summer when demand started to swing higher as non-essential stores across the country cautiously reopened. But as the summer wound down and the earlier-than-usual holiday season followed, the spending only continued to increase at record levels.

In a session at Sourcing Journal's Hong Kong Sourcing Summit, Seroka noted that any month the port processed more than 800,000 twenty-foot equivalent units (TEUs) prior to the pandemic was a "busy month." But the ecosystem has significantly changed, with March 2021 reaching 957,599 total TEUs. The port could potentially harbor 10 million TEUs for the fiscal year ended June 30, 2021, which would surpass the current 12-month record of 9.5 million units in 2018.

For the first quarter of 2021, container volume is up 44 percent year over year, and for March alone, the ratio of loaded imports to exports remained at about four to one, which Seroka called "the highest gap we've seen in recent times." More than 340,000 empty container units went back to Asia in March, the most empties the Port of Los Angeles has ever exported in one month.

Thankfully, ships either waiting at anchor or in port have reduced in number since their late January/early February peak. While 67 total container ships were in port on Jan. 30, that number dipped to 45 by April 14. And although ships at anchor topped out at 40 on Feb. 1, they have halved to 20.

The backlog at the ports has made an impact throughout logistics operations on the road. Container dwell time on the terminals still remains an impediment to landside cargo flow, Seroka said.

"Warehouses across the region continue to operate at full capacity," said Seroka. "Because warehouses are full, container dwell time in the terminals averaged five days in February. The March average was 3.8 days, so we are making some improvement. As containers on chassis wait for warehousing space, our average street dwell times was 6.8 days in March, down from 7.6 days in February. We still need those containers and chassis back at a quicker rate."

Rail dwell times for containers being transported back to the Port of Los Angeles continue to linger as well, up to nearly 11 days on average in March, an "extremely high" number for the port, said Seroka.

"The rapid succession of vessel calls, inclement weather across the country and the massive surge in imports have made it difficult for the railroads to get rail cars, engine power and crews back to L.A. fast enough," Seroka said. "Some of our terminals have several thousand or more intermodal containers on their property, awaiting rail transport, and it's going to take several weeks to clear those out."

A call to action for federal relief

Declaring that the U.S. freight system is "long overdue for federal investment," Seroka noted that the American Jobs Plan proposed by the Biden administration "has the framework to make real infrastructure improvements."

With the plan in mind, the port is planning its advocacy efforts on three areas. The first is the transition of heavy-duty trucks to zero-emission operation units, with calls for "a portion" of the plan's $174 billion for spending on electric vehicles to transform the the U.S.'s largest drayage fleets. Drayage fleets typically pick up cargo at ports and transport them to distribution centers.

"It would reduce the carbon footprint of every cargo owner that ships could through our gateway," Seroka said.

The second key area calls for some of the $100 billion earmarked for digital infrastructure to go toward industrial digitization, meaning that the larger industry would gain access to tools similar to the port's own Port Optimizer to get goods to American consumers and manufacturers faster. The system aggregates key cargo data and leverages a combination of tools like predictive and prescriptive analytics, machine learning and AI to help companies track their cargo box by box from point of origin to final destination.

The Port of Los Angeles remains the only one in the U.S. that has put a port community system into service, Seroka said, and cargo owners and their partners can sign up to use the Track & Trace functionality to track all imports and exports.

And with Biden's plan setting aside $50 billion for national infrastructure resilience, the port is advocating for a portion to be allocated to power grid resiliency. Seroka highlighted that last summer, California ports had to shut down various shoreside power operations in the face of heat waves, resulting in increased ship emissions.

"Because heat waves and other climate disruptions face all of us in the years to come, we need to make our power grids stronger and more resilient," Seroka said.

Source: sourcingjournal.com– May 17, 2021

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Cotton global consumption to rise: USDA

Global cotton consumption is expected to grow 3.5 per cent to almost 122 million bales in 2021-22, higher than the pre-pandemic 2018-19 level.

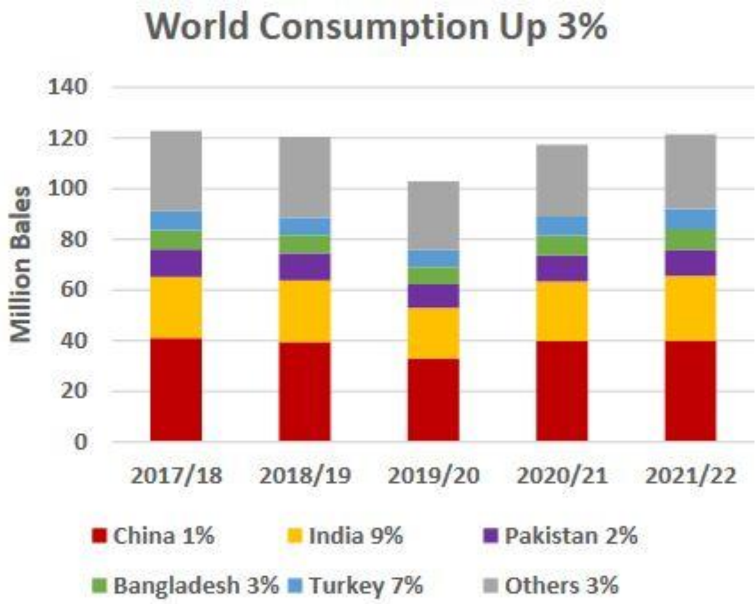
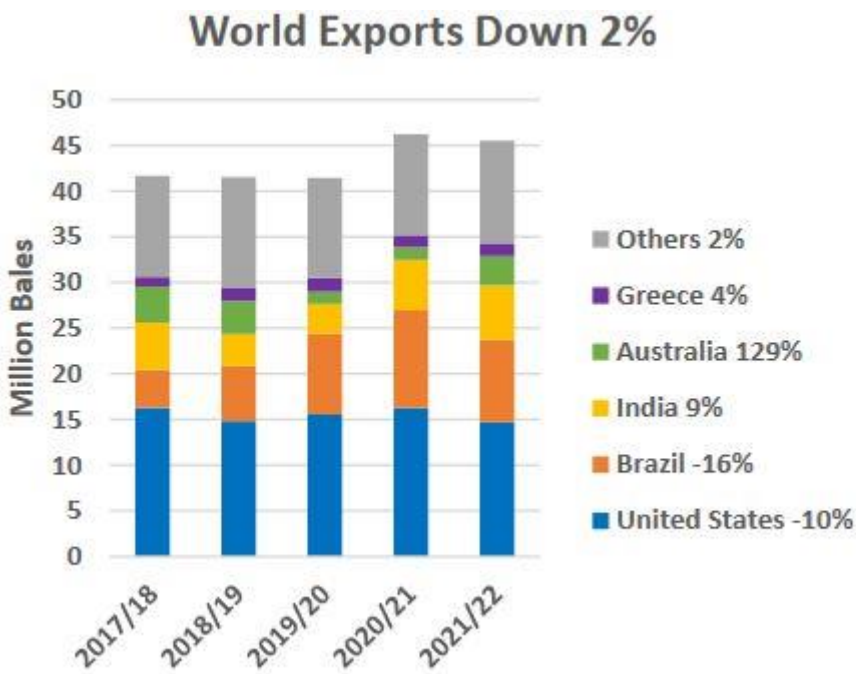


Chart 1. World cotton consumption is forecast to rise 3pc in 2021/22. Source: USDA

USDA's first cotton forecast for 2021/22 (chart 1) shows recovery from the COVID-19 pandemic, though ongoing, will drive usage higher this year, but the figure will remain below the record 2017/18 consumption level.



World trade is expected to contract slightly in 2021-22 from 2020-21, which was the highest in eight years.

Australia's 2021-22 exports are forecast to more than double, to 697,000 tonnes on dramatically higher production, with improved prospects relative to the extreme drought in 2020-21.

Shipments from the United States and Brazil (chart 2) are projected down on lower exportable supplies due to significantly lower carry-in.

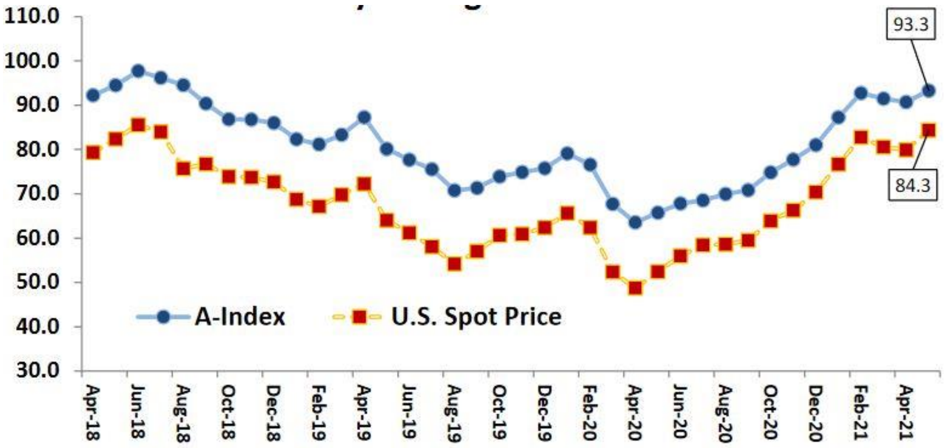
India's exports are up as higher world prices allow for the reduction of government-controlled stocks.

The second-highest projected global imports in nine years will be driven by higher global consumption relative to the previous year. China is projected to be the world's largest importer for the second consecutive year, although imports are forecast lower than the previous year's eight-year high.

This follows the State Reserve's expected return to replenishing stocks with foreign and domestic supplies. Pakistan imports are down slightly from the previous year's record but significant due to the highest expected consumption level in three years and lower carry-in.

Global stocks have expanded again in the past three years to between 95pc and 75pc of total use, compared with the three years from 2016-17 when stocks represented less than 70pc of use.

Cotton price firms 40pc



The April 2021 cotton A-index was more than 40 percent higher compared with last year's respective month, itself the lowest monthly average in 11 years.

The A-index and U.S. spot price (chart 3) have edged up slightly from April's WASDE owing to dry weather in Texas and stronger commodity prices including corn, wheat, and soybeans.

Higher global consumption and lower global supplies since April 2020 have boosted prices.

Source: graincentral.com– May 17, 2021

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China's factory output slows as bottlenecks crimp production

China's factories slowed their output growth in April and retail sales significantly missed expectations as officials warned of new problems affecting the recovery in the world's second-largest economy.

While China's exporters are enjoying strong demand, global supply chain bottlenecks and rising raw materials costs have weighed on production, cooling the blistering economic recovery from last year's COVID-19 slump.

Factory output grew 9.8% in April from a year ago, in line with forecasts but slower than the 14.1% surge in March, National Bureau of Statistics data showed on Monday. Retail sales, meanwhile, rose 17.7%, much weaker than a forecast 24.9% uptick and the 34.2% surge in March.

NBS spokesman Fu Linghui said while China's economy showed a steady improvement in April, new problems are also emerging, notably the rise in international commodity prices.

"The foundations for the domestic economic recovery are not yet secure," Fu told a news briefing in Beijing on Monday.

"For companies as a whole, price increases are conducive to the improvement of corporate efficiency, but the pressure on downstream industries needs to be paid attention to," he added.

China's factory price inflation hit its highest pace since October 2017 in April. That could rise further in the second and third quarters, according to a report from the central bank last week.

The slower growth rates in the April activity indicators were also due in part due to the fading base effects as year-on-year comparisons rolled away from very sharp declines seen when the coronavirus shut down much of the country in early 2020.

In the factory sector, motor vehicle production growth fell sharply to 6.8% from 69.8%, due in part to the base effect as well as critical shortages of semiconductors used in car systems.

Growth in the production of cement slowed in April, and coal production fell on year, although aluminium and crude steel output hit record highs, helped by firm demand.

"China's economy shows signs of unbalanced recovery: strong exports and domestic investment on one hand, but weak consumption on the other," said Zhiwei Zhang, chief economist at Pinpoint Asset Management, in a note.

Sectors related to travel, leisure and entertainment are large employers and still held back by COVID-19 uncertainty, he said.

Home appliances sales growth dropped particularly sharply in April from the month before, falling from 38.9% growth on year in March to 6.1%, NBS data showed.

Julian Evans-Pritchard, senior China economist at Capital Economics, in a note said month-on-month retail sales growth fell well below its pre-pandemic pace.

"Looking ahead, we think the rebound in consumption should gather pace again in the coming months as the labour market continues to tighten," he said.

TIME TO REASSESS?

China's economy expanded by a record 18.3% in the first quarter and many economists expect growth will exceed 8% this year.

Exports accelerated in April, thanks to strong demand for Chinese goods amid a brisk U.S. economic recovery and stalled factory production in other countries.

However, April also saw factory activity slow amid supply bottlenecks and rising costs and policymakers have acknowledged some of the recent weaknesses seen in the economic recovery.

A top decision-making body of the ruling Communist Party said last month the country will encourage manufacturing and private investment to recover as quickly as possible.

The Politburo meeting chaired by President Xi Jinping also warned China's economic recovery remained uneven and that its foundation was not yet solid.

The activity indicators on Monday also showed fixed asset investment increased 19.9% in the first four months from the same period a year earlier, slowing from January-March's 25.6% increase.

Private-sector fixed-asset investment, which makes up around 60% of total investment, rose 21.0% in January-April, compared with a 26.0% jump for the first three months.

"The government may put the monetary policy tightening on hold for now and observe the pace of recovery," Zhang from Pinpoint Asset Management said.

Source: economictimes.com– May 17, 2021

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Building back better

The impact of Brexit and Covid-19, combined with environmental concerns and changing consumer behaviour, means there has never been a better time for reshoring UK fashion and textile manufacturing at scale.

For many businesses 2020 was a year of survival. For a lucky few it, turned out to be extremely profitable but sadly for others the twin pressures of Brexit and Covid-19 proved too much. These circumstances exposed significant weaknesses in the fashion and textile supply chain – weaknesses that many of us already knew were there but with an industry built on endless consumption, most of us chose to ignore.

The immediate impact of Brexit has been to negatively impact the supply of goods and talent, while Covid-19 crippled demand.

The full extent of the two events is still unravelling, however research commissioned last summer showed that the combined effect could be twice as hard on the fashion and textile sector as compared to the UK overall.

To put that into context, the research predicted:

-240,000 direct job losses

-GDP of the sector falling by almost £9 billion

-Lost revenues likely to exceed £100 billion

Pre Brexit, the EU accounted for 76% of the industry's exports and the EU supplied over 30% of imports.

Fundamental change

We haven't yet seen a full quarter's trade figures but across January and February clothing exports to the EU fell by 60% with exports of textiles falling by 33% and in the same period clothing imports from the EU were down by 50% and textile imports down 29%. This huge dip in EU trade has not been replaced with any increase in non-EU trade.

Brexit fundamentally changed the way we trade with the EU. It sounds obvious but for many, the realities of doing business post-Brexit came as a complete shock.

Many assumed the announcement of a deal on Christmas Eve meant that would carry on much as before. Instead, they discovered shipping costs doubling or even quadrupling. A mountain of new paperwork for every trade with or from the EU, and even paperwork when shipping to Northern Ireland.

Suddenly there was import VAT due on anything bought into the UK and import VAT on anything sent to the EU and with varying VAT rates across member states and VAT reclaims having to be submitted to individual tax authorities in France, Spain, Italy and more.

The high-end fashion industry discovered that models couldn't travel to the EU for catwalks or photoshoots without a work visa. The same applies to stylists, make-up artists and photographers too.

Sending a sample to an EU magazine involves paperwork, VAT and tariffs and the same rules apply to dealing with returns from EU customers. Now if you want to attend an EU tradeshow you need a temporary export licence for your products.

Rules of origin

But the biggest impact of all has been in the changes in the rules of origin that dictate whether tariffs are due. The UK-EU Trade Continuity Agreement has a section dedicated to the rules covering fashion and textiles. It is around 20-pages long and the implications are crucial because if a product doesn't meet the rules of origin, there are tariffs to pay on both exports to the EU and imports into the UK. These tariffs average 12% on garments, 8% on fabric and 4% on yarn.

The rules mean that to be classed as UK made, fashion and textiles have to undergo a double transformation. So, in simplistic terms for a fabric to be classed as UK made the yarn has to be spun in the UK and the fabric woven in the UK. The deal does allow you to use EU product and still claim origin so using Italian yarn and weaving in the UK is ok. But the impact for fashion manufacturing is greater as the fabric and the CMT (cut, make and trim) has to be from the UK or the EU in order to claim origin. So a dress made in the UK using Indian silk fabric faces a 12% tariff duty if sold to the EU.

Free circulation

To make this situation more complex, there is the issue of free circulation. In its simplest form, this means that duty free only applies for the trade journey of a product. This means that if a brand sends UK fabric to Portugal to be made into a jacket and brings the jacket back to the UK, all of that can be done duty free. But if the brand then sells that jacket to a French customer there is a 12% duty payable.

This has all had an enormous and immediate impact. Many companies have reported accounts they have lost due to these new complications or deliveries that used to take 48 hours taking six weeks. Product has been stuck at customs due to changes in labelling requirements, while consumers have been handed bills for local tax and VAT that are twice what they paid for the original product.

Many small businesses – and in our industry 80% of business are micro SMEs employing less than nine people – have simply stopped trading with the EU. Others have moved their entire operation to the EU. Even large companies have found the complexities of trading with Northern Ireland too difficult in the short term.

As a result, Brexit has without any doubt made things more difficult, costly and time consuming. While we haven’t seen this create significant changes to the industry yet, Brexit and other trade pressures (such as being caught in the cross-fire of international disputes about airplane subsidies and digital services taxes), combined with the impact of Covid-19 and environmental concerns, will see a huge shift in the sector.

We’ve already started to see a change in the high street with a number of well-known casualties. However, some of these closures were due less to the immediate impact of Brexit and Covid-19 and more due to long-term issues.

Outsourcing

The global apparel market has been characterised by the almost total outsourcing of manufacturing to those countries with the lowest labour costs. This is a model that requires large batch processing with long lead times for manufacturing and shipping with market response times of 6-9 months or more.

We have a retail industry obsessed with gross margin, forcing buyers to chase the cheapest needle around the planet. This leads directly to huge inventories, which are now bigger than ever as companies are sitting on a year's unsold stock. This huge excess stock in turn leads to high write down costs with significant amounts of product only ever being sold at sale prices and consumers taught to never pay full price. Add in lost sales due to long, complex supply chains unable to meet consumer demand and it's not surprising we've lost some well-known names – in fact it's more surprising that we've lost so few.

The demands placed on the apparel sector to transform to a sustainable, environmentally responsible and ethical model have never been stronger. Circularity, decent pay and working conditions and a transparent use of resources now dominate the agenda of all progressive major retailers and brands in the UK, and around the world.

Consequently, there has never been a better time for a revival of UK manufacturing and for reshoring at scale.

In 2018 the McKinsey Apparel Manufacturing Coming Home? report showed that the economics for UK manufacturing worked but that we lacked the apparel ecosystem to support volume reshoring. A recent university study estimates that 10-15% of the UK's apparel needs could be cost-effectively on-shored today.

But to make that a reality, five things need to change:

1. Retailers will need to pivot their business models to focus on net margin and accept the need for closer co-operation and investment to build a sustainable, long term, UK manufacturing supply chain.

2. The UK Government needs to change the rules on public procurement so that a minimum of 10% of spend has to be with UK manufacturers. Clothing just 10% of the armed forces, the police and rescue services and the NHS is a once-in-a-lifetime opportunity to provide a much-needed boost for business, employment and tax revenue, as well as the sustainability and long-term viability of our sector. This isn't pie in the sky thinking. The UK Government recently told the renewable energy industry that they wouldn't receive government subsidies unless they committed to sourcing from the UK manufacturers. If they can do it for windfarms, they can do it for fashion and textiles.

3. As an industry, we need to recognise the breadth of the UK fashion and textile sector and the possibilities of new opportunities. We already have UK made textiles used in the automotive industry and even in Space, with the parachute of the recent Mars lander being made in Devon. But there is more to be done in agriculture, where a million miles of fleece fabric is used each year, or the wet wipe industry, which is worth $12 billion a year. We also need to work more closely with our academic institutions to ensure businesses can harness our world-leading R&D, for example by commercialising materials like graphene and spider silk. Or more simply, how about more than one UK button or zip manufacturer?

4. We have to build factories supported by bleeding-edge automation, artificial intelligence planning systems with manufacturing technologies that will deliver a high-degree of flexibility and cost-effectiveness. We need manufacturing parks sitting alongside a new, nationwide, recycling infrastructure.

5. We need to develop a skills and careers programme to match the needs of the industry in 2030 and beyond. We need to put pride back into careers in making things and we have a great deal to do to promote the sector to attract young people with IT skills or expertise in finance, business, chemistry, physics and biology.

None of these changes are impossible, and none are new. But Brexit and Covid-19 have bought things in to sharp relief. We need to use the impetus of the opening up of the economy and the change in our trading relationships to build back better and to make the changes that we all know need to happen.

Source: innovationintextiles.com– May 17, 2021

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Conventional spandex prices to remain high

Prices of conventional spandex are likely to remain high while those of tighter varieties are expected to see a slight increase. The prices of medium-to-coarse denier varieties of spandex are expected to fluctuate. As per CCF Group, prices of 20D spandex rose 6.3 per cent in Q2 2021 while those of 30D rose 2 per cent amid, mainly stimulated by high-density circular knitting market and fine covered yarn market.

Prices of spandex 40D fluctuated while those of medium-denier spandex for lace knitting, etc declined 3.1 per cent or 2,000 yuan/mt. Sales ratio remained high and price of conventional varieties increased further although downstream buyers retreated to sideline. Price of medium-to-coarse denier spandex declined with slower sales.

Operating rate of spandex plants remained above 95 per cent in Q2.The market saw slightly increasing monthly production, hitting historic high. Downstream fabric mills continued running at high capacity in May. Production and orders for thermal fabrics increased, ending up with slightly higher run rate of some plants. As a result, rigid demand for spandex improved on the month.

Operating rate of circular knitting plants in Zhejiang, Jiangsu and Guangdong, lace knitting plants in Fujian, braid mills in Guangdong and conventional covered yarn plants in Zhuji and Yiwu was at 30-60 per cent and that of cotton core-spun yarn and air covered yarn plants in Zhangjiagang and warp knitting mills in Haining and Guangdong was at 70-80 per cent.

Price of upstream feedstock dipped recently and run rate of downstream mills declined compared with Q1. However, recent downstream demand for conventional spandex improved. Sales ratio increased with increasing local and export orders.

Source: fashionatingworld.com– May 17, 2021

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Brands feel the pinch of rising raw material costs

Brands are reeling under rising raw material prices. Blake Kreuger, CEO, Wolverine says, his company plans to make "selective" product cost increases in the back half of 2021 due to rising supply chain and logistics costs, as well as growing costs of rubber, cotton, leather and other materials. As per Sourcing Journal, prices of all fibers have increased over the past month. The July New York ICE futures contracts of Cotton Incorporated rose to above 90 cents per pound from 78 cents. As per a Cotton Inc report, prices have been near 88 cents per pound.

The Cotlook A Index of average global spot prices increased to 95 cents per pound in early May from levels near 85 cents in early April, reports Sourcing Journal. US spot cotton declined 84.92 points from the prior week to average 84.03 cents per pound for the week ended May 6, reveals USDA. Though Cotton Inc expects stock levels and stocks-to-use ratios to decrease in upcoming crop year, USDA suggests, supply will remain elevated.

Despite COVID, the US is projected to export the third-highest volume on record, 16.3 million bales, during the 2020-21 crop year. With shipments to most other markets lower, this has been driven by business with China, says Cotton Inc. China will continue to increase purchases of US agricultural goods in the 2021. However, it may extend its agreement in 2022.

Owning to strong demand from China, prices for standard viscose have increased by 33.8 percent from the beginning of the year. In polyester, the US Bureau of Labor Statistics (BLS) reported in its Producer Price Index that synthetic fiber prices rose by 6.1 percent in April compared to March and by 9.6 percent from a year earlier.

However, the prices of Australian wool trended downward for the first week of May. As per Australian Wool Innovation (AWI), the merino fleece sector registered the largest declines of up to 47 cents. The benchmark Eastern Market Indicator (EMI) finished the week 2.6 percent lower in dollar terms, to close at $10.19 per kilogram.

Source: fashionatingworld.com– May 17, 2021

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Project begins in Denmark to make textiles circular

Key players in clothing design, recycling technologies and consumer behaviour have come together in a new project in Denmark to make textiles circular. The project involves breaking down worn, damaged or new clothes that are discarded into raw materials to create new textiles or other products. It could have a major impact on future design of textiles.

The focal point is sustainability in the textile industry - and recycling of all textile waste in Denmark. The project is called ReSuit (Recycling Technologies and Sustainable Textile Product Design), and is supported by the Innovation Fund with DKK 13 million (€ 1.8 million). The project has a total budget of DKK 22.8 million.

The consortium includes partners within clothing and textiles (Bestseller, Elis and Designskolen Kolding), raw material production (A/S Dansk Shell), consumer behaviour (Naboskab) and new recycling technologies (Fraunhofer, Danish Technological Institute and Aarhus University).

“Yearly, 100 billion textile units are produced worldwide, and they are to a great extent treated as disposable cutlery. Materials worth 400 billion euros are lost as we lack infrastructure and solid recycling technologies on a very large scale. In this project, we are looking to get all textile waste in Denmark into a loop where it can become new textiles or raw materials for other products. If it succeeds, it can become a gamechanger,” says Anders Lindhardt from Danish Technological Institute, which is heading the project.

The consortium will address the textile problem from two angles - how the textile industry can get better at designing sustainably, and which technologies can ensure circularity for consumer textile waste.

Regarding design, the focus is on sustainable design of textile products – that is textiles that are designed with recycling in mind. The work involves a mapping of which colours and additives are used in textile production and an assessment of their significance for the recyclability of the materials. As far as possible, the work must result in the phasing out of substances that are not suitable for future recycling technologies and in design guides for sustainable textile products.

“Circularity is not a stock commodity. We need disruptive innovation to create the circular solutions we strive for at Bestseller. It is an enormously complex field, which is why we are working on multiple elements simultaneously to be able to secure the sustainable fashion production of the future. With ReSuit, we are part of an ambitious and multifaceted collaboration.

Here, Bestseller's circular design principles come into a meaningful context and if the project manages to develop proper technologies from various knowledge areas, we will see a unified solution with far-reaching potential – not just in Denmark and not just for Bestseller – which is exactly what we are aiming for," says Camilla Skjønning Jørgensen, sustainable materials and innovation manager, Bestseller. The company Naboskab, which specialises in understanding and changing consumer behaviour, is to map out how consumers can be motivated to act sustainably.

When it comes to textile waste, the project focuses on the enormous quantities of clothes and textiles that end up as garbage every year – in Denmark alone it is 85,000 tonnes. From 2022, Denmark will start sorting clothes separately - and from 2025 the rest of the European Union will follow. "Polyester accounts for half of all clothes fibres in the world. Therefore, we will further develop technology based on chemical purification to recycle the polyester materials so that they can return to the textile industry," says Lindhardt.

The remainder of the textile products must be degraded using so-called HTL technology (hydrothermal liquefaction). The process makes it possible – under the influence of water, heat and pressure – to convert the complex textile stream into oil products that can be used for the production of eg plastic, fuel or synthetic textile fibres.

"We have recently discovered that the oil yield of HTL becomes significantly greater when we mix different raw materials, for example plastic and biomass. And that is exactly the raw material combination we find in textiles. Therefore, we have great confidence that we can get a good yield from the textiles as we mature the HTL technology in the project," says associate professor Patrick Biller from the Department of Biological and Chemical Engineering, Aarhus University.

In the project, the HTL technology will be further developed and scaled up in collaboration with A/S Dansk Shell, which has successfully tested the possibility of refining bio-oil products and sees opportunities for recycling of other oil products.

Source: fibre2fashion.com– May 17, 2021

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How Digital Fashion is Changing Fashion's Supply Chain

The term "digital fashion" encompasses a lot.

A collection of digital sneakers and charms sold for millions as non-fungible tokens—or NFTs, as they're more commonly known—would count. Valentino, Louis Vuitton and Gucci's collaborations with Animal Crossing, League of Legends and The Sims would also fall within the digital fashion categorization. Balenciaga's Fall 2021 fashion-show-turned-video game certainly meets the definition.

But for those embedding digital fashion into their design process, replacing physical samples with virtual models can mean reduced waste, machine time and labor.

Representatives from UNIFi3D, TAL Apparel Ltd., High Fashion International Ltd. and Cotton Incorporated gathered for Thursday's Hong Kong Sourcing Summit to discuss digital fashion and the supply chain.

The growing importance of digital materials within the fashion and textile industry has prompted Cotton Incorporated, a not-for-profit organization that provides research and information to cotton manufacturers, to integrate 3D technology into its existing pool of resources.

"After a product is developed in 3D… that same 3D asset can then be used for internal planning to show buyers, to create marketing images in social media and then loaded into a website to be viewed in 3D," Katherine Absher, Cotton Incorporated's manager of fashion and digital design, said.

Beyond the supply chain, Absher added, virtual assets can produce new digital experiences for consumers. Customers can configure and customize products in 3D, interact with them in augmented reality and view them in their own environment.

"These 3D models help consumers better understand their products and companies using 3D in marketing are seeing increased engagement online from customers and that translates into increased conversions and reduced returns," Absher said.

TAL Apparel Ltd., a Hong Kong-based manufacturer with 10 factories across four countries, creates six types of products, namely shirts, with a total capacity of roughly 15 million pieces. Ambrish Jain, the company's chief customer officer, said TAL Apparel has been investing in virtual sample technology "for quite some time," but that it's only been the past few years that customers have begun asking for it.

"The 3D prototyping capability has increased significantly, multiple-fold versus what it used to be and for today there's really very little reason why the customer shouldn't be using this, except if their business model is one where they do need physical samples to sell, primarily to the wholesale channel," Jain said.

But for individual consumers, buying virtually is nothing new. "They're not touching and feeling the product, they're buying based on the digital image, which is either a photographic image of an actual product or even a 3D rendering," Jain said.

Interest in 3D prototyping has boomed amid the pandemic. At TAL, the number of virtual samples provided upon request climbed to nearly 2,500, a roughly 175 percent increase compared to the prior year.

Well Lam, High Fashion International's managing director for China, noted that the pandemic accelerated the demand for virtualization technology on multiple fronts. On the one hand, travel restrictions limited physical sourcing and opportunities to meet with customers one-on-one. On the demand side, meanwhile, consumers cared about global wellness and sustainability more than ever during the pandemic, Lam added.

At High Fashion International, using 3D technology allows the company to show customers its materials' physical drape and texture, as well as offer style recommendations. If a business wants to see how that material would look on its designs, it can simply download the digital files and immediately upload them into their own 3D design software.

"This is like the coolest part because it really saves lots of time, lots of effort, lots of swatches [being sent] and immediately we can see the result of this fabric in your own design," Lam said.

Li & Fung recently spun out its Digital Product Development Center of Excellence as a 3D-as-a-service company under its technology-centered offshoot LFX. Dubbed UNIFi3D, the business now works with more than 100 brands, according to its head of services, Idy Lee.

“We want to empower the fashion industry to actively promote sustainable consumption and our mission is to help accelerate fashion retail’s transition in creating and selling product digitally at scale,” Lee said.

UNIFi3D helps clients throughout the cycle of digital product creation and commerce, from hosting educational workshops to helping create manufacturable and marketable assets, Lee said.

“Our major goals [are] to help you accelerate adoption, bridge all of those technical skills gaps that you have, to optimize your digital flows and drive that agility for you to be able to repeat and refresh at scale with all of your products digitally,” Lee said. “When you speed to market, we’re helping you eliminate a lot of the analog physical events during your product development stage.”

Source: sourcingjournal.com– May 17, 2021

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South Korea's Hyosung to make nylon textile by recycling fishing nets

South Korean fibre manufacturer, Hyosung, has teamed up with a municipal government to release a new nylon textile made of abandoned fishing nets. The company has signed a memorandum of understanding (MOU) with the Busan metropolitan government and a social venture, Netspa, to produce eco-friendly textile by recycling abandoned fishing nets.

The partnership was formed to reduce the pollution of marine ecosystems caused by abandoned fishing nets as well as to improve awareness about the protection of the marine environment. The city government will establish a system for separate disposal of abandoned fishing nets, while Netspa will be in charge of washing and processing the collected fishing nets, Hyosung said in a press release.

With the recycled fishing nets, Hyosung will produce a nylon textile called MIPAN Regen Ocean. It will also expand investment in a depolymerisation facility that improves the purity of ingredients by removing the impurities in fishing nets.

By expanding the depolymerisation facility by the end of this year, Hyosung aims to churn out more than 150 tons of MIPAN Regen Ocean per month, Hyosung said.

Source: fibre2fashion.com– May 17, 2021

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US East Coast's premier sourcing event to open summer edition in July

The East Coast of the United States' premier sourcing event is opening its summer edition with a new sourcing concept in a brand new location, at the Starrett-Lehigh Building. The 2021 summer edition of the New York textiles shows, Texworld New York City, Apparel Sourcing New York City, and Home Textiles Sourcing will be held from July 20-22, 2021.

The three day event will immerse fabric buyers, designers, and textile professionals into a dynamic environment of sourcing, learning, and networking. Acknowledging that a great deal of the international manufacturers are still facing challenges surrounding travel restrictions during these uncertain times led to the launch of the Sourcing Showroom.

This innovative exhibition concept offers exhibitors the ability to showcase their textiles and finished goods without physically being present at the event. Buyers can return to sourcing, experiencing the latest fabrics, colours and trends, in-person, while still afforded the ability to communicate with participating exhibitors across the virtual platform through one-on-one chat capabilities, according to a press release by Messe Frankfurt.

Curated by New York-based trend agency, the Doneger group, the Sourcing Showroom will be transformed into a modern gallery of textiles and finished apparel, highlighting the Autumn/Winter 20/22 trends. With textile and apparel experts on-hand, visitors will explore thousands of fabrics, apparel and accessories from global suppliers in more than 25+ countries, including India, Pakistan, Turkey, China, Portugal, Taiwan, Korea, and more. Each textile will be equipped with a QR code directly linking the buyer to the exhibitor's virtual space where an immediate conversation can be made with the supplier and a more detailed list of product information can be found, Messe Frankfurt said.

The incomparable educational programmes, the Lenzing seminar series, and textile talks will remain an integral part of the show, as well as the highly regarded trend session with Kai Chow of the Doneger group. In an effort to support buyers and ensure a positive experience for both the in-person and virtual platforms, the education will be streamed live at the Starrett-Lehigh Building during show hours.

"Continuing to evolve, we see the Sourcing Showroom as a bridge between the virtual platform and the fully physical event and look forward to introducing it at the Starrett-Lehigh building. It's been a challenging year for all of us in the textile sourcing arena, but through it all, our events have consistently been able to create opportunities for international suppliers to remain connected to their customers and we look forward to another successful venture this summer," Jennifer Bacon, show director, fashion & apparel, Messe Frankfurt said in a statement.

"Remaining agile has always been an asset for Messe Frankfurt, and utilising this skill allows us to elevate our platforms to serve a global audience. We are pleased with the introduction of the new concept and the response from the industry and will continue to build bridges in supporting the textile community as we move forward together in business around the world," Konstantin von Vieregge, president and CEO, Messe Frankfurt said.

Source: fibre2fashion.com– May 17, 2021

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Foreign brands competing with local clothing companies in Vietnam

International brands are giving tough competition to the local Vietnamese apparel industry, causing the market share of domestic brands to shrink. Poor design, small scale, less professionalism, counterfeiting and a lack of strategy for managing and promoting the brands in the long run are cited as the reasons for this in a recent report.

Currently, Adidas, Inditex and H&M are the top three brands in Vietnam, according to a report by Vietnam Industry Research and Consultancy (VIRAC). Following these are Vietnamese enterprises that own brands such as Biti's, Canifa, Viet Tien and May 10.

More than 200 mid to high-end foreign brands have their official stores in Vietnam.

In spite of exporting textiles and garments to the world, Vietnam's apparel market is unknown globally as the products are exported under the names of foreign brands. The VIRAC report stated that it is necessary to improve the domestic industry with the help of media to bring Vietnamese brands to the world.

Vietnam currently does not have an environment and a methodical school for operating fashion brands to develop the domestic industry effectively and systematically, it added.

Talking about the trends for the country's apparel industry, the report said that sustainability will be the top trend in the in the near future, followed by influencer marketing, video content, distribution on e-commerce channels and second-hand business.

The revenue of the apparel market of Vietnam in 2020 decreased by over 10 per cent compared to 2019 due to the pandemic.

Source: fibre2fashion.com– May 27, 2021

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CPEC facilitates Pakistan's pursuit of becoming regional transshipment hub

Pakistan's Ministry of Commerce has said that it is striving to make Pakistan a hub of transshipment by tapping the potential of the geographical location of the country and its capability to help cargo reach the outside world through its ports.

The officials believe that the vast transport infrastructure of the China-Pakistan Economic Corridor (CPEC) and its Gwadar port will play a major role in the country's pursuit of its goal especially at the time when it has started enhancing trade ties with landlocked Afghanistan and the Central Asian countries.

Earlier this month, the first-ever cargo container from Pakistan's southern Karachi port reached Uzbekistan under the Transports Internationaux Routiers (TIR), or the International Road Transport, by traveling on the "vast roads built under the framework of CPEC, and in the future the traffic is likely to increase sharply," sources from the commerce ministry stated.

Another container from Uzbekistan is expected to reach Pakistan's industrial city of Faisalabad soon by following the same land route, according to a statement from the commerce ministry.

Advisor to Pakistani Prime Minister for Commerce and Investment Abdul Razak Dawood viewed CPEC as a good opportunity not only for Pakistan but also for Afghanistan and Central Asian countries for their economic growth.

"In the future, opportunities are coming to Pakistan under CPEC, and with peace in Afghanistan we need to give a new direction to CPEC as a policy to enhance connectivity with Afghanistan and Central Asia," he stated.

Calling Pakistan's trade initiative with Uzbekistan under the TIR a new beginning, Dawood said that the vision is to make the whole Central Asian countries, Afghanistan and Pakistan an integrated unit in terms of trade, "and CPEC will play an important role for that purpose."

He further pronounced that the Gwadar port which has already been utilized for Afghan transit trade, has an important role in making Pakistan a hub of transshipment because it will be the shortest route to the landlocked countries to reach the outside world.

"Pakistan and China have made big investments in Gwadar and the time to tap the full potential of Gwadar is approaching because peace in Afghanistan and Pakistan's boosting relations with the Central Asian countries under the TIR will help us make the best use of Gwadar," Dawood said.

Chief Coordinator of the Pakistan Readymade Garments Manufacturers and Exporters Association, Ijaz Khokhar stated that Pakistan's textile industry is booming and there is an acute shortage of raw material because cotton production in the country has decreased and the Central Asian countries are rich in cotton which can be used in Pakistan once the trade relations with them enhance.

"We are desperately wanting a peaceful route to Central Asia and after there is peace in Afghanistan, we are pinning hope on the connectivity enhanced by CPEC to help us find new markets. Because currently our major export markets are the European Union (EU) where Pakistan is sending its products under the Generalized Scheme of Preferences Plus (GSP+) status, but we need to find more markets for our products," Khokhar said.

He said Pakistan's current exports to EU countries are over 6 billion U.S. dollars annually and the textile sector contributes to a large part of it. Last month, the European Parliament adopted a resolution to review the GSP+ status of Pakistan, raising concerns among the Pakistani exporters.

"If they remove the GSP+ status, we will sustain great losses in our revenue. In this situation, we are looking forward to enhanced trade relations with Central Asia," Khokhar said.

"The best thing about CPEC with the Central Asian countries is the land routes, which currently suits us the best because the charges of sea freight in Pakistan has increased and if the GSP+ status is not secured, we will be transporting it to the Central Asian countries on a much cheaper cost via CPEC infrastructure, and in the future we will seek new markets from the Gwadar port onwards," he concluded.

Source: nation. com.pk – May 17, 2021

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Pakistan: Phutti arrival begins amid post-holiday session

After the Eid holidays the partial arrivals of Phutti for the season 2021-22 has started in the cotton market.

Chairman Karachi Cotton Brokers Forum Naseem Usman told that up till now buying and selling of Phutti from the areas of Sindh which includes Badin and Gharo were recorded. He told that ginning factories of Punjab bought Phutti at the rate of Rs 5300 to Rs 5500 per 40 kg. Moreover, a ginning factory of Burewala had sold 200 bales of cotton at the rate of Rs 12500 per maund on the condition of delivery between June 10 to June 20. Sources claimed that two ginning factories of Sanghar will partially start their operations from 1st week of June.

Naseem told that according to the information received up till now the sowing of cotton in the cotton production areas of Sindh and Punjab is satisfactory. The Federal Agriculture Committee has set the target of production of approximately one crore five lac bales for the year 2021-22.

Naseem further told that overall market was stable after the eid but the trading volume remained very thin. The initial US Department of Agriculture (USDA) cotton projections for 2021/22 (August-July) include higher estimates for both world cotton production and mill use than in 2020/21 (figure 1). As a result, 2021/22 ending stocks are expected to decrease for two consecutive seasons.

Global cotton mill use is forecast to continue its rebound from the disruptions that affected the global cotton supply chain from spinning to retail during the spring and summer of 2020. For 2021/22, cotton mill use is projected at 121.5 million bales, 3.5 percent above 2020/21, which expanded 14 percent. In 2021/22, cotton use will once again be led by China, but the largest gains are expected in India, Turkey, and Vietnam.

World cotton production in 2021/22 is forecast at 119.4 million bales, 6.3 million above the year before. Based on USDA's initial 2021/22 projection, each of the major cotton producers—except China—is expected to have a larger crop for the upcoming season, as global area is forecast to rise 4.5 percent amid higher cotton prices during the spring planting season.

Naseem further said that that sowing of cotton has registered a significant increase this year in South Punjab due to the incentives given to the farmers by the Punjab government, said an official of the Punjab Agriculture Department.

Official said it was heartening to note that the farmers were taking keen interest in sowing cotton this year as compared to last year. “Reports of cotton crop sowing are pouring in from the South Punjab, right from the first week of April which are according to the wishes of the Punjab government”, the official said.

He said that crop of cotton was mostly being sown in Bahawalpur, Multan, Lodhran, Bahawalnagar and Rahimyar Khan Khanewal, Layyah, Sahiwal districts. Mahar Mahboob, a farmer from Layyah, said that he preferred to sow cotton in fields this year rather than other crops, adding that the present government was taking initiatives for the farmers.

To a question, he said that cotton was a beneficial crop as the government was giving different incentives to the farmers. He also confirmed that the farmers were taking more interest in sowing the cotton as compared to the last year in the southern Punjab.

It is also pertinent to mention here that the Federal Committee on Agriculture has fixed white lint production target for the country at 10.5 million bales from an area of 2.33m hectares for the 2021/22 season, almost double over the previous year.

Punjab is to sow the crop on 1.6m hectares of land to produce 6.07m bales. The Agriculture Department has issued a schedule for sowing of registered cotton varieties and advised the growers to complete the sowing of registered BT cotton varieties between April 1 and May 31. The BT cotton varieties recommended by the department include IUB-13, MNH-886, BS-15, Niab-878, and FH-142. The growers have been asked to consult local experts if they plan to sow other registered BT cotton varieties keeping in view the environment of their district to get better production.

More over, The patron-in-chief of All Pakistan Textile Mills Association (APTMA) Gohar Ejaz asked the government for continuation of Regionally Competitive Tariffs of $6.5/mmbtu of Gas/RLNG and 7.5 cents/kWh of electricity.

“On our request Imran Khan’s government reposed its confidence in the textile industry, providing the government’s complete support,” he said.

As a result, Pakistan’s Textile Exports foresees to increase considerably i.e., $16.5 billion during FY21 in comparison to the exports in FY18 which were $13.5 billion and will continue to grow up to $20 billion in June 22, he said. Making a total of $27 billion in exports in June 21 and $30 billion in June 22, he added.

He said Regionally Competitive Energy Tariffs policy proposed by Pakistan Institute of Development Economics (PIDE) has played a vital role in the current year’s exports and is critical to sustaining enhanced exports, employment and bring in new investment.

Textile industry has capitalized on the given incentives to help the government achieve the ultimate aim of export maximization, job creation and the realization of economic prosperity. Pakistan’s export industries (including textiles) witnessed an exceptional growth of 9 percent in the first nine months of FY21.

The increase in export demonstrates the competitiveness of Pakistan’s exports –when inputs are provided at regionally competitive prices, exports were achieved despite an unfavourable international environment. “The industrial electricity tariff of our competitors is much lower than Pakistan making us uncompetitive in the increasing market competition,” he said. “Our objective to become an export ‘powerhouse’ cannot be achieved until power tariffs are revised to a competitive and stable level.”

Industry fears that the power sector will not be able to deliver on a sustained stable and competitive basis which will negatively impact market sentiments. Competition is the key principle for the development and expansion of the industrial market.

The spot rate remained unchanged at Rs 11300 per maund. The Polyester Fiber was available at Rs 200 per kg.

Source: brecorder.com– May 18, 2021

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Bangladesh: BGMEA proposes more tax cuts for FY22 citing Covid-19 losses

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has again proposed that the government grant more tax cuts for the apparel industry, citing losses made due to the Covid-19 pandemic.

In the 2019-20 fiscal year, this industry lost the most exports, which fell from $34 billion to $28 billion — which is about a 16% fall, said the BGMEA.

“We have submitted a budget proposal to the Ministry of Finance. We hope that the government will consider our proposals to help the import-export trade and the country's economy to recover from the effects of Covid-19,” said Faruque Hassan, the recently elected president of the BGMEA.

BGMEA has proposed to reduce the tax at source on readymade garment exports from the existing 0.5% to 0.25% for the next five years and not to deduct income tax against this source tax.

During the budget announced last year, tax at source for the country’s apparel sector increased to 0.5% from 0.25% for the 2020-21 fiscal year.

Previously, the rate of collecting withholding tax on all sorts of export proceeds including that of RMG as stipulated in the Income Tax Ordinance was 1%, which was reduced to 0.25% through a statutory regulatory order (SRO).

Finance Minister AHM Mustafa Kamal had proposed to amend the ordinance to fix the rate of withholding tax on all sorts of export proceeds including that of RMG at 0.5% while presenting the budget for FY21.

But apparel lobbies wanted it to be set at 0.25% last time, and now the BGMEA has again put forth the same proposal on the table.

Hassan also told the Dhaka Tribune that the BGMEA has requested the government to keep the corporate tax rate at 10% for green factories and 12% for other factories for the next five years.

The apparel sector has enjoyed this reduced corporate tax rate throughout the ongoing 2020-21 fiscal year, and the BGMEA wants it to stay in place.

This special rate too was enforced through an SRO, the deadline for which was June 30 last year. But the finance minister had proposed to extend the time limit of the SRO by another two years.

The BGMEA has also demanded that the rate of the income tax deduction on incentives be reduced from 10% to 0%.

It has also proposed that the apparel sector be allowed to repay their incentive loans through 30 instalments in three years instead of 18 instalments in two years.

“We have also demanded duty-free facilities for the import of various eco-friendly equipment for the export-oriented garment industries. Moreover, we have also demanded to reduce the import duty on industrial racking system equipment from 15% to 0%,” the BGMEA president said.

The BGMEA has also sought the maximum cooperation of the finance ministry for the release of various imported goods and fire extinguishers.

“We have asked for complete exemption or rebates on excise duty, VAT, and all other taxes required to make factories safe, environmentally friendly, risk-free, and cost-effective,” Faruque Hassan further said.

Md Shamsul Alam, managing director of RMG exporter AKH Group, said that as the sector suffered a lot amid Covid-19, if it does not get some budget benefits from the government, the sector will face difficulties to survive.

“BGMEA has made some proposals. We, the owners, support all those proposals. If the government considers our proposals, the garment sector will be able to play a greater role in advancing the country's economy amid the pandemic,” he added.

Talking to the Dhaka Tribune, spokespersons of several RMG factories like Snowtex Apparels, Anlima Textile, and Vertex Apparels also expressed their support for the BGMEA proposal.

The BGMEA also proposed to contribute Tk500 crore to the SME Assistance Fund and take steps to meet the emerging challenges in transitioning from a least developed country (LDC) to a developing one.

The apex apparel sector trade body has also sought funds for creating a virtual marketplace, which requires an allocation of Tk100 crore in the next budget.

It has also placed several proposals related to the sustainable development of the industry.

About 4.4 million workers are directly involved in the sector, while more than 50 million people are indirectly involved, according to the BGMEA.

Source: dhakatribune.com– May 17, 2021

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NATIONAL NEWS

Coronavirus second wave hit aggregate demand more than supply, says RBI bulletin

The Reserve Bank of India said on Monday that the second wave of the COVID-19 pandemic in India has had a bigger impact on aggregate demand than on aggregate supply, and it believes the economic slowdown was not as severe as a year ago.

India reported a further decline in new coronavirus cases on Monday but daily deaths remained above 4,000 and experts said the data was unreliable due to a lack of testing in rural areas where the virus is spreading fast.

"The biggest toll of the second wave is in terms of a demand shock - loss of mobility, discretionary spending and employment, besides inventory accumulation, while the aggregate supply is less impacted," the Reserve Bank of India said in its monthly bulletin.

"The resurgence of COVID-19 has dented but not debilitated economic activity in the first half of Q1:2021/22," it added.

The central bank said although it is "extremely tentative" at this stage, it believes that the loss of momentum is not as severe as at this time a year ago.

"Evidently, the localised nature of lockdowns, better adaptation of people to work from home protocols, online delivery models, e-commerce and digital payments are at work," it said.

Earlier in the month, RBI unveiled fresh measures to help lenders tide over mounting bad loans and give some borrowers more time to repay their debts.

RBI said despite seasonally adjusted month-on-month momentum in industrial production being positive for the fourth consecutive month, anecdotal evidence points to feedback loops from the demand contraction seeping through into curtailments of output in the months ahead unless infections ebb.

It also pointed out that e-way bills - an indicator of domestic trade - have recorded a double-digit contraction at 17.5% month on month in April and said this could be pointing to a moderation in GST collections in coming months.

RBI said the impact of the second wave is appearing to be U-shaped with agriculture and technology forming the shoulders of the letter U and most vulnerable being blue collar groups and these will warrant a priority in policy interventions.

"It is in this direction that the Reserve Bank, re-armed and re-loaded, has stepped out. This is the beginning. There is more work to be done," RBI wrote.

Source: economictimes.com– May 17, 2021

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Cotton futures remain marginally higher at Rs 22,130 per bale on firm global cues

Cotton futures traded firm at Rs 22,130 per bale on May 17 as participants rolled over their bullish positions as seen from open interest. The agri-commodity traded in the green after a gap-down start on firm global cues.

On the MCX, Cotton futures for May delivery gained Rs 80, or 0.36 percent, to Rs 22,130 per bale at 16:03 hours IST on a business turnover of 6,074 lots. The same for June contract rose Rs 30, or 0.13 percent at Rs 22,390 per bale with a business volume of 3,418 lots.

The value of May and June's contracts traded so far is Rs 19.75 crore and Rs 11.40 crore respectively.

Mohit Vyas, Analyst at Kotak Securities said, "On a weekly basis, MCX managed to post around 1 percent gains in the second week of May against an 8 percent steep fall in ICE Cotton Futures. Cotton Association of India (CAI) revising higher Indian cotton export estimates for 2020-21 season at 65 lakh bales against 60 lakh bales projected till last month have helped domestic cotton to elude sell-off in the overseas market last week."

CAI has lowered Indian cotton consumption estimates by 15 lakh bales, which is negative for cotton prices.

MCX May Cotton trade at a discount of 14 percent from Cotlook A price of 93.40 cents as on Thursday.

Cotton production in Haryana is expected to decline by 27 percent to 1.8 million bales in 2020-21 (July-June) season due to yield loss caused by Parawilt, Geojit Financial Service said in a note. Parawilt is a disease affecting cotton plants, which causes sudden drooping of leaves when irrigation is provided after a long dry spell.

Geojit Financial Service said, "If prices sustain to trade above Rs 22,100/bale, there could be a pullback to Rs 22,400-22,500 levels. Else, we could see downside corrective moves."

Despite slower crop sowing, some profit booking was triggered following sell-off in other major agri-commodities, said Kotak Securities.

The soft commodity has been trading higher than 20, 50, 100 and 200 days' moving averages but lower than the 5-day moving average on the daily chart. The momentum indicator Relative Strength Index (RSI) is at 57.46 which indicates positive movement in prices.

At 1049 (GMT), US Cotton futures was up 1.10 percent quoting at 83.34 cents/pound on Intercontinental Exchange (ICE).

Source: moneycontrol.com– May 17, 2021

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Pandemic inflicts short-term pain on textile hub of South India

Coimbatore, Tiruppur units see long-term gain from key export markets of US, Europe

The sudden spike in Covid-19 infections in India, especially in and around the textile hubs, has hurt the textile sector, albeit temporarily, at a time when the industry has been gearing up to meet strong export demand catalysed by geopolitical factors.

Though exporters were expecting some impact from the second wave, they were confident of overcoming it due to learnings from the first wave, and adequate precautionary measures were put in place.

Spike in daily cases

The second wave has, however, posed a lot of challenges for manufacturers in the textile hubs of Tiruppur and Coimbatore. While Coimbatore is the second worst-hit region after Chennai, Tiruppur has also seen a spike in daily new cases over the past few days.

"Tiruppur has seen a complete shut down of textile units, while export-oriented units in the outskirts and rural areas are trying to operate with skeletal staff," says Prabhu Damodharan, Convenor, Indian Texpreneurs Federation.

Each unit is adopting calibrated measures and adhering to government guidelines. Industry representatives say that units have realised the need to break the transmission of virus and are ready to undergo the short-term pain for long-term gains once key export markets see a revival.

A Sakthivel, Chairman, Apparel Export Promotion Council (AEPC), points out that while new infections in Tiruppur have increased, it is not at alarming levels despite being an industrial township with about five lakh workers. But exporters have taken adequate precautions to execute some important orders.

"Thanks to the State government's efforts, we expect the situation to improve soon. Also, our key markets — such as the US and Europe — are not under lockdown like last time and orders continue to flow from these regions," he added.

Demand boom

Damodharan also pointed out that key consumption markets are witnessing a demand boom and the industry has communicated to the buyers that the lockdown and restrictions will be a short term one, may be for three weeks. "We told them that we will meet their requirements as we have adequate raw material and manpower to ramp up quickly. In some product cases, we have order visibility for six months," he added.

Damodaran said organised players have retained their migrant labourers and workers by providing them with accommodation and making arrangements to vaccinate them at the earliest.

"I would say about 95 per cent of migrant workers are staying back. The association has also communicated to the members that this would be a short-term disruption and workers can be retained with adequate protective measures," said Sakthivel.

Source: thehindubusinessline.com– May 17, 2021

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Wholesale inflation rises to 10.5% in April

Wholesale inflation surged to double digit at 10.5 per cent in April. This is quiet contrary to retail inflation which dropped to 4.29 per cent in April, which is three months low. Experts feel that with latest number, possibility of any interest rate cut by Monetary Policy Committee (MPC) has waned further.

Wholesale rate of inflation was 7.39 per cent in March and negative 1.57 per cent in April last year.

"The annual rate of inflation in April 2021 is high primarily because of rise in prices of crude petroleum, mineral oils viz petrol, diesel etc, and manufactured products as compared to the corresponding month of the previous year," a statement by the Commerce & Industry Ministry said on Monday.

Wholesale inflation, based on Wholesale Price Index (WPI), is also known as factory or producers' inflation. It shows prices of products from supply side. At the same time, retail inflation, based on Consumer's Price Index (CPI), shows inflation from demand side. Major policy decisions are taken on the basis of retail inflation. Another reason for surge in WPI is base effect as it was negative during corresponding month of last fiscal.

According to Aditi Nayar, Chief Economist with ICRA, with a sharp month-on-month jump of 1.4 per cent, the core-WPI inflation (derived by excluding volatile items such as food and fuel from headline number) increased to a fresh series-high 8.4 per cent on a YoY basis in April 2021, driven by metals, paper, rubber, chemicals etc., the global prices of many have surged with the optimism generated by the Covid-19 vaccines' rollout, while landed costs were pushed up by the depreciation in the rupee.

The inflation for crude petroleum and natural gas, and mineral oils soared to 80 per cent and 45 per cent, respectively, in April this year mainly because of low base last fiscal.

"We expect the headline WPI inflation to rise further to 13-13.5 per cent in the current month before commencing a downtrend, whereas the core-WPI inflation may continue to rise over the next three prints to a peak of around 10.5 per cent," Nayar said while adding that there is no space for rate cuts to support the faltering growth momentum, even as expectation is that monetary stance to remain accommodative.

Source: thehindubusinessline.com– May 17, 2021

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FM Nirmala Sitharaman to hold GST Council meeting on May 28

Finance minister Nirmala Sitharaman will hold the next Goods and Service Tax Council meeting on May 28, via video conferencing, she said in a Twitter post on Saturday.

"Smt Nirmala Sitharaman will chair the 43rd GST Council meeting via video conferencing at 11 AM in New Delhi on 28th May 2021," the Twitter post said. The meeting will be held after a gap of more than six months, following demands from state finance ministers including those of West Bengal and Punjab.

Earlier this week, West Bengal finance minister Amit Mitra had written to Sitharaman seeking an urgent meeting of the GST Council to discuss the critical issue of increasing the compensation of Rs 1.56 lakh crore earmarked for states in FY22.

As per GoI projection, the shortfall was expected to be Rs 1,56,164 crore in 2021-22, without taking into consideration the impact of Covid Wave-2. "Now due to Covid Wave-2 and lockdowns, the compensation will be much higher than what was earlier projected," he had said.

The Centre had given Rs 1.1 lakh crore to states as back-to-back loans to make up for GST compensation shortfall for FY21. The finance ministry said in March that Rs 63,000 crore as GST compensation was pending to states and Union Territories for FY21.

Punjab finance minister Manpreet Badal had said that some issues required urgent discussion in the context of Covid including, whether GST should be exempted on hand sanitizers, face masks, gloves, PPE kits, temperature check equipment, oximeters, ventilators and others.

The issue of cut in interest rates under GST law, must be discussed as well, he had added.

The last GST Council meeting took place on October 5, 2020.

Source: economictimes.com– May 16, 2021

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India's cotton output to increase 4 per cent in MY2020-21: CARE Ratings

India's top rating agency CARE Ratings expects cotton output in the MY 2020-21 (October-September) to increase by 4 per cent to 38 million bales.

As per Money Control, the country's cotton exports are likely to rise 20 per cent to 1.02 million tons due to competitive pricing in the global markets and an improvement in international cotton consumption. Its cotton surplus will decline on account of higher exports along with a recovery in domestic cotton demand.

Sunand Subramaniam, Senior Research Associate, Choice Broking says, the firm expects MCX Cotton futures to trade bearish as cotton farmers from various states are planning to increase the area under cultivation in the coming 2021-22 Kharif season.

Cotton exporters are going strong as Indian yarn prices are attractive. However, arrivals are delayed due to COVID cases and lockdown in many parts of the country, he adds.

In the futures market, cotton for May delivery touched an intraday high of Rs 22,130 and an intraday low of Rs 21,840 per bale on the MCX. So far in the current series, the commodity has touched a low of Rs 20,680 and a high of Rs 22,950.

The value of May and June's contracts traded so far is Rs 30.77 crore and Rs 11.52 crore respectively.

Source: fashionatingworld.com– May 17, 2021

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Exporters wait for Centre to release tax refunds worth Rs 40,000 crore as liquidity crisis continues

The world of Indian exporters is in a turmoil. They are yet to receive an estimated Rs 40,000 crore worth of tax refund under the erstwhile Merchandise Exports from India Scheme (MEIS), even as they wait for clarity on its replacement, the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme.

According to the apex body of exporters, the Federation of Indian Export Organisations (FIEO), they along with other export promotion councils have recently informed the government that the ensuing liquidity crisis is affecting outbound trade, Moneycontrol has learnt.

In a recent letter, the Ministry of Commerce has been told that crucial export sectors such as engineering goods, chemicals, leather and leather goods, heavy industries and key micro, small and medium enterprises (MSME)-run sectors such as handicraft and carpet exports, have taken a massive hit, as they are unable to accept new orders.

The exporters community has also proposed a list of steps to the government, which can be quickly implemented to deal with the issue in the short term.

The latest is a suggestion for the government to release tax-free bonds attracting 6 percent annual interest, with a three-year lock-in interval to present certainty of refund and guarantee liquidity for exporters.

The apex body of exporters had earlier asked the government to at least acknowledge the gamut of claims that are pending with it, which would then allow banks to lend to exporters against the receivables, FIEO Director General Ajay Sahai, said.

"We had initially told the Centre that assuming you have a problem with the fund, at least allow the exporters to file the claims and accept that as receivables so that some loan may be taken against it," he said.

MEIS drama continues

The hugely popular MEIS scheme, introduced in 2015, allowed exporters to earn duty credits at fixed rates depending on their exports and destination. These could be used to pay for import duties.

The scheme was discontinued by the government after the World Trade Organization (WTO) ruled against it in November 2019.

The United States had lodged a case against India at the top court for international trade disputes and argued that MSMEs were 'trade distorting', providing direct subsidies to exporters, which are prohibited under WTO rules.

NITI Ayog's stand

In addition, the NITI Aayog pointed out that the mega scheme did little to boost India's exports. "Public tax liability under the MEIS ballooned from Rs 20,232 crore in 2015-16 to Rs 39,000 crore in 2019-20, becoming unsustainable. However, exports remained stuck at $313 billion in 2019-20 against $310 billion in 2014-15," a senior Commerce Department official said.

Currently, the government is in the process of diverting MEIS funds into specific performance-linked incentive schemes, he added. But its alternative, the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme introduced in the last Budget with an initial allocation of Rs 13,000 crore, has fallen short of exporters' expectations.

The finance ministry had in 2020 promised an outlay of Rs 50,000 crore, along with a similar formula as MEIS.

Exporters are especially irked at the government for not announcing the rate of tax benefits under RoDTEP, more than 18 months after it was disclosed. "All MEIS benefits have been cut off from January 1, but the government is yet to announce tax refund rates for even a single export item under RoDTEP, a scheme initially brought to help remove export uncertainty," added Sahai.

Announcement soon

Commerce Secretary Anup Wadhawan recently said that the new rates would be notified 'very soon', hinting that an announcement may be made within the next two weeks.

However, the government has set such deadlines earlier as well.

India's exports continued to see major gains in April. Owing to a severe low base effect, India's merchandise exports shot up by a massive 193.63 percent in April, after a big rise of 60 percent in March.

The substantial increase is due to the extremely low volume of trade beginning in March last year when the nationwide lockdown was imposed. Trade was among the first industries to be hit in the initial days of the pandemic, after a nationwide lockdown was announced on March 23.

However, the impact of lockdown in other nations had already begun, thus adversely affecting shipping flows even before it was imposed in India.

Source: moneycontrol.com– May 17, 2021

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RoDTEP rates

Rates under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme will be announced in the coming two weeks, a top official said last week. This tax refund scheme for exporters was approved last year, with the aim to give a boost to the country's exports. It replaced the Merchandise Exports from India Scheme (MEIS) with effect from January 1, 2021, but the rates are yet to be notified.

In the backdrop of this, exporters are totally in dark on how they compute the benefits under the scheme for quoting for new orders. With many exporters facing severe liquidity problems, the sector has long been pointing out that delay in announcing the rates would have implications for future exports as well, and now the latest development comes as a ray of hope. It is expected that though delayed, clear guidelines on the scheme will soon be available.

It is also encouraging that last week the Union Commerce Minister met the Export Promotion Councils to discuss various issues concerning international trade. He added that besides RoDTEP, the Department of Commerce has taken up several issues of exporters with the Ministry of Finance. He also suggested exporters to approach the Covid helpdesk of the Department for resolving problems emanating due to Covid related measures.

Meanwhile, exports grew to $30.63 billion in April, higher by 195.72 percent over the $10.36 billion reported in April 2020. No doubt, low base effect powered this performance, but it is encouraging, particularly when we compare it with exports worth $26.04 billion registered in April 2019.

It is also good to see the labour-intensive sectors performing so well. In another positive development, CBIC has launched a special refund and duty drawback between May 15 and May 31 to ensure liquidity for exporters in this difficult period.

Source: smetimes.in– May 18, 2021

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Textile manufacturing units in Karur to close from tomorrow

Textile manufacturing units in the district will remain closed from Wednesday after Karur textile manufacturer exporters association announced complete closure taking into consideration increasing Covid-19 cases. The decision was taken after the association members met electricity minister V Senthil Balaji and district superintendent of police (SP) G Shashank Sai on Tuesday.

Over 300 Covid-19 positive cases have been reported in the district in the last few days.

While export textile units were allowed to operate with 50% staffs during complete lockdown in the state, Karur handloom export cloth manufacturers association had voluntarily stopped their operations from last Wednesday considering increasing Covid-19 positive cases.

Karur textile manufacturer exporters association president M Nachimuthu said in a statement that they have been running their units with all precautions and following SOPs to complete the pending export orders.

"But Covid-19 positive cases are on the rise. To contain further spread of the virus, we have decided to shut all operations of our units voluntarily from Wednesday for five days," he said.

Earlier in the day, minister Balaji inspected the Tamil Nadu Newsprint and Papers Limited (TNPL) units. The minister said that considering the need for oxygen beds for Covid-19 patients in Karur district, 150 oxygen beds will be created on the TNPL campus within a week.

Source: timesofindia.com– May 18, 2021

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Explain Speaking: Why has Indian manufacturing been losing jobs since 2016?

The words “lives” and “livelihoods” are often mentioned together. But the ongoing Covid pandemic has driven a wedge between these two: Measures aimed at saving lives are proving to be terrible for livelihoods. Over the past couple of weeks, we have seen several studies and surveys that pointed to the unfolding crisis in livelihoods.

An important one was the State of Working India (SWI) 2021, which was brought out by the researchers at Azim Premji University. The report, which is an annual feature, documented the impact of one year of Covid-19 in India, on jobs, incomes, inequality, and poverty.

The SWI 2021 went beyond confirming the grim reality unfolding across the country by providing a tangible set of data points for analysis and policy action. The SWI 2021 showed that the pandemic had forced people out of their formal jobs into casual work, and led to a severe decline in incomes. Not surprisingly, there is a sudden increase in poverty over the past year.

“Women and younger workers have been disproportionately affected. Households have coped by reducing food intake, borrowing, and selling assets. Government relief has helped avoid the most severe forms of distress, but the reach of support measures is incomplete, leaving out some of the most vulnerable workers and households,” it stated.

It is important to note that the SWI 2021 provides the impact on livelihoods before the second Covid wave unfolded and, in that sense, it is quite likely that more bad news will follow unless the government urgently undertakes steps to compensate people for the loss of earnings.

Among some of the interesting findings was this map, which provides a state-level job loss index. This index is essentially the ratio of a state’s share in jobs lost to its share in India’s workforce. Maharashtra, Kerala, Tamil Nadu, Uttar Pradesh, and Delhi, contributed disproportionately to job losses. Unsurprisingly, these are also the states that suffered the maximum Covid caseload.

But Covid is likely a once-in-a-century phenomenon and as such, policymakers can brush aside its adverse effects as a one-off.

What is more worrisome than the SWI data, however, was a report brought out jointly by the Centre for Monitoring Indian Economy (CMIE) and Centre for Economic Data and Analysis or CEDA at Ashoka University. It pointed to an ailment of the Indian economy that has not only been a longstanding one but also one that has gotten worse over the past few years even without the help of Covid.

The CMIE-CEDA report looked at the employment in India and its distribution across different sectors such as agriculture, industry and services.

The chart alongside is based on CMIE's monthly time-series of employment by industry going back to the year 2016. It shows employment data across seven sectors, viz. agriculture, mines, manufacturing, real estate and construction, financial services, non-financial services, and public administrative services. Between them, these sectors account for 99% of total employment in India.

What stands out the most is the trend in manufacturing — highlighted by the red arrows. The number of people employed in the manufacturing sector of the economy has come down from 51 million to 27 million — that is, almost halving in the space of just four years!

There are other worrying trends as well.

For instance, the number of people employed in agriculture is going up (look at the top-most line in pink). Equally disheartening is that employment in non-financial services (such as providing education and entertainment industry etc.) has fallen sharply (look at the second line from the top in green colour).

Why are these trends worrisome?

It is important to understand that traditionally Indian policymakers have been of the view that the manufacturing sector is our best hope to soak up the surplus labour otherwise employed in agriculture. Manufacturing is well suited because it can make use of the millions of poorly educated Indian youth, unlike the services sector, which often requires better education and skill levels.

For the longest time, India has struggled to get its manufacturing industries to create a growing bank of jobs. But, and this is what the CMIE data shows, what is happening in the past 4-5 years is that far from soaking up excess labour from other sectors of the economy, manufacturing is actually letting go of workers.

Providing the details, Mahesh Vyas (the CEO of CMIE) says that most of the manufacturing jobs lost are in labour-intensive sectors such as textiles, construction material (like tiles etc.) and the food processing industry. For instance, jobs in textiles manufacturing have come down from 12.6 million in 2016-17 to just 5.5 million in 2020-21. Over the same period, employment in construction material firms has shrunk from 11.4 million to just 4.8 million.

The dip in non-financial services is also worrisome but it is likely to be a Covid-specific trend. Over the past year, contact services such as a dine-in restaurant have been largely ruled out. With the second wave underway, and the possibility of a third one later, it is quite likely that contact services may continue to lose workers.

That is why, explains Vyas, India has seen a hike in the number of people "employed" in agriculture over the past year. "This is nothing but disguised unemployment," he says. Essentially, labourers and workers are returning to their rural homes in the absence of jobs either in manufacturing or services.

Why is Indian manufacturing failing to create jobs?

On the face of it, every past government has come out with a policy to boost manufacturing jobs. Then why is the situation getting worse with each passing decade?

There are different ways to look at this question.

One is to look at why manufacturing has struggled to create as many jobs in the past and the second is to look at the specific reasons why manufacturing has been bleeding jobs, instead of creating them, since 2016-17.

Let's tackle the historical question first.

Pronab Sen, the former chief statistician of India, breaks it down to the supply and demand of manufacturing firms (and products).

He says that if one looks at any of the sectors in the economy — agriculture, industry, services — starting a manufacturing unit requires the highest amount of fixed investment upfront (relative to the output that may be generated later). In other words, it is a big commitment on the part of an entrepreneur to put up a huge amount of money without necessarily knowing how it will all pan out.

What has traditionally made this truly risky, according to Sen, is the highly extractive nature of Indian governments. In simpler terms, far too often governments have been corrupt, with officials and politicians extracting bribes. The combination of these factors makes starting a manufacturing firm that much riskier and that explains the slow growth or, in other words, the weak supply of manufacturing firms.

As regards the demand for manufacturing goods, Sen points out that Indians have always consumed relatively less of manufacturing goods and relatively more of food and services.

There are two possible reasons for this. One, most Indians are quite poor and hence most of the income is spent on food. Two, repairs and maintenance are a very high part of our consumption choice. In other words, when Indians buy a manufactured product — say a refrigerator — they tend to use it for much longer than in developed countries. Moreover, even when you discard the fridge after 20 years, there is a large second-hand market for it among the lower-income groups.

Radhicka Kapoor, a Senior Research Fellow at the Indian Council for Research on International Economic Relations (ICRIER), looks at the same question from a policy perspective.

“The fact is that manufacturing hasn’t been able to increase its share in overall employment even since the economic reforms of 1991,” she states as she points to the share of manufacturing staying stagnant at 11% of the overall employment.

In her view, the trouble lies with Indian policymakers repeatedly neglecting the labour-intensive industries. Since the second five year plan, the P C Mahalanobis strategy was to gain self-reliance (atmanirbharta) by investing in capital intensive industries so that India does not have to import machines etc. from other countries. The hope was that the demand from Indian consumers will make the domestic industry viable. But Indian domestic demand was quite anaemic, thanks to poverty levels.

As against the capital intensive industries, which were involved in making heavy machines, the labour-intensive ones (such as leather, handicrafts, textiles etc.) were reserved for the small-scale industry framework.

But while the labour-intensive manufacturing firms could not match the capital-intensive firms in terms of GDP value or growth of output, they did have a distinct advantage of creating more jobs. But, by treating them as small-scale industries, policies held back their growth.

Moreover, she argues, India did not push for integrating its labour-intensive manufacturing in the global supply chains by aggressively following exports. Instead, the idea was to substitute imports in the name of self-reliance. Kapoor says notwithstanding the policy tweaks over the decades, this bias against labour-intensive industries has stayed.

What has happened since 2016-17?

But as the CMIE data shows, things have become worse over the past five odd years despite the Indian government unveiling its ambitious Make in India (MII) initiative and the latest Production-Linked Incentive (PLI) scheme.

For one, as Kapoor says, India is repeating the same mistakes with MII and PLI schemes. They are again aimed more at capital intensive manufacturing, not labour intensive ones. Moreover, India is reverting to the protectionist approach, aimed at self-reliance, yet again in recent years.

She says that, unlike India, other Asian economies have exploited their comparative advantage. For instance, between 2000 and 2018, Bangladesh and Vietnam have increased in their share of global clothing exports from 2.6% to 6.4% and from 0.9% to 6.2%, respectively, while India's share has largely remained stagnant at 3% to 3.5%.

Further, much like in the past, this time, too, the domestic demand is weak, points out Kapoor as she argues for aggressively boosting labour-intensive industries aimed at capturing the export markets.

Ravi Srivastava, Director of the Centre for Employment Studies in Institute for Human Development, Delhi, agrees that India has historically failed to transform its labour-intensive manufacturing ecosystem. But he also points to some of the policy measures taken in the past few years that have destroyed the base of Indian manufacturing.

“Look, 70% of India’s manufacturing jobs are in the informal sector and this is your base,” he says.

Both the demonetisation announced in 2016 as well as the introduction of GST in 2017 dented the manufacturing firms in the informal sector and steadfastly redistributed the demand in favour of organised manufacturing. “The two Covid waves have further hit the same informal manufacturing sector,” says Srivastava.

In other words, the growing rift in the fortunes of informal and formal manufacturing could be the reason why India is seeing such a massive decline in manufacturing jobs.

The current government has tried its level best to push for greater formalisation but it has often been accused of not understanding the nature and functioning of India’s informal economy.

Sen provides the last nugget of wisdom for policymakers.

“Clearly, for the same level of employment, formality is good. But if there is a trade-off between formality and employment generation, choosing formality may not be so beneficial. And this trade-off appears to be quite sharp in India.”

The upshot: From the perspective of creating jobs, India is facing a double whammy. The manufacturing and construction sectors are bleeding jobs instead of creating them. Making matters worse is the decline in employment in large sections of the service industry, thanks to the Covid-induced disruption.

As such, Indian manufacturing, which is still India’s best hope for creating new jobs and soaking up excess unskilled labour from agriculture, requires policymakers to target labour-intensive firms, especially in the informal sector (read MSMEs) and help them — through better infrastructure and easier regulatory support — to create millions of new jobs.

Source: indianexpress.com– May 18, 2021

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The decline of sericulture in India

There can be little dispute that silk is the queen of textiles. Known for its natural lustre, silk-made vestments are invariably considered the height of luxury across the world.

While most people are familiar with the various textiles woven with silk, few may be acquainted with the process involved in the actual production of the raw material.

As is well known silk yarn is extracted from the silkworm (Bombyx Mori). The practice of rearing silkworms is referred to as sericulture and it is claimed to have originated in ancient China during the Neolithic Period. There are four known varieties of silk yarn, mulberry, tussar, muga and eri. India is the only country where all four variants are naturally found.

Mulberry silk is the most commonly used form of silk yarn in the world and India is the largest producer of mulberry silk, after China. The Indian annual production of mulberry silk yarn is estimated at 28,000 tonnes versus China's 1,70,000 tonnes.

India, however, far outranks China in terms of its consumption of silk. Data suggests India is the world's highest silk consumer, much of which has traditionally been consumed in the handloom space.

The disparity in production of silk yarn is not by any means due to a lack of domestic demand. There is a missed opportunity for India to achieve global dominance in an industry where it enjoys several natural advantages.

For one, India and China are among the only countries that have an established tradition of silk rearing, besides having the requisite climatic conditions and labor force to do so. Also, as mentioned earlier, India's strong domestic market for silk should have given it a natural advantage over any other player in the world.

Many in the industry would argue that it is not required for a country to produce raw materials to be globally competitive and that silk and silk fabric contribute a small percentage to the world's textile trade.

What's often forgotten is that some commodities offer a strategic advantage unmatched by others and nations often leverage the same to build a larger basket of goods around it. Take, for instance, the distinct premium attributed to Belgian linen, or Australian merino wool or Egyptian cotton , Thai silk or India's pashmina.

Silk and silk-based products have no substitute in the global luxury trade and would present India an invaluable natural advantage over rest of the world in terms of achieving dominance across the luxury value chain.

The China competition

Historically, India has viewed Chinese silk as competition. While for decades Indian tariff on Chinese silk imports has been as high as 33%, in recent years the duties have been lowered to 5%, making the entry of Chinese silk yarn into India all the more easier.

Its decimation of India's indigenous silk industry poses a grave threat to India's textile industry on many fronts. Chinese manipulation of global silk prices is made easier by the extent of its domination and control on this commodity.

The first casualty of this were the hundreds of thousands of small decentralized and organized power loom silk weavers in and around India's silk capital, Bengaluru. Once famous for their flawless silk chiffons, and plain taffetas (who can forget the allure of Binny silk and Chamundi chiffon) the industry was rendered defunct by aggressive pricing by Chinese mills. This was ironically mirrored by an increased consumption in India of these very fabrics as a base for embroidery and printing even as China gradually increased its prices for both the raw material, raw silk, and the intermediary product, plain silk fabric.

The use of Chinese silk in power looms is an old practice, given the superior performance of Chinese yarn on mechanized looms. While Indian sericulture scientists have made several failed attempts to match the grade of Chinese yarn, they hav realized that it would be impossible to substitute Chinese silk yarn entirely in the manufacture of power loom fabrics.

Indian handloom, which accounted for the bulk of the domestic consumption, remained a vanguard of Indian sericulture, refusing to use Chinese silk. In recent times, however, the penetration of Chinese silk yarn into India's traditional handloom clusters has assumed dramatic proportions and wiped out the last remaining captive market for India's sericulture industry. From Varanasi to Chanderi, from Phulia to Pochampally, clusters have switched to the use of Chinese silk.

Even handloom producers are switching to the Chinese produce, citing cheaper yarn prices—a trend that should worry policymakers. This trend has long-term ramifications beyond the loss of jobs.

A handloom weaver accustomed to weaving silk is seldom likely to switch to other materials like cotton or linen. They are more likely to abandon the practice of weaving if Indian silk products are found to be unviable in the long run. That indigenous silk products shall invariably become unviable due to increased raw material costs is already demonstrated by the demise of India's silk power loom industry. Once the indigenous handloom silk industry is wiped out, the market shall be ripe for cheap power loom substitutes from China.

Source: lifestyle.livemint.com– May 17, 2021

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