IBTEX No. 122 of 2021 June 22, 2021

US 74.16| EUR 88.33| GBP 103.20| JPY 0.67

NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	**Topics**
1	China: Spinning capacity increase: from the perspective of spinning machinery
2	Stoking patriotic fervor, global boycott boosts domestic sales of Xinjiang cotton
3	As Retail Reopens, Los Angeles Businesses Struggle to Find Workers
4	Apparel biggest factor in uptick in US consumer spending: Vesta survey
5	China's firm Invista plans to build Asia innovation centre in Shanghai
6	Vietnam: Garment production may slow down over Covid-19
7	S African textile workers to get average wage rise of 5.2% from Aug 1
8	Pakistan: Understanding textile export growth
9	Vietnamese textile-garment firms investing to foster trade
10	Business-savvy Bangladesh fabric factories take on a greener hue
11	Pakistan: Cotton market remains stable
12	Pakistan: The labour lows

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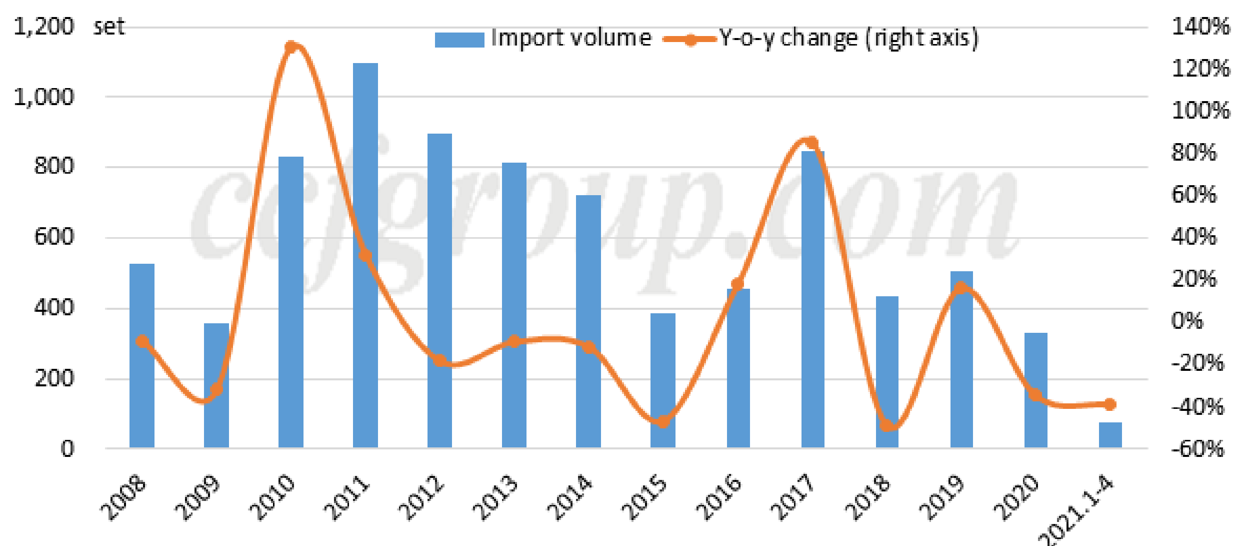
	NATIONAL NEWS
1	Government set to raise funding for exports scheme, clear dues
2	India receives $64 billion FDI in 2020, fifth largest recipient of inflows in world: UN
3	Second wave: 60% addition to bad loans from MSMEs
4	African Continental Free Trade Area opens office in New Delhi
5	Policy and behavioural changes can fill the MSME financing gap
6	Govt toughens rules for e-commerce giants
7	Banned HTBt cotton acreage may double in Maharashtra
8	Unshackle e-commerce for Covid recovery
9	Tamil Nadu will take steps to reverse economic slowdown : Governor

INTERNATIONAL NEWS

China: Spinning capacity increase: from the perspective of spinning machinery

Cotton yarn market caught a cold in 2020 with the price hitting new low and cotton yarn mills at losses for long time due to COVID-19. A part of cotton yarn mills were eliminated out of the market, resulting in reduction of cotton yarn capacity in China. However, since Oct 2020, cotton yarn market started to rocket, with the price quickly hiking and hitting new high continually and the profit improving. Conventional cotton yarn has gained a profit of over 1000yuan/mt for long in 2021 and high-count one higher, which has attracted cotton yarn mills to start up or expand the capacity again. On the other hand, long lines were heard to show up at the gate of spinning machinery plants.

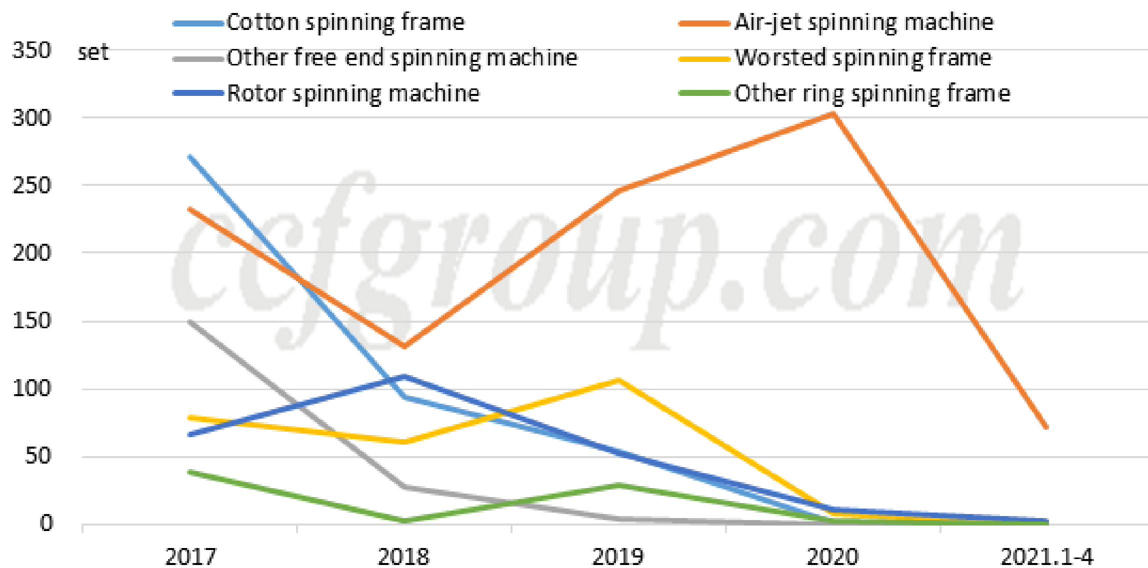
Yearly import of spinning machine in 2008-2021

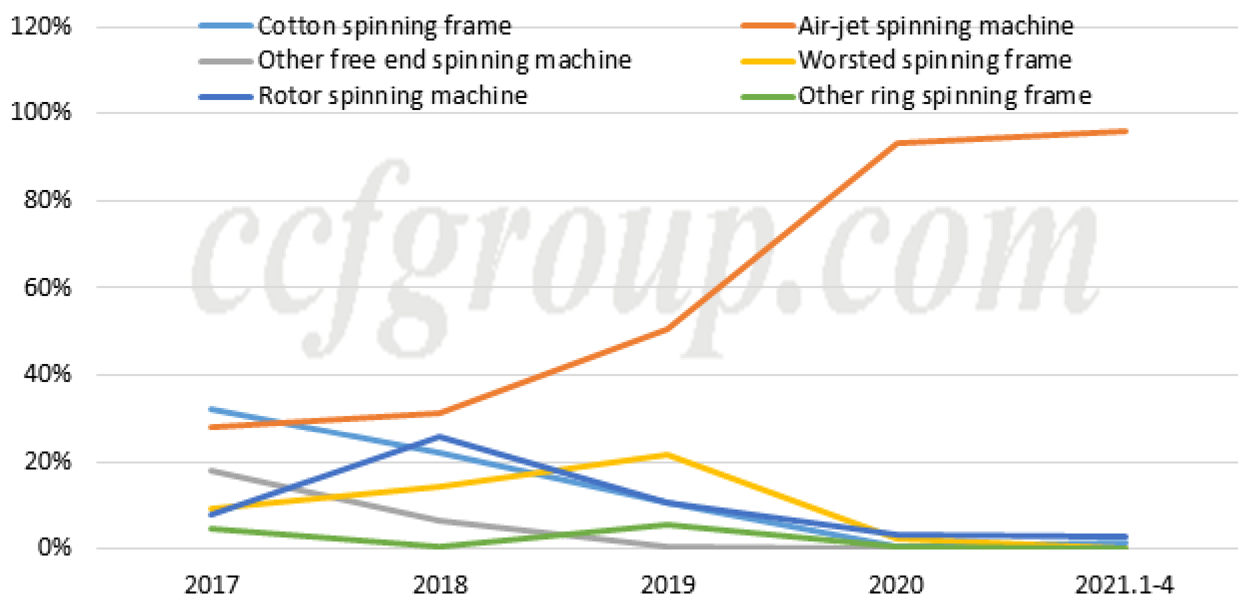


From the perspective of spinning machinery, the imports surged in 2010-2011 and then declined in the following years until 2015. It increased again in 2016-2017 but fell further later. In 2020, it shrank obviously due to the pandemic and in Jan-Apr 2021, it sustained the fall, down 38.8% on the year.

Comparing two sharp rises of cotton yarn in 2009-2010 and 2020-2021, it can be seen that the economic recovery and commodity spike were similar in 2010 and 2021 with different depression in 2009 financial crisis and 2020 Covid-19. Coupled with the sharp rise in 2010, the spinning machinery imports of China improved largely during 2010-2011, which was also seen

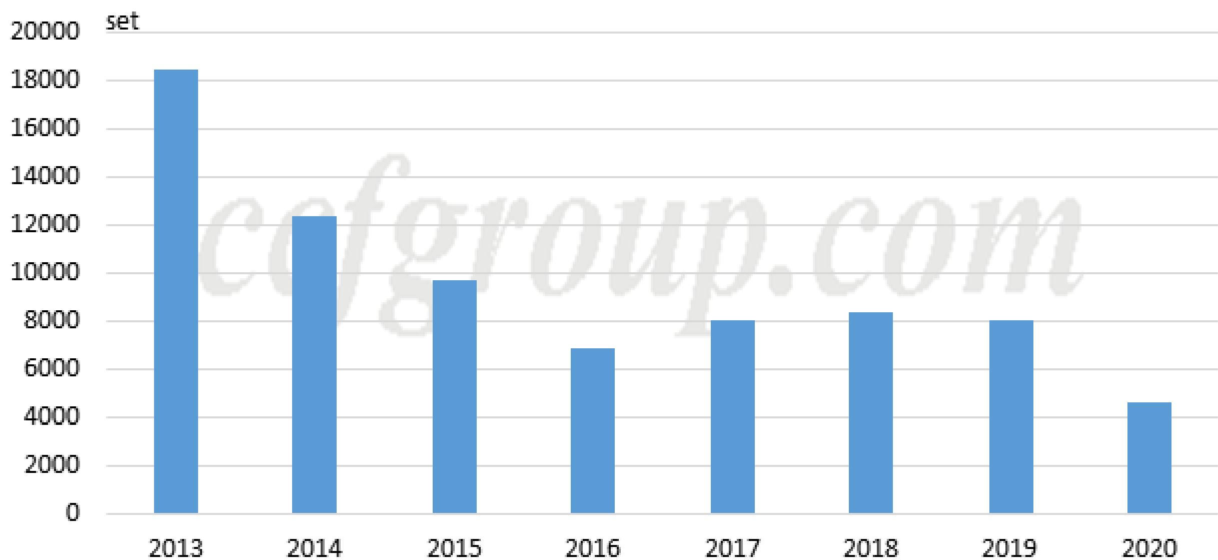
in 2016-2017 when cotton yarn price also moved up obviously. However, it has not been seen since then.



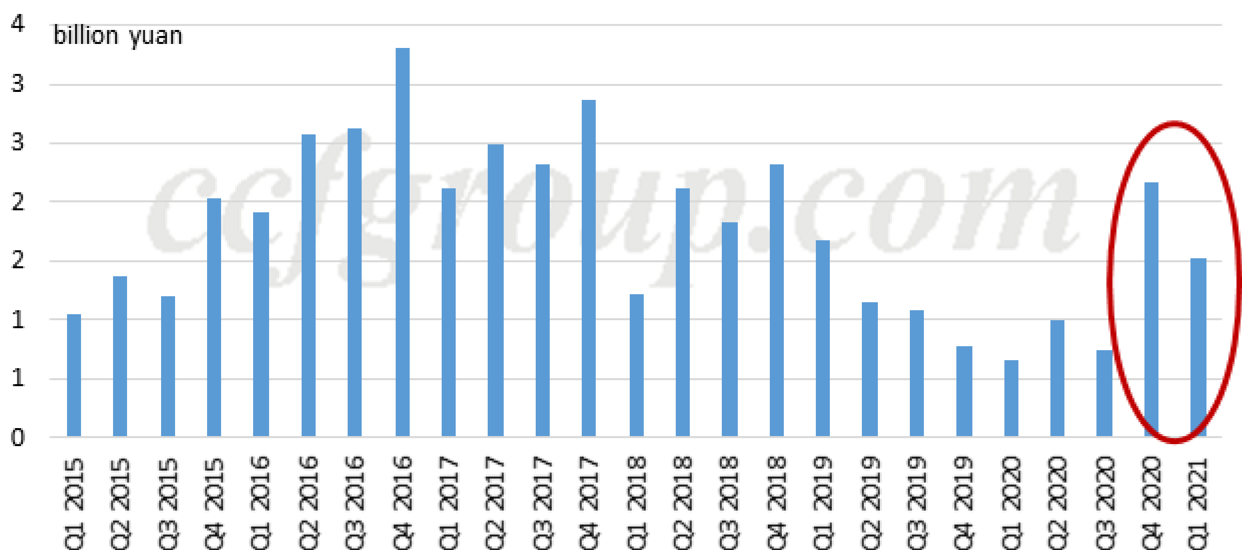


Among the imported spinning machines, the air-jet spinning machine (vortex-spun yarn), mainly used for chemical fiber yarn spinning rather than cotton yarn, dominated in recent years. Especially in 2018-2019, it saw large increase in both import volume and proportion. In 2020 and Jan-Apr 2021, its proportion took up over 90% of the total imports. On the contrary, the imports of rotor spinning machine (open-end yarn) and spinning frame (ring-spun yarn) gradually reduced.

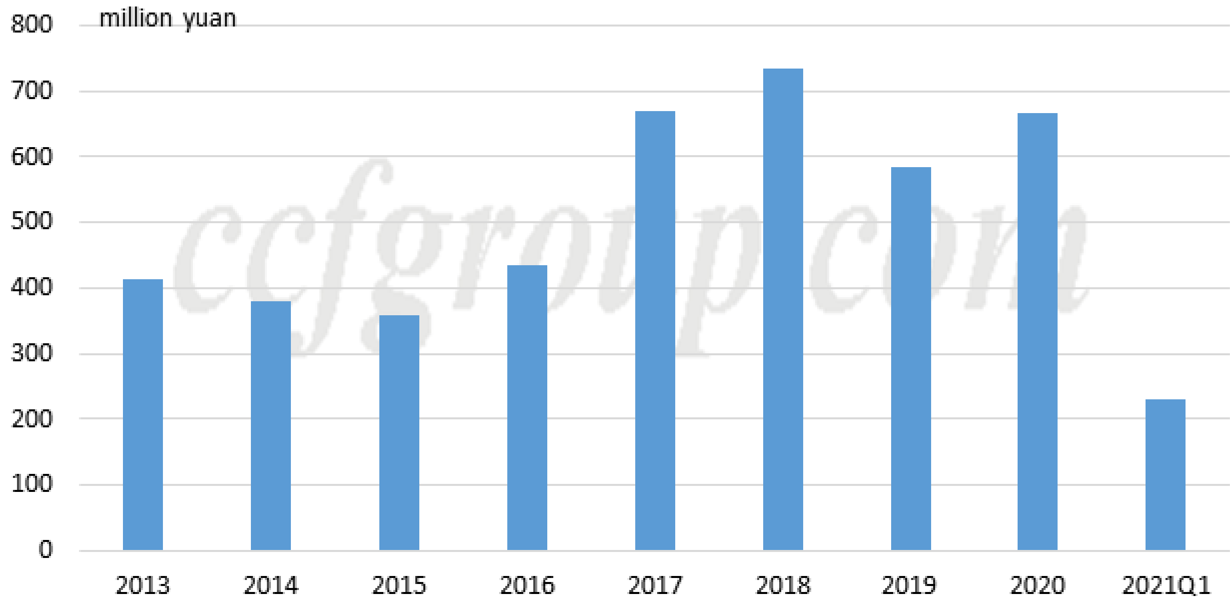
According to CCFGroup, new machines put into operation by cotton yarn mills are more and more made in China, so the import data above cannot represent the situation of capacity expansion in recent years.



Ring spinning frames used by spinners in China are mainly Jingwei Brand, so the sales status of Jingwei Textile Machinery reflects yarn capacity expansion or updates to a certain degree. From the chart above, the sales volume of spinning machinery of Jingwei slumped in 2020, a decrease of 43% on the year, mainly affected by the pandemic.



But its quarterly revenue showed a surge in the fourth quarter in 2020, and in the first quarter 2021, although it fell back, it was still at a medium-to-high level, which indicated ring-spun capacity expansion in China.



Rotor spinning machinery is represented by Zhejiang Taitan and Rifa Textile Machinery. Take Taitan as an example. In 2020-2021, the revenue increased, despite a low speed amid the pandemic. Before 2020, open-end cotton yarn market was healthy and with less labor, shorter process and high efficiency, many mills launched new capacity. But after 2020, it became the worst among various cotton yarn and the capacity expansion or equipment updates slowed down obviously.

In 2021, the rumor that spinning machinery plants take a lot of orders to be arranged spreads on the market. CCFGroup also learned that some mills were indeed investing and expanding the capacity, mainly using China-made ring spinning machine. According to current progress, the capacity will intensively come on stream in the second half of 2021 to 2022.

Source: ccfgroup.com– June 21, 2021

HOME

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Stoking patriotic fervor, global boycott boosts domestic sales of Xinjiang cotton

With jump in sale of some Xinjiang manufacturers, foreign brands' boycott of Xinjiang cotton has stoked patriotic fervor among Chinese consumers. A report by the Global Times says, the boycott has led to local Xinjiang companies stepping up efforts to introduce new techniques to improve the quality of Xinjiang cotton, and developing it into a global brand.

Replacing American cotton with local produce

The industry's vision to develop Xinjiang cotton into a global brand was also supported by industry players attending the 2021 China International Cotton Conference in Suzhou. A sales representative from Shenzhen-based brand Purcotton said, since last year his firm has been replacing American imports with Xinjiang cotton.

Other domestic brands such as Lining, Anta and Helian Homes too have followed suit, leading to huge gains in their sales figures. At the shopping festival held on June 18, sales of Lining and Anta on e-commerce platform Suning jumped 29 and 25 per cent respectively.

Towards mechanized production

Besides local governments, textile companies are also preparing to defend themselves against the US crackdown and boost domestic sales. Operator of 3,000,000 mu of cotton farms in the region, Xinjiang Shuifa Agriculture Co has announced plans to take its entire cotton farming, purchase, processing and sales process to a big data platform which would allow it to control the quality of its cotton produced.

Industry experts also recommend technological up gradation of cotton fields to improve the quality of cotton seeds and make Xinjiang cotton suitable for a more high-end market. Currently, around 95 per cent of cotton production in northern Xinjiang is mechanized while 85 per cent of cotton production in Southern Xinjiang is mechanized.

Source: fashionatingworld.com– June 21, 2021

HOME

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As Retail Reopens, Los Angeles Businesses Struggle to Find Workers

While Los Angeles saw a long-awaited end to social distancing guidelines and mask requirements last week, the county is far from resuming business as usual.

That's because L.A. still outpaces the rest of the country when it comes to joblessness, with 11.7 percent of its workforce unemployed as of late April. That's nearly double the 6.1 percent national average, according to California's Employment Development Department (EDD).

Governor Gavin Newsom said in late May that the state leads in job creation, having added 101,800 jobs this spring that account for 38 percent of all new jobs in the U.S. But employers are facing major roadblocks when it comes to bringing in talent, from sales associates to garment workers and warehouse employees.

Between March and April, trade, transportation and utilities—including warehouse jobs—declined at a greater rate than any sector in L.A., seeing 4,500 job losses, EDD said. Retail employment took a 1,200-job hit, while wholesale roles dipped by 800. California currently accounts for the second-highest unemployment rate nationally at 8.3 percent, and only about half of those who lost jobs during the pandemic have since returned to work.

Now, retailers and manufacturers are attempting to ramp up their operations in time to meet pent-up summertime demand. But the federal government's Covid relief efforts—which augmented state unemployment insurance benefits during the pandemic—may be hindering prospective employers from recruiting low-wage workers.

Beginning March 29 of last year, workers rendered jobless due to Covid-related circumstances became eligible to receive an extra emergency payment of $600 each week on top of their state-mandated unemployment insurance.

While those federal emergency funds lapsed after July, officials added a new $300 weekly pandemic relief stipend to the baseline weekly benefits in December. That added assistance is set to expire in California in September, and some unemployed residents have opted to forgo finding work until the funds run out.

This is despite California offering the highest minimum wage nationwide. As of Jan. 1, businesses with 26 or more employees must pay at least $14 per hour, while those with 25 or fewer workers are required to pay $13. In Los Angeles, the numbers are higher. Businesses employing 26 or more staff must pay a minimum wage of $15, while those with 25 and fewer workers must currently meet a threshold of $14.25 per hour. Beginning July 1, all businesses in L.A. County will be required to pay $15 per hour.

Despite rising wages, businesses are having a hard time going up against EDD benefits, according to Sanjeev Bahl, founder of denim manufacturer Saitex, which recently opened its first U.S. facility in Vernon, just east of Downtown L.A.'s fashion district.

While attempting to fill remaining gaps in his factory staff after opening Saitex's doors in 2020, Bahl has noted ambivalence among some workers who believe that remaining on unemployment insurance until it expires is the best choice for themselves and their families. Others have requested higher hourly wages of up to $20 per hour, he said, though the going rate for certain positions is closer to minimum wage.

Bahl said he believes some have declined full-time positions in order to continue to receive EDD benefits, while rounding out their income with supplementary, and likely undocumented, work. Garment manufacturers across L.A. continue to perpetuate the controversial piece-rate, rather than hourly, model for compensation, and often pay workers under the table. The practice, currently targeted by the Garment Worker Protection Act winding its way through California's legislature, has been fingered for allowing bad actors to perpetuate unsafe factory conditions and withhold wages, since workers have little recourse.

Bahl has advised interviewees not to regard his employment offers "in a myopic manner" and miss out on desirable jobs that may not be available come fall, when competition will undoubtedly be on the rise. "I tell them, 'We are trying to build a premium manufacturer and we need people like you,'" he said. "'So get into the system early, and in advance, instead of waiting it out.'"

While Bahl said many Saitex workers make between $16-$18 per hour, roles in retail stores remain closer to the lowest end of the spectrum when it comes to pay. At Gap Inc.—which has listed about 95 store positions across its Gap, Athleta, Old Navy and Banana Republic brands in the L.A. area—sales associates make an average of $11 per hour nationally, according to

Glassdoor data. Urban Outfitters and Anthropologie have 38 store positions listed within 25 miles of Los Angeles, with average hourly wages around $12 in the U.S. Nordstrom's national average pay for sales associates is $15 per hour, the site said.

Even taking into account L.A.'s minimum-wage increase, the countrywide figures illuminate mainstream brands' and retailers' propensity to meet, not exceed, their responsibility to workers. While service industry employees working in restaurants and bars furnish most of their incomes on tips from patrons, greatly supplementing their hourly compensation, commissioned sales jobs at mainstream retail are increasingly less common—and less lucrative. Retail shutdowns, which impacted boutiques, brand-owned retail and department stores in equal measure throughout 2020, likely contributed to the instability felt by the sector's workforce, while continued uncertainty about public health and the economy could be partially responsible for today's dearth of enthusiastic talent.

"It has been somewhat challenging to get folks to apply to opportunities that are coming up," noted Lisa Salazar, director of workforce development and economic opportunity at Los Angeles Mayor Garcetti's office. There appear to be "three main barriers or challenges" impacting the process of rebuilding L.A.'s workforce, she added.

For one, many residents are still uncomfortable resuming normal daily routines due to lingering Covid safety concerns, Salazar pointed out. As recently as January, city hospitals were full and infection rates had surged once again to the worst in the country. What's more, most working parents are still challenged by the limited availability of childcare. With school out for summer, kids who have been learning remotely for the past year are now unoccupied as well as unsupervised by teachers. "And number three: I also think there may be some delay in getting folks back to work until the current unemployment benefits run out," Salazar added.

The Mayor's office has noted the county's sluggish employment numbers and identified these issues as the primary areas of concern for middle-skilled unemployed workers, she said. While City Council's prime objective in recent months has been a targeted vaccination campaign, Salazar believes a pivot toward pushing workforce reentry is due—especially amid retail's official reopening, without restrictions, on Tuesday.

"I think after reopening day, maybe in the next week or two, we'll start to see a significant shift where life resumes and people go back to work," she said. "It's hard to say, as we've never been in this situation before, but maybe by the end of June we'll see an uptick" in the search for work. Prospective employees may be bolstered by a surge in consumer confidence at retail and restaurants, leading them to seek out service roles.

At the height of the pandemic, Salazar said she fielded "foot-tall stacks of WARN layoff notices" from businesses across the county that were forced to make devastating cuts to their workforces. But even amid those rampant layoffs, employers that needed workers still had trouble connecting with candidates. Last spring, the Mayor's office set up a job portal housed on LACity.org to match workers with businesses looking for help, she said. "Anytime an employer comes to makes us aware of this problem where they have opportunities and not enough applicants, the jobs portal is where we'll post," she said. Prospective employees can also visit one of the city's six Worksource Centers, which provide upskilling and resume building opportunities, phone and computer workshops, employment referrals and customized job matching, and career guidance and placement assistance, in person or online.

The Mayor's office will likely underscore messaging about the importance of workforce reintegration in reopening the economy over the coming weeks, Salazar said. When it comes to the county's small businesses, the emphasis this spring has been on "providing them with the support they need to open their doors," she added. Colleague Leila Lee, associate director of community business in the Mayor's Office of Economic Development, detailed City Council's new budget, which has recently devoted more than $50 million to SMB support.

Ultimately, both public policy and efforts by private employers will play a role in bringing back L.A.'s workers. "There needs to be more public awareness around when the benefits are going to run out, and an amplification of opportunities that are available now," Salazar said. If, however, the bulk of L.A.'s unemployed workforce decides to run down the clock on their unemployment insurance, "there could be a mad rush of people applying for a finite number of opportunities" this fall, she added.

Source: sourcingjournal.com– June 21, 2021

HOME

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Apparel biggest factor in uptick in US consumer spending: Vesta survey

Vesta, an end-to-end online transaction guarantee platform, recently released survey results showing an impressive increase in US consumer spending driven by a return to post-pandemic life. Apparel is driving the most spending, with 69 per cent of respondents having made an apparel purchase in May and 54 per cent intending to purchase clothing in July.

That was followed by restaurant dining, with 58 per cent of respondents having dined out in May and 36 per cent planning to do the same in July. Electronics rounded out the highest spending categories, with 53 per cent of respondents having bought an electronic device in May and 41 per cent planning to purchase one in July. Nearly half (49 per cent) of respondents spent more than $250 on non-essential items last month and 63 per cent intend to spend at least $100 on non-essential items this month, a press release from Vesta said.

The survey also found that most consumers continue to prefer shopping online, with 64 per cent of purchases made on desktop or mobile. 42 per cent of respondents made their last non-essential purchase with a credit card, and 30 per cent used a debit card. Only 10 per cent of purchases were made with cash.

"The fact that consumer spending is on the rise is an undeniably good thing for the hundreds of thousands of merchants across the country who saw revenues decline during the pandemic, but fraudsters will absolutely take advantage of consumers' preference for e-commerce and card-not-present (CNP) transactions," said Vesta chief executive officer Ron Hynes. "That's why it's so important that merchants put measures in place now to prevent CNP fraud while preserving the customer experience and maximizing approvals of legitimate transactions," he added.

When asked what their primary reason was for making a non-essential purchase, 40 per cent of respondents said it is because they are generally starting to socialise again, while 23 per cent said it was because they have a specific event to attend. Fifteen per cent cited going on vacation as their primary reason for making a purchase, 14 per cent said their pre-pandemic clothing no longer fits, and 8 per cent said it is because they are returning to office.

Source: fibre2fashion.com– June 22, 2021

HOME

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China's firm Invista plans to build Asia innovation centre in Shanghai

Invista Nylon Chemicals (China) Co has announced its plans to establish a new Asia innovation centre in Shanghai. This research and development centre with an investment of more than RMB 95 million (renminbi), for nylon 6,6 application development in Asia, will allow Invista to advance innovation to better meet evolving customer demands across the region.

Located at Shanghai Chemical Industry Park (SCIP), Invista's lab will be among the first at the Shanghai International Chemical New Materials Innovation Center (INNOGREEN).

Spread over area of 2,500-square-meter (over 26,000 square feet), the lab will be equipped with state-of-the-art polymer research and development equipment necessary for polymer application development and customer support for product trials, according to the chemicals company. It will also include polymer compounding extrusion and injection moulding capability, and analytical and mechanical test equipment to characterise polymer resin properties.

"The Asia innovation centre will focus on the application needs in engineering polymers for key industries such as automobile and electrical & electronics. Located near Invista's integrated nylon 6,6 facility in SCIP, the lab will promote Invista's comprehensive nylon 6,6 capabilities in China—research and development, production, sales, technical services—to provide customers with superior quality nylon products and solutions," the company stated in a press release.

"The markets in China play an increasingly important role in Invista's global business, and the plan to establish the Asia innovation centre in Shanghai is a clear example of our commitment to further supplying strong local and regional demand for high-quality nylon products as China is also expected to become the world's largest nylon consumer," Pete Brown, Invista's executive vice president of nylon polymer said.

"Innovation continues to be a strong area of focus for Invista and our customers as we work together to broaden the possibilities for application development in engineering polymers. We anticipate that the Asia innovation centre will enable us to quickly respond to local customers' needs

and facilitate downstream application upgrades," Angela Dou, director of intermediates, Asia, Invista said in the release.

Invista will continue to engage stakeholders as plans for the Asia innovation centre advance and anticipates the lab will be fully operational by the end of 2021.

Source: fibre2fashion.com– June 21, 2021

HOME

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Vietnam: Garment production may slow down over Covid-19

The textiles and garment sector is likely to be impacted by the Covid-19 situation getting more complicated across Vietnam. Industry insiders say the pandemic situation in HCMC, in particular, will drag the sector down in the remaining months of the year.

The pandemic has already penetrated some industrial parks in HCMC, so if the staff of garment and textile firms get infected, work would stop and fulfillment of orders would slow down, said Pham Xuan Hong, head of HCMC Association of Garment, Textile, Embroidery, and Knitting (AGTEK).

Garment and textile firms are labor-intensive affairs with many workers concentrating in certain places, so the risk of Covid-19 breaking out in factories is very high, said Le Tien Truong, chairman of Vietnam National Textile and Garment Group (Vinatex), adding that the production chain is likely to be broken amid the outbreak.

Vinatex has 150,000 workers nationwide, with most of its affiliates having an average workforce of 2,000 each.

In the first three waves of Covid-19, no Vinatex affiliates reported any Covid-19 infection. In the ongoing fourth wave, some enterprises in the northern province of Bac Ninh and the central city of Da Nang have reported infected workers.

“This is the first time in 18 months of Covid outbreaks that workers in Vinatex affiliates have been infected with the disease, forcing them to stop production and face considerable losses,” the Vinatex chairman said.

If production comes to a halt due to Covid-19, goods delivery will be delayed, causing losses for producers and exporters, he said.

Affected enterprises will have to shift to transporting goods by air, instead of by sea to ensure timely shipment. This would make the shipment prohibitively expensive, Truong noted.

Vinatex and AGTEK have proposed the government prioritizes vaccination against Covid-19 for garment and textile workers. Most garment and textile firms have said they are willing to cover all vaccination costs.

Vietnam's textiles and garment export turnover reached $5.8 billion in the first five months, a year-on-year rise of 4.8 percent.

Source: retailnews.asia– June 21, 2021

HOME

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S African textile workers to get average wage rise of 5.2% from Aug 1

The Southern African Clothing & Textile Workers' Union (SACTWU) has settled its 2021 wage negotiations for the country's textile sector to provide for a 4.77 per cent wage increase for metro areas, and 6.66 per cent for non-metro areas. The average increase for both areas is 5.2 per cent, which will be effective from August 1 this year.

SACTWU, affiliated with Congress of South African Trade Unions (COSATU), signed an agreement with the South African Blankets Manufacturing Employers' Organisation (SABMEO) on June 9, 2021, the organisation said in a press release.

The negotiations were conducted on hybrid virtual platform, under the auspices of the National Textile Bargaining Council (NTBC).

The wage increase will be applicable for a 12-month period from August 1, 2021 to July 31, 2022. Fresh negotiations will be held in early 2022, to determine the new wages from August 1 next year.

“While we are mindful that future inflationary movements are currently volatile, SACTWU is pleased that it has managed to secure a wage increase for our members which at this stage is higher than inflation and under very difficult COVID-19 pandemic conditions,” SACTWU said in the release.

In addition, the parties have agreed to a provision wherein all employers in the sector need to assist with the COVID-19 vaccination campaign.

Source: fibre2fashion.com– June 21, 2021

HOME

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Pakistan: Understanding textile export growth

Budget FY22 that has been proclaimed a pro-growth budget is largely positive for the textile sector and textile exports. In an attempt to enhance export competitiveness of local players and reduce manufacturing cost especially in the value-added segment, the government announced reduction in RD, CD, and ACD on import of raw materials like synthetic filament yarn, man- made filament yarn, woven fabrics, and artificial staple fibres. It also announced removal of 5 percent custom duty and regulatory on import of polyester yarn, which is again a reduction in the raw material cost for textile players – though it could adversely impact the spinners' cost.

However, a key demand by the textile sector continues to be the restoration of zero-rated sales tax regime for the sector, which holds little relevance today as the government has made attempts like bringing a faster refund system, paying off pending refunds to exporters and abolishing duty and taxes on industrial raw materials to address the issues of the sector.

Textile Exports (Value)

(000) - $	May-21	YoY	Apr-21	MoM	11MFY21	YoY
TEXTILE GROUP	1,060,128	41.1%	1,332,715	-20.5%	13,748,296	18.9%
COTTON YARN	72,084	38.6%	102,736	-29.8%	896,034	-1.6%
COTTON CLOTH	134,651	37.0%	162,383	-17.1%	1,716,216	1.0%
KNITWEAR	293,138	62.0%	340,267	-13.9%	3,414,300	32.7%
BED WEAR	181,000	23.9%	239,523	-24.4%	2,472,782	24.6%
TOWELS	61,797	48.4%	84,600	-27.0%	838,507	28.5%
READYMADE GARMENTS	194,817	43.7%	243,671	-20.0%	2,706,867	14.3%

Source: PBS

Amid the hue and cry by the textile sector over the 'insufficient' relief measures in the latest budget, textile exports continue to post growth. At $13.75 billion, 11MFY21 textile exports increased by 19 percent, while May 2021 textile exports are up by 41 percent year-on-year. The key drivers for growth are the value-added segments particularly knitwear, bedwear, towels and readymade garments that contribute to around 70 percent of total textile exports.

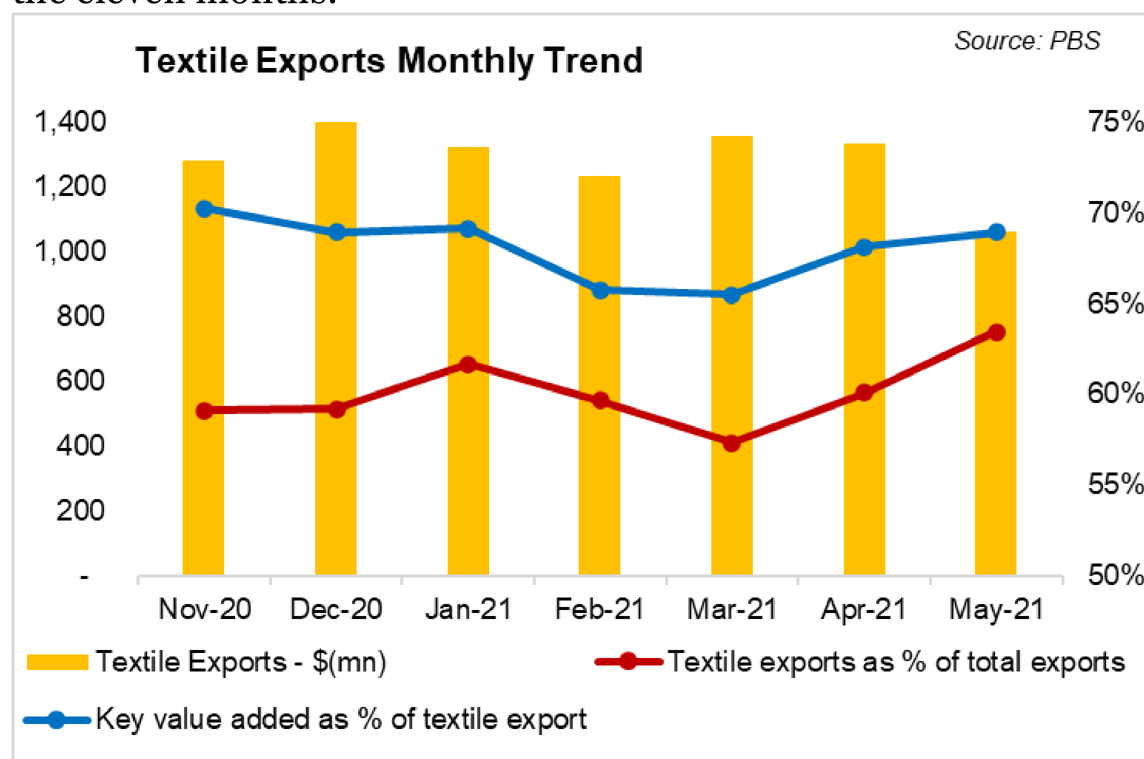
All value-added segments within the textile group posted double digit growth during 11MFY21; readymade garments exports saw around 15 percent growth despite 26 percent decline in volumes. And while the trend of textile export growth coming from the value-added segment continued in May and overall 11MFY21, May-21 also saw a jump in the exports of basic

textiles like cotton yarn and cotton cloth despite a decline in volumes, which shows the price increase.

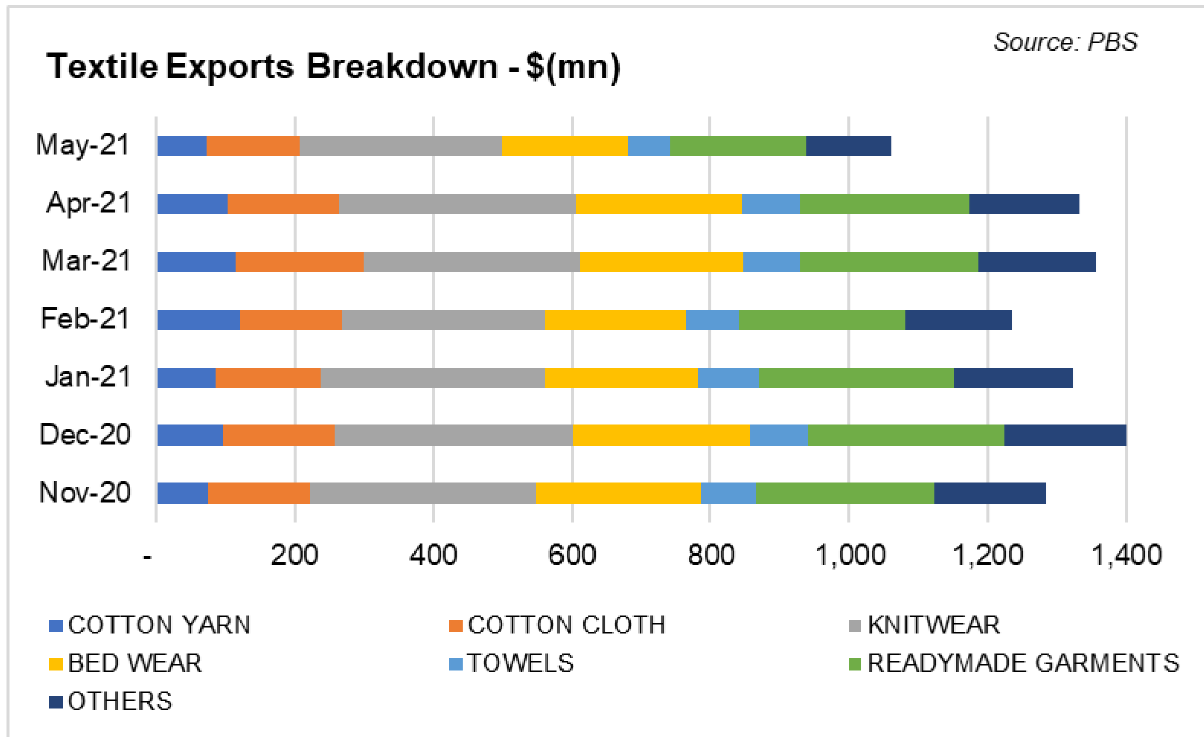
Textile Exports (Volumes)						
Quantity	May-21	YoY	Apr-21	MoM	11MFY21	YoY
COTTON YARN - M.T	23,560	0.9%	34,358	-31.4%	351,079	-6.8%
COTTON CLOTH - TH SQM	25,322	-79.7%	36,981	-31.5%	942,237	-57.2%
KNITWEAR - TH DOZ	11,863	65.4%	12,549	-5.5%	151,517	54.0%
BED WEAR - M.T	28,547	16.2%	39,592	-27.9%	411,577	9.0%
TOWELS- M.T	13,387	33.2%	18,717	-28.5%	191,019	20.2%
READYMADE GARMENTS -	3,359	85.1%	3,066	9.6%	34,270	-25.6%

Source: PBS

It can also be seen that during 11MFY21, the import of textile machinery posted a growth of 21 percent year-on-year, which is an indication of the sector players undergoing expansion. However, the shortage of cotton in the country also resulted in an increase of 70 percent in raw cotton imports in the eleven months.



A point not to miss is that the growth is largely hinged on low base of 2020 that was marred with COVID-19 and the lockdown and restrictions worldwide. Another highlight is the decline in exports consecutively in April and May this year on a month-on-month basis as well as a decline in May 2021 textile exports versus May 2019 levels. Textile exports were down by 10.7 percent month-on-month in May 2021 and were also the lowest in at least the last six months.



So far, textile exports have been befitting from COVID-19 pandemic; the deadly wave of COVID-19 particularly in India along with decline in textile exports from China have given Pakistan's textile exports another boost. At the same time, older cotton inventories are helping local manufacturers in circumventing the recent bull cycle in commodities including cotton. Going forward, it is expected that the government's measures in the budget will enhance the competitiveness of the sector. However, all eyes are now on the much-awaited textile policy for the decision on the energy tariffs for the sector – a key driver for growth and export competitiveness.

Source: brecorder.com– June 22, 2021

HOME

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Vietnamese textile-garment firms investing to foster trade

Due to the COVID-19 pandemic resulting in a fall in demand for textiles and garments, Vietnamese enterprises have invested in improving production capacity, completing the supply chain, and taking advantage of new-generation free trade agreements (FTAs) like the European Union-Vietnam Free Trade Agreement (EVFTA) and the United Kingdom-Vietnam FTA.

Recently the Century Synthetic Fiber Corporation (CSF) approved a $120-million investment plan for the Unitex synthetic fiber factory project in the Tay Ninh province. With a capacity of 60,000 tons, the project focuses on recycled yarn and high-quality fiber. Also, CSF will become the second-largest fiber producer in the country once the factory becomes operational, with a total capacity of 120,000 tons per year.

The Viet Tien Garment Corporation also plans to invest $13 million this year in several projects. That includes $4.3 million in setting up the Viet Thai Tech Co. Ltd to secure raw material resources. Similarly, Thanh Cong Textile Garments Investment Trading Joint Stock Company (TCM) has announced to start construction work on its Bin Long 2 factory this year.

Meanwhile, a news agency report said the factory could produce 9 million items a year with an investment of $10 million. On the other hand, according to TCM, investment in raw material production was essential to increase overall capacity. But with the new project, the revenue of this department is expected to increase by 22 percent in 2022 and 27 percent in 2023.

New investment projects, especially in the production of raw materials like yarn and fabric, will address the shortage of input materials in the industry. At the same time, the production capacity of the enterprises will increase, and increasing the percentage of resources allocated to FTAs will result in more resources.

In addition, to facilitate tariff removal, the EVFTA will promote the formation of a closed production chain, increase the added value for the industry and gradually reduce reliance on raw material imports.

Source: textiletoday.com.bd– June 21, 2021

HOME

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Business-savvy Bangladesh fabric factories take on a greener hue

Zaber and Zubair Fabrics Ltd, a supplier of home textiles to major European retailers H&M and Lidl, is one of a growing band of Bangladeshi garment factories on a mission to clean up their act - and improve their bottom lines by going greener.

The business on the outskirts of Dhaka previously used large amounts of sulphuric acid to remove excess caustic, a chemical that strengthens fabric, from its waste water.

But in 2010, the factory installed two plants that recover from the water 95% of the caustic used to rinse the fabrics made into goods like sheets and pillow covers, saving 6.5 million litres of caustic soda annually as well as sulphuric acid.

The plants also generate hot water as a by-product, which is used in machines to process fabrics at high temperatures, economising on water and electricity.

The plants cost about $2.3 million to set up but have helped the factory save $3.8 million a year through buying fewer chemicals, treating less waste water and lowering energy bills.

"Using green energy, or installing plants that recycle, saves cost in the long run," said Zakir Hossen, sustainability head for the factory which employs 8,000 workers.

Climate activists say the global fashion industry should intensify efforts to cut climate-heating emissions in line with the Paris Agreement goals of limiting average temperature rise to "well below" 2 degrees Celsius above preindustrial times.

Zaber and Zubair Fabrics has rooftop solar panels that can generate about 400 kilowatts of power. While that is less than 1% of the factory's needs, it plans to add more solar capacity in the coming years.

"To survive, we have to give customers good products at a low price. And if we don't gradually shift to green energy, we won't be able to do that... This also helps the environment," Hossen told the Thomson Reuters Foundation.

The apparel industry produces 4% of the world's planet-warming emissions, equal to the combined annual total of France, Germany and Britain, according to a 2020 study by the nonprofit Global Fashion Agenda and consultants McKinsey and Company.

The U.N. Environment Programme in 2019 put the fashion industry's share of global carbon emissions at 10% - more than for all international flights and maritime shipping - and said it was the second-biggest consumer of water.

Bangladesh's overall emissions are tiny compared with industrialised countries, but its garment sector is the world's second-largest exporter of clothes and employs about 4 million people.

BRANDS PAY THE SAME

Last year, the Green Climate Fund, the main U.N.-backed climate finance channel for developing countries, approved a $250-million loan programme for projects to make garment factories in Bangladesh more energy efficient.

Buoyed by economic arguments and pressure from brands to reduce emissions along the fashion supply chain, an increasing number of Bangladeshi factories are taking steps to lower their energy usage, industry experts said.

The Partnership for Cleaner Textile (PaCT), a programme led by the International Finance Corporation (IFC) to assist Bangladeshi factories in adopting cleaner production practices, said it has helped 338 factories cut their greenhouse gas emissions by more than half a million tonnes a year.

"That's equal to removing over 119,000 cars from the road," said Nishat Chowdhury, programme manager for PaCT, which was launched in 2013 and is supported by Denmark, Australia and the Netherlands, as well as major clothing brands.

"More and more factories are nominating themselves for the programme, because they know they must go green to remain competitive in the international market. However, uptake is slow due to policy barriers... This market needs to grow," she added.

PaCT's recommendations include installing heat recovery boilers to utilise exhaust gas heat from generators, cutting power usage through energy-efficient appliances, and recycling water after condensation.

These steps have helped factories each save thousands of dollars annually, curb emissions and save water, five owners told the Thomson Reuters Foundation.

Bangladesh also has more than 140 factories certified by LEED, a U.S.-based rating system for green buildings. Constructing such factories requires at least 15-20% more capital investment, the owners said.

"You need to spend on expensive things," said Asif Ashraf from Urmi Group, which owns a LEED-approved factory. "For instance, you need a special toilet that doesn't use more than a specific amount of water - you also need a special A.C."
Despite their extra investment, factory owners said they had failed to secure better prices from international brands. Buyers need to pay more if they want their supply chains to be climate-neutral or climate-positive in the future, manufacturers said.

"If (brands) want to achieve this goal, they will need to give a favourable price... They need to motivate factories," said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, which has about 4,000 members.

Mohammad Tamim, dean of the School of Engineering at the Bangladesh University of Engineering and Technology, said he did not think it would be possible for most factories to go fully "climate positive" or depend solely on renewable energy.

"Factories can further minimise emissions and maybe go to net zero at some point. But with the limited space (they) have, renewable energy can at best serve just 5% of their power needs (now)," he added.

ADAPTING LABOUR

Shifting towards a greener model could lead to an increase in factory automation, suppliers said.

They predicted differing impacts on the sector's workers, thousands of whom lost their jobs at the start of the COVID-19 pandemic last year when brands shut shops and cut orders.

One supplier said the arrival of energy-efficient machines that cut threads sprouting from finished clothes could make workers now responsible for that task redundant.

"Having an adequately skilled labour force that can adapt to new technologies will be critical for jobs in the future," Wendy Werner, IFC country manager for Bangladesh, Bhutan and Nepal, told the Thomson Reuters Foundation.

Other suppliers believe the apparel industry is less suitable for high levels of automation as fashion changes fast. Some said a shift to green energy would benefit workers.

"An upgrade to the machines would decrease physical work and that would in turn improve the work atmosphere in the factories and make it more labour-friendly, aside from helping the environment," said Hassan of the garment manufacturers' group.

Regardless of the impact, workers rights activist Kalpona Akter believes there is no alternative to a green energy shift.

"Energy from fossil fuels is hurting our environment and wildlife ... also nobody can stop automation," she said.

"We need to have an alternate industry that can give more jobs and not just focus on garments."

Source: news.trust.org– June 21, 2021

HOME

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Pakistan: Cotton market remains stable

The local cotton market remained stable on Monday. Trading volume remained thin. The rate of cotton in Sindh is in between Rs 13000 to Rs 13200 per maund. The rate of cotton in Punjab is between Rs 13800 to Rs 14000 per maund.

The rate of new crop of Phutti in Sindh was in between Rs 5700 to Rs 5900 per 40 kg. The rate of Phutti in Punjab is in between Rs 6000 to Rs 6300 per 40 kg. The rate of Banola in Sindh is in between Rs 1800 to Rs 1900 per maund. The rate of Banola in Punjab is in between Rs 2000 to Rs 2200 per maund.

Cotton Analyst Naseem Usman told Business Recorder Australia asks India to explain the variation in figure for 'eligible production' used to calculate MSP. India has stated that its price support for cotton has not exceeded the de-minimise subsidy limits determined by the WTO.

The China Cotton Association (CCA), along with other industry organizations, officially launched the Cotton China Sustainable Development Program on Thursday, aiming to build a home grown independent sustainable standard and certification system to counter the West's dominance that has posed serious threat on China's cotton industry.

The move marks a milestone in overhauling the global cotton rule-making system, which is currently monopolized by the Better Cotton Initiative (BCI), a West-led industry body that has apparently been manipulated by some anti-China forces in their slandering against China and its policies in Northwest China's Xinjiang Uygur Autonomous Region.

BCI suspended cotton licenses for Xinjiang companies several months ago, which led to a sharp plunge in the region's cotton exports after boycotts by several global fashion brands. Industry insiders said that the establishment of the new program will make China - the world's largest cotton consumer market - hold a significant saying in international pricing and standard-setting, and more importantly, lend it a tool to reasonably defend itself and protect its legitimate interests against Western political crackdowns.

The program is designed to promote the high-quality and sustainable development of China's cotton industry based on the core concept of "environmental friendly, excellent quality, respect for labour and fully

traceable." It will facilitate the consumption of homegrown cotton and expand the global market share of Chinese cotton.

Chairman Pakistan Cotton Ginners Association Dr Jasu Mal while chairing the meeting of cotton ginners in Sukhur said that with the imposition of new taxes in the federal budget it is feared that ginning industry will be permanently shut.

Naseem Usman told that Pakistan Cotton Ginners Association has written a letter to Cotton Commissioner for imposing a ban on shifting of Phutti from Sindh to other provinces. The Cotton ginners had stopped the buying of Phutti. PCGA said that cotton production in Sindh was witnessing a decline for the last three years. Due to the shortage of Phutti 50 percent factories were facing difficulties in running their operations.

The country's textile group exports have witnessed a decline of 20.45 percent in May 2021, standing at $1.060 billion compared to $1.332 billion during April 2021, the Pakistan Bureau of Statistics (PBS) said.

Meanwhile, Director Saif Group of Companies and Chief Executive Officer (CEO), Kohat Textile Mills (KTM), Barrister Asad Saifullah Khan has planned to invest Rs 2 billion more to expand its role in value-added sector of textile industry.

He was addressing a ceremony held in connections with the inauguration of the KP's first 1MW Solar Clean & Green Energy Project in Kohat Textile Mills at Kohat. The Solar Park has been developed by Sky Electric (Pvt) Limited with the support of Bank of Khyber and Meezan Bank.The project was inaugurated by KP Minister for Finance, Taimur Saleem Khan Jhagra. Chairman, KP Textile Mills Association, Salim Saifullah Khan, Chief Executive Officer (CEO) Sky Electric Private Limited, Osman Saifullah Khan, Aly Saifullah Khan and a large number of business community and local elites also attended the ceremony.

The Spot Rate remained unchanged at Rs 12600 per maund. The rate of Polyester Fibre was increased by Rs 2 per kg and was available at Rs 207per kg.

Source: brecorder.com– June 22, 2021

HOME

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Pakistan: The labour lows

It looks Pakistan has an oversupply of workforce but a deeper dig reveals the glut is actually of unskilled, or semi-skilled, or illiterate workers, while skilled ones having education above secondary level were acutely short.

The reason behind the joblessness of majority of the workforce is their inability to acquire skills that need a minimum level of education. The nation is facing a strange unemployment dilemma as its industrial and services sectors cannot create jobs for the available low-skilled labourforce, while there is dearth of better-skilled workers for which vacancies are available. Entrepreneurs in Pakistan are operating with this huge mismatch of available skills as no serious efforts to enrich its human resource have been made. We are rich in uneducated youth, poor in health and skills.

The ability of an economy to compete globally depends on sustained supply of talented and qualified human resources. Imbalances occur when the availability of workers is inadequate and low skilled. This inadequacy puts immense pressure on the economy that also threatens the social and political stability of the country.

The skill mismatch phenomenon is not restricted to Pakistan. Many emerging economies that are currently enjoying robust growth are at risk of sudden halt in growth because of human capital imbalances. According to Boston Consulting Group only India among BRIC countries is on path to produce a balanced work force till 2030. The other three countries namely Brazil, China and Russia are facing skilled labour shortages though China has overcome the skill shortages. India is our next door neighbour and one must pay tribute to the foresight of their planners in ensuring availability of the right human resource.

Every government claims that it is well aware of the need for a qualified and skilled human resource but has done little in this regards. In many developed economies human capital has surpassed financial capital as the critical economic engine of economic growth. Even these economies are facing skilled labour shortages, while Pakistan besides facing skilled labour shortages is in surplus in unskilled workers as well. Investment is pouring in India consistently in all fields, be it engineering, information technology, pharmaceuticals, or textiles.

We enjoy advantages in textiles but the skills are restricted to basic textiles. Bangladesh that entered textiles 30 years back has trained five times more workers in the value-added apparel sector. Chinese see the opportunity to relocate their value-added textile sector in Pakistan but are moving slowly because of human resource constraints. Some are bringing in their own skilled workforce.

We are losing GDP growth because of labour force imbalances as low-skilled labour results in lower productivity. An unemployment rate of less than 5 percent indicates a possible shortage of labour. GDP growth rates usually plunge if required human capital is not made available in the economy either through domestic education and training or through immigration. Pakistan has an unemployment rate of over 6 percent but human resource imbalances are impacting its growth as well. Unemployment or availability of surplus workforce attracts more attention in the society. However the shortage of skilled workforce is equally problematic for the economy. Shortage of skilled workers creates wage inflation but still many vacancies remain unfulfilled which hampers economic growth as it hurts the competitiveness of the economy. A labour surplus leads to attrition of skills that further reduces employability.

Accurate data on employment are essential to plan need-based training of skilled labour. Unfortunately the unemployment data in Pakistan is skewed as all governments try to include as employees every individual earning even if on a part-time basis. This denies the planners the needed statistics about the shortage of skills in the workforce.

Moreover workers operating in a non-documented economy do not appear in the employment statistics. Pakistan is one of many developing economies where numerous small businesses conceal their employees from the labour departments. One way out of this impasse is to start government- and business-sponsored programmes that include training for demand-driven skills. Without industry-government linkages production of required skill may not be possible.

In addition there should be an institutionalised way to ensure the skills of the existing labour force are periodically enhanced, including language and communication. This would engage workers of all ages.

Source: thenews.com.pk– June 22, 2021

HOME

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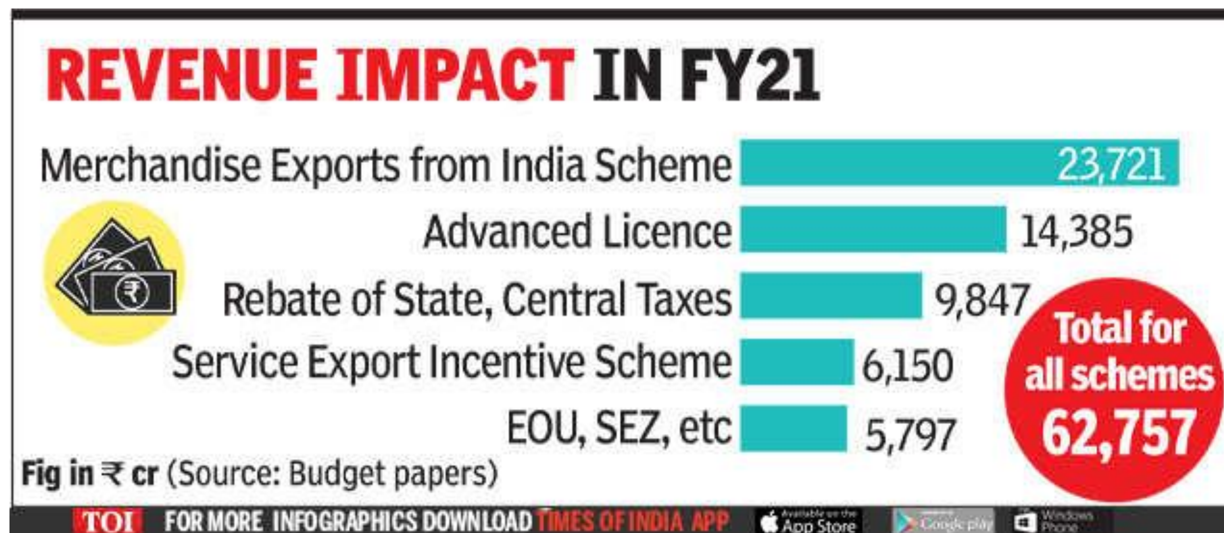
NATIONAL NEWS

Government set to raise funding for exports scheme, clear dues

After months of dilly-dallying, the Centre is set to clear the pending dues of exporters. The allocation under Remission of Duties and Taxes on Export Products (RoDTEP) scheme, that was put in place, is being enhanced to Rs 17,000 crore for the current financial year, against Rs 13,000 crore provided earlier.

In addition, Rs 2,000 crore is being provided to clear the arrears of services exporters for 2019-20 under the now-defunct Service Exports from India Scheme (SEIS).



The finance ministry had hoped to save a large amount of funds due to reworking the export promotion schemes. It had also re-deployed large parts to the production-linked incentive (PLI) schemes, which will entail an allocation of close to Rs 2 lakh crore over five years.

The move follows extensive consultation between the finance and commerce ministries, with the entire mechanism being finalised at the highest level. Proposals for the Cabinet have also been moved and a decision is expected too, official sources told TOI.

The twin moves will offer much-needed relief to exporters, especially those in the services space, who have been hit hard by the Covid-19 pandemic.

Even for goods exporters, refund of levies has not come through, despite the government announcing the new scheme RoDTEP from April to ensure that goods shipped from India do not become uncompetitive due to state and central levies.

In the absence of payments, exporters have been forced to borrow or dip into their already depleted reserves to meet capital requirements, which has added to their costs. While the finance ministry was not seeing anything wrong with the steps it had taken in the Budget, the entire problem was due to lower allocation made by it. Due to lower budget, the scheme was getting restricted to only a few segments.

The enhancement of the allocation will now enable the commerce and revenue departments to refund duties paid by all exporters. “The coverage of RoDTEP will be available to all the 11,000 tariff lines for which rates will be notified,” said an officer.

A mechanism is also being proposed for units in special economic zones (SEZs), with the details to be worked out in the coming months. A panel comprising experts as well as industry representatives will look into the mechanism.

There is, however, no clarity yet on some of the dues from the erstwhile Merchandise Exports from India Scheme (MEIS) that was abandoned as the US dragged India to the WTO, arguing that it was not compliant with global rules.

In fact, several other schemes have been wound up too, making RoDTEP the primary tool, with the focus now shrinking to refunding levies, instead of providing incentives.

Source: timesofindia.com– June 21, 2021

HOME

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India receives $64 billion FDI in 2020, fifth largest recipient of inflows in world: UN

India received USD 64 billion in Foreign Direct Investment in 2020, the fifth largest recipient of inflows in the world, according to a UN report which said the COVID-19 second wave in the country weighs heavily on the country's overall economic activities but its strong fundamentals provide "optimism" for the medium term.

The World Investment Report 2021 by the UN Conference on Trade and Development (UNCTAD), released Monday, said global FDI flows have been severely hit by the pandemic and they plunged by 35 per cent in 2020 to USD 1 trillion from USD 1.5 trillion the previous year.

Lockdowns caused by COVID-19 around the world slowed down existing investment projects, and prospects of a recession led multinational enterprises (MNEs) to reassess new projects.

The report said in India, FDI increased 27 per cent to USD 64 billion in 2020 from USD 51 billion in 2019, pushed up by acquisitions in the information and communication technology (ICT) industry, making the country the fifth largest FDI recipient in the world.

The pandemic boosted demand for digital infrastructure and services globally. This led to higher values of greenfield FDI project announcements targeting the ICT industry, rising by more than 22 per cent to USD 81 billion.

Major project announcements in the ICT industry included a USD 2.8 billion investment by online retail giant Amazon in ICT infrastructure in India. The report noted that the second wave of the COVID-19 outbreak in India weighs heavily on the country's overall economic activities.

Announced greenfield projects in India contracted by 19 per cent to USD 24 billion, ?and the second wave in April 2021 is affecting economic activities, which could lead to a larger contraction in 2021,? it said, adding that the outbreak in India severely hit main investment destinations such as Maharashtra, which is home to one of the biggest automotive manufacturing clusters (Mumbai,Pune,Nasik,Aurangabad) and Karnataka (home to the Bengaluru tech hub), which face another lockdown as of April 2021, exposing the country to production disruption and investment delays.

”Yet India’s strong fundamentals provide optimism for the medium term. FDI to India has been on a long-term growth trend and its market size will continue to attract market-seeking investments. In addition, investment into the ICT industry is expected to keep growing,” the report said.

The country’s export-related manufacturing, a priority investment sector, will take longer to recover, but government facilitation can help. India’s Production Linkage Incentive scheme, designed to attract manufacturing and export-oriented investments in priority industries including automotive and electronics can drive a rebound of investment in manufacturing.

The report said FDI in South Asia rose by 20 per cent to USD 71 billion, driven mainly by strong M&As in India. ”Amid India’s struggle to contain the COVID-19 outbreak, robust investment through acquisitions in ICT (software and hardware) and construction bolstered FDI,” it said adding that cross-border M&As surged 83 per cent to USD 27 billion, with major deals involving ICT, health, infrastructure and energy.

Large transactions included the acquisition of Jio Platforms by Jaadhu, a subsidiary of Facebook for USD 5.7 billion, the acquisition of Tower Infrastructure Trust by Canada’s Brookfield Infrastructure and GIC (Singapore) for USD 3.7 billion and the sale of the electrical and automation division of Larsen & Toubro India for USD 2.1 billion. Another megadeal Unilever India’s merger with GlaxoSmithKline Consumer Healthcare India, a subsidiary of GSK United Kingdom) for USD 4.6 billion also contributed, it said.

FDI outflows from South Asia fell 12 per cent to USD 12 billion, driven by a drop in investment from India. India ranked 18 out of the world’s top 20 economies for FDI outflows, with 12 billion dollars of outflows recorded from the country in 2020 as compared to 13 billion dollars in 2019.

”Investments from India are expected to stabilise in 2021, supported by the country’s resumption of free trade agreement (FTA) talks with the European Union (EU) and its strong investment in Africa,” the report said.

The report cautioned that while the Asian region has managed the health crisis relatively well, the recent second wave of COVID-19 in India shows that significant uncertainties remain.

"This has major impacts on prospects for South Asia. A wider resurgence of the virus in Asia could significantly lower global FDI in 2021, given that region's significant contribution to the total," the report said.

FDI inflows to developing Asia grew by 4 per cent to USD 535 billion in 2020, making it the only region to record growth and increasing Asia's share of global inflows to 54 per cent.

In China, FDI increased by 6 per cent to USD 149 billion. While some of the largest economies in developing Asia such as China and India recorded FDI growth in 2020, the rest recorded a contraction, it said.

The report added that FDI inflows in Asia are expected to increase in 2021, outperforming other developing regions with a projected growth of 5 10 per cent.

Signs of trade and industrial production recovering in the second half of 2020 provide a strong foundation for FDI growth in 2021. Yet, substantial downside risks remain for the many economies in the region that struggle to contain successive waves of COVID-19 cases and where fiscal capacity for recovery spending is limited. "Economies in East and South-East Asia, and India, will continue to attract foreign investment in high-tech industries, given their market size and their advanced digital and technology ecosystem," the report said.

Source: financialexpress.com– June 21, 2021

HOME

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Second wave: 60% addition to bad loans from MSMEs

THE SECOND wave of Covid has thwarted the recovery process underway across sectors, with the lockdowns in states and the spread of disease overwhelmingly impacting the MSME and service sectors, according to fresh data coming in on loan slippages with banks and micro-lenders.

From hotels, tourism, transport and aviation to trade and small manufacturing units, specific pockets of the economy are beginning to report a disproportionate impact of the distress, both in the form of decline in incomes and rise in loan repayment defaults.

The impact of this going forward could be two-fold: any improvement in the overall consumption trajectory is heavily contingent on a recovery in services sectors such as trade, hotels, transport, communication & services related to broadcasting, which supports over 20 crore households; and corporates in the listed space, which have reported better growth numbers, could end up feeling the distress in the unorganised segment.

MSMEs and micro enterprises have been the most impacted with nearly 60 per cent of addition to Non Performing Assets (NPAs) in April and May coming from MSMEs, nearly twice what it was earlier. The pandemic impacted businesses by the second week of April itself, said a senior Indian Bank official.

“Slippages are mainly coming from MSME. About 60 per cent of the NPA (of April and May) is from the MSME sector. This used to be between 30-40 per cent earlier. The elements of the defaults are labour constraints, transportation issues due to lockdown, non-availability of raw material and uncertain cash flows,” the banker said.

Micro finance companies, lending unsecured funds to micro entrepreneurs, have witnessed a decline in collection efficiency owing to protracted Covid curbs. “Loans in arrears for over 30 days or the portfolio at risk (PAR) could rise to 14-16 per cent of portfolio this month from a recent low of 6-7 per cent in March,” rating firm Crisil said.

“Our customers who are majorly small traders and business people engaged in daily use products, were unable to open their shop and their livelihood has been accordingly impacted,” said P N Vasudevan, managing director and CEO of Equitas Small Finance Bank.

The Retailers Association of India said retail sales in the month of May 2021 stood at -79 per cent of the pre-Covid level of sales on a year-on-year

comparison with May 2019. “Retailers are looking forward to some improvement in the month of June with gradual unlocking. However, the retail industry needs collective support from various government bodies,” said Kumar Rajagopalan, CEO, Retailers Association of India.

Indian Hotels, which reported a loss of Rs 524 crore in FY2021, said its business was severely impacted during FY21 on account of Covid. “During the second half of the year, the company witnessed some signs of recovery of demand, especially in leisure destinations. Whilst there has been a second wave of the pandemic in the last few months in some states, there has also been increased vaccination drive by the Government and the company continues to closely monitor the situation,” it said.

Consumer confidence in the current period, which has been in the negative territory since July 2019, fell to a record low in May 2021. The current situation index dropped to 48.5 in May 2021 from 53.1 in March, according to the Reserve Bank of India consumer confidence survey.

Air traffic is expected to slump in fiscal 2022 and fully recover only by the fourth quarter of next fiscal because of the debilitating consequences of the second Covid wave in India, Crisil said. Passenger traffic at airports has nosedived, with average daily domestic passenger traffic halving in May 2021 from February 2021, or to a mere 10 per cent of pre-pandemic levels seen in May 2019.

In the automobile sector during the month of May, factory dispatches of passenger vehicles and two-wheelers contracted to one-third of the previous month, while three-wheelers made negligible sales of just about 1,200 units. Cumulative sales of five players in the commercial vehicles industry was nearly half the levels of the previous month.

According to Soumya Kanti Ghosh, Group Chief Economic Adviser, State Bank of India, the overall consumption trajectory will depend on the recovery in services like “trade, hotels, transport, communication & services related to broadcasting”, which support roughly 25 crore households. Corporates, in the listed space, reported better growth numbers across parameters in the fourth quarter of FY21, but this trend may soon reverse, he said.

Source: indianexpress.com– June 21, 2021

HOME

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African Continental Free Trade Area opens office in New Delhi

An office of the African Continental Free Trade Area (AfCFTA) was opened in New Delhi at the Ghanaian Embassy, where several Indian companies committed to enter Africa and take advantage of the free trade agreement, which, when implemented, aims to raise intra-African trade by 52.3 per cent. The office will support African efforts in elevating the potential impact on bilateral trade and investment.

AfCFTA aims to expand intra-African trade through better harmonization and coordination of trade liberalization and facilitation regimes and instruments across sub-regions and at the continental level. As part of the agreement, countries have committed to removing tariffs on 90 per cent of goods with the remaining 10 per cent of items to be phased at a later stage.

“The vision of Indian leadership of Atmanirbhar Bharat and the African ‘collective self-reliance’ has long been an integral component attempted by African leaders and policymakers, to find Indo Africa-driven solutions to African problems in trade and commerce,” said Varun Jain, chairman of the India Africa Trade Council (IATC) committee for AfCFTA.

Indian trade will help all the African countries who have embraced the notion of ‘regionalism’ and ‘regional integration’ as part of their broader aspirations towards continental integration with this agreement, an official press release said.

By 2030, the African market size is expected to reach 1.7 billion people, with a combined and cumulative consumer and business spending of $6.7 trillion.

Jain will lead a big business delegation to African nations after the pandemic gets over to expand the potential benefits.

Source: fibre2fashion.com– June 21, 2021

HOME

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Policy and behavioural changes can fill the MSME financing gap

Much can be done on several fronts to relieve small businesses of their problem of payment delays

The world over, micro, small and medium (MSME) enterprises are the backbone of a healthily balanced economy. They supply an innumerable number of components, intermediate goods and services at competitive prices to large original equipment manufacturers and industry majors.

Yet, delayed payments for their goods and services result in large portions of working capital being blocked, which, coupled with often-inadequate credit at reasonable cost, leaves many financially unviable and unable to plan for growth. The second wave of covid and its associated lockdowns have again aggravated their situation. The government has announced emergency credit support measures and temporarily relaxed several compliance requirements. But, this may also be a good time to fundamentally alter the availability of funds for MSMEs and their access to the same.

The government has been trying to address the issue for the past few decades. In the early 90s, Small Industries Development Bank of India (SIDBI) evolved a receivable finance scheme to obviate delayed payment situations.

The 1993 Interest on Delayed Payments to Small Scale and Ancillary Undertakings scheme sought to mitigate the burden of small enterprises by defining day of acceptance, deemed acceptance, and specifying the payment of interest. The MSME Development Act of 2006 proposed guidelines for resolving the problem of delayed payments. Further, the Factoring Regulation Act, 2011, helped codify the factoring business to address payment delays.

As per a recent report, Unlocking Credit for India's Job Creators, brought out by the Global Alliance of Mass entrepreneurship (GAME), the total outstanding payments to be made by buyers to registered MSMEs in India could be about ₹15 trillion. The average payment period ranges between three and six months and is inversely proportional to the size of the enterprise.

The trade receivables discounting system (TReDS) initiated by the Reserve Bank of India (RBI) is a unified platform for sellers, buyers and financiers to facilitate the financing of trade receivables of MSMEs from corporate and other buyers, including government departments and public sector undertakings (PSUs).

TReDS provides easy access to funds at market-discovered rates of interest. The MSME ministry has mandated the registry on the platform of companies with over ₹500 crore in turnover. However, some purchasers could be wary of transacting on TReDS as they could lose the flexibility of deferring payments to MSME suppliers. Hence, an option to defer the retirement of an accepted invoice on TreDS up to a maximum of 180 days by paying additional interest of, say 2%, above the contracted rate of interest, may need to be provided.

In January 2018, the Economic Survey noted that the goods and services tax (GST) offered exciting possibilities for not just ushering in a single market, but also for other efficiency gains. In keeping with that spirit, and with a view to generate higher volumes of invoices that can be financed and thus expand the factoring business manifold, a standing committee on finance headed by Jayant Sinha has recommended integrating the TReDS platform with the GST network's e-invoicing portal.

This would grant buyers and sellers access to e-invoices through a single window for factoring and also enhance competition and liquidity, reducing the price of factoring. This could also facilitate the seamless movement of invoices to a second window of TReDS for invoices drawn on non-registered buyers to be discounted. The integration and creation of a second window could be facilitated by the MSME ministry and RBI.

Apart from generating higher volumes of invoices, it would also be desirable to have more financers on these platforms. Non-banking financial companies (NBFCs), with their domain expertise in certain sectors and advanced analytical techniques, have a greater risk appetite for financing invoices hosted by lower-rated firms.

To qualify as a 'factor' for registration by RBI, an NBFC needs to have 50% of its total assets/income from the factoring business. This has been a limitation. Amendments to the Factoring Act promised in the 2020-21 budget, allowing more NBFCs to join the TReDS, are still awaited.

A committee headed by U.K. Sinha had recommended that a credit enhancement mechanism for extending guarantees/comforts with respect to invoices accepted by smaller/lower-rated corporates be evolved. This could be facilitated by the National Credit Guarantee Trust Corporation and the department of financial services.

Private sector initiatives, like the Open Credit Enablement Network and iStack, have been devised to bridge the MSME finance gap. The gap's persistence, however, suggests that the problem is as behavioural as it is related to policy or technology. Industry associations and chambers of commerce must get their members to embrace a culture of payments to MSMEs on time. Corporate business responsibility precedes and is more impactful than corporate social responsibility. 'Matsya nyaya', or big fish eating small fish, is not an enduring foundation for a prosperous India.

Source: livemint.com– June 22, 2021

HOME

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Govt toughens rules for e-commerce giants

The Union government has sought to bring substantive changes in the way e-commerce platforms, such as Amazon and Flipkart, operate, seeking public views Monday on a draft to amend the Consumer Protection (E-Commerce) Rules 2020. The draft proposes greater scrutiny of flash sales, enhanced liability of e-commerce sites, data protection for consumers and stronger grievance redressal.

The draft rules, framed under the Consumer Protection Act 2020, the flagship consumer-rights law, will apply to "all models of e-commerce, including marketplace and inventory models of e-commerce".

The new draft proposes an updated definition of what constitutes an e-commerce entity, cross-selling, which refers to sale of additional goods related to a purchase already made, and fall-back liability, which essentially increases the liability of e-commerce platforms.

The draft rules, which will be open to public comments until July 6, defines an e-commerce entity as any person who "owns, operates or manages digital or electronic facility or platform for electronic commerce" and any "related party", as defined under the Companies Act, 2013, but "does not include a seller offering his goods or services for sale on a marketplace e-commerce entity". This enhances the liability of e-commerce companies for goods and services delivered on their platforms.

The draft rules outlaws flash sales—instant, unannounced sales that usually accompany discounts—that are manipulated to give advantage or preferential treatment to a particular seller or a group of sellers.

Clause 16 of the draft reads: "No e-commerce entity shall organize a flash sale of goods or services offered on its platform."

This clause is qualified by the definition of flash sales in the draft, which states: "'Flash sale' means a sale organized by an e-commerce entity at significantly reduced prices, high discounts or any other such promotions or attractive offers for a predetermined period of time on selective goods and services or otherwise with an intent to draw large number of consumers provided such sales are organised by fraudulently intercepting the ordinary course of business using technological means with an intent to enable only

a specified seller or group of sellers managed by such entity to sell goods or services on its platform."

"Conventional flash sales are not banned. The proposed amendments aim to bring transparency. The government has received widespread complaints of cheating and unfair trade practices on e-commerce platforms," a senior official said.

Cross-selling, which involves additional offers for other goods once a particular item has been purchased, should have "adequate disclosures" for buyers.

The draft rules also seek to protect consumer data by prohibiting e-commerce firms from making "available any information pertaining to the consumer to any person other than the consumer without the express and affirmative consent of such consumer".

The draft rules also provide for a chief compliance officer. They also stipulate new obligations on e-commerce sites to share cyber-security incidents promptly with appropriate authorities.

A mail to Amazon India's corporate communications, seeking its views on the draft rules, went unanswered till the time of going to press.

The government had radically overhauled the Consumer Protection Act 1986 by passing an amendment to it in 2020 to keep pace with a changing marketplace.

According to a March report by financial technology firm FIS, the Covid-19 pandemic has given a major boost for the country's e-commerce market, which it said, was expected to grow 84% to reach $ 111 billion by 2024.

Source: hindustantimes.com– June 22, 2021

HOME

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Banned HTBt cotton acreage may double in Maharashtra

Cotton is cultivated in 29% of the total land under Kharif cultivation in Maharashtra of which the HTBt variety covers 25-35% of the area

About 50 per cent of the total cotton cultivated in Maharashtra this Kharif is likely to be herbicide-tolerant Bt (HTBt) cotton as estimated 5-7 lakh cotton farmers in the State might prefer the banned HTBt seeds over other varieties available in the market.

Cotton is cultivated in 29 per cent of the total land under Kharif cultivation in Maharashtra of which the HTBt variety covers 25-35 per cent of the area. Last kharif, cotton was planted on 42.86 lakh hectares in Maharashtra of which about 11-13 lakh hectares was estimated to be under HTBt. This year, about 50 per cent of the total cotton cultivation will be under HTBt as ample amount of seeds are available in the market, said Shetkari Sanghatana (SS) President Anil Ghanwat.

"HTBt cotton cultivation is going on in the State for the last ten years. We have not found any negative impact of the variety on humans and animals. It is high time the Centre legalised HTBt seeds. The seed industry should push for legalisation of HTBt seeds instead of demanding actions against those selling and using this variety," said Ghanwat.

Industry's concerns

In a recent letter to Agriculture Secretary Sanjay Agarwal, the Federation of Seed Industry of India (FSII) stated that its member companies account for around 60 per cent of the market share and contribute nearly 70 per cent of research and development-based expenses of the seed industry. "We have raised this issue with the ministry before as well.

However, this year there is a big increase in such illegal cultivation especially in Maharashtra from 30 lakh packets last year to about 75 lakh packets this year. It will not only decimate small cotton seed companies but also threatens the entire legal cotton seed market in Maharashtra.

To make matters worse, the illegal seeds are sold using the brand name of prominent companies," said Shivendra Bajaj, FSII Executive Director, in a letter.

"It seems that the major production of this cotton seed is in Gujarat and transported to Maharashtra. Werequest you to provide suitable instruction to the authorities for taking necessary action to put a stop to such illegal activities and take strict action against the offenders" FSII demanded in the letter.

According to reports, the State Agriculture Department has recently seized HTBt seeds worth ₹2.5 crore from Nagpur and Amravati regions.

Source: thehindubusinessline.com– June 21, 2021

HOME

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Unshackle e-commerce for Covid recovery

As India comes to terms with the second wave Covid infections, lockdowns and curfews are set to become more frequent to reign in the rising number of cases. The recent surge in infections has crippled the existing healthcare system. India had only started to cope with the after-effects brought about by the pandemic last year, it has been engulfed in another crisis which has eclipsed global numbers.

Maharashtra, Delhi and more recently Karnataka and Puducherry have announced lockdowns to break the chain and curb the relentless spread of the virus. Human lives need to be protected at all costs and while lockdowns seem like an extreme step, signs point towards them being effective. For example, the number of daily cases in Mumbai has come down to around 3,000 from a peak in excess of 10,000 in the last month. However, it is imperative for governments to apply learnings from 2020 to ensure there is no financial meltdown 2021.

Recently, Bank of America Securities India economists Indranil Sen Gupta and Aastha Gudwani stated that, “It remains to be seen if the second wave subsides without a national level lockdown. A month of nationwide lockdown costs 100-200 bps of GDP. This poses a 300 bps risk to our 9 per cent real GVA growth forecast for FY22.”

Lockdown impact

Quantifying the losses, Confederation of All India Traders (CAIT) mentioned that the lockdown in Delhi and other States has already caused a business loss of about ₹5 lakh crore in past 25 days due to Covid pandemic and subsequent restrictions including night curfew, weekend lockdown, partial lockdown and full lockdown. Further, CAIT stated that due to the fear of corona, about 80 per cent of the people across the country have stopped coming to the markets for shopping.

Shutting down or severely restricting some sectors to contain the pandemic seems inevitable. However, at the same time, both the Central and State governments need to apply some method to the madness. As regions across the country enter various stages of lockdown, it is important to ensure that the retail sector can function to capacity under Covid protocol. In this regard, we need to understand the role played by e-commerce in the preceding year and how it has emerged as a critical function of our economy.

The pandemic has caused a major shift in consumer patterns and behaviour in India. As per latest reports and surveys, the e-commerce sector has seen sustained growth in the wake of the pandemic. The pandemic forced a sizeable portion of India's workforce to shift to a work-from-home lifestyle. The total annual online shoppers increased from 135 million in 2019 to 160 million in 2020 causing an unprecedented growth of 40 per cent in 2020 [RedSeer; 2020].

In fact, this growth presented companies with new challenges as several e-commerce platforms started facing unprecedented demand and items went out of stock frequently. The latest lockdowns have also resulted in a sharp rise in the prices of essential items such as medicine [ILO; 2020] and food grains [FAO, United Nations; 2020].

Key driver

While e-commerce is still in a nascent stage in India and only accounted for 4.3 percent of India's retail market in 2020, it has been a key driver for growth. In fact, e-commerce has laid the foundation for India to adopt technology and withstand the effects of a global pandemic. The e-commerce sector has been successful in creating a robust and resilient ecosystem.

In order to establish a viable business model, the Indian e-commerce sector has consolidated supply chains, provided back-end technology integration and strengthened digital payments [MEITY]. It has achieved comprehensive supply chain integration to access 100 per cent of India's pin codes leading to higher consumer discretionary spend with access to a more diversified consumption basket.

Instead of curbing e-commerce, governments should be promoting it. The year 2020 saw a swift adoption of technology and was able to pave the way for integration between online and offline channels. Last year, governments curbed the sale of 'non-essential' goods through e-commerce and the same has been adopted by Maharashtra and Delhi this year.

However, this move does not do justice to the shifting nature of essential or non-essential goods. It is impossible to define 'essential' and 'non-essential' items due to their subjective nature. For instance, for people working from home would consider electronics as an 'essential good' but according to the government, electronics is listed as a non-essential.

Similarly, the onset of summers would mean that an air-conditioner and allied products will become essential to a large section of the society. Therefore, it's necessary to either significantly broaden this criteria or better, allow all deliveries through e-commerce.

A preferred mode

The performance of the e-commerce sector in the past year has demonstrated that Indian citizens are willing to adopt change to minimise risks presented by the corona virus. Even when the rate of infections was on the decline between the first and second waves, e-commerce became a preferred mode of shopping for Indian consumers.

Latest figures [Goldman Sachs; 2020] pertaining to e-commerce show that only $3 billion out of the $38 billion of the goods sold online are groceries, the rest fall under non-essentials. It is imperative to allow the sale of all goods through e-commerce, explore synergies between offline and online retail and ensure safe deliveries of goods to safeguard the economy and serve the needs of the consumer.

At such time, when consumers and traders are reeling from the effects of a lockdown, banning non-essentials can have a crippling effect on the economy, and inconveniencing the consumers directly, causing them to go out to get their 'essentials', which is the last thing we need today.

Source: thehindubusinessline.com– June 21, 2021

HOME

****

Tamil Nadu will take steps to reverse economic slowdown : Governor

The Tamil Nadu government said the State's fiscal situation is precarious with persistent high revenue and fiscal deficits and a large overhang of debt. The fiscal health of the State is a cause for concern, and this Government will focus on improving the fiscal position and bringing down the overall debt burden.

As a first step, a white paper detailing the true state of Tamil Nadu's finances will be released in July, said the Governor of Tamil Nadu Banwarilal Purohit addressing the first session of the 16h Tamil Nadu Assembly on Monday.

The State government will make all out efforts to reverse the slowdown and usher in a period of rapid economic growth taking full advantage of the available limited window of the demographic dividend. It hopes to chart out a rapid and inclusive economic growth path with the guidance of an economic advisory council, comprising development and macro economists.

Even as the State's fiscal health is in a bad shape, a total amount of ₹10,068 crore has been provided as livelihood assistance to the people, as Tamil Nadu is one of the worst-affected among the States by the second wave of Covid-19.

To provide succour to the people suffering from loss of income, the State government disbursed ₹4,000 as relief assistance in two instalments, totalling ₹8,393 crore to all 2.1 crore rice ration card holders in the State in May and June, said Purohit.

Further, grocery kits worth ₹466 each, containing 14 essential commodities have also been provided to all rice ration card holders at a total cost of ₹977.11 crore. Additional 5 kgs of rice for each person in the family is being provided to all rice card holders in the State for the months of May and June at an additional cost of ₹687.84 crore to the State government, he said.

He also said the State government will take all necessary measures to counter the possible third wave. All the ongoing construction projects in the health sector, including that of the 11 new medical colleges are being expedited for early completion. A new 500 bedded multi-specialty hospital will be constructed in the King Institute campus, Chennai at a total cost of

₹250 crore. Oxygen storage and production capacities are being further augmented in many Government Hospitals across the State.

Among other announcements, Purohit said the government will take all steps to achieve the target of 125 lakh tonnes of food grain production during 2021-22. A Master Plan for fully realising Tamil Nadu's tourism potential will be announced during this year. Heritage tourism will be given a boost by restoring and renovating old forts and palaces while retaining their originality.

Source: thehindubusinessline.com– June 21, 2021

HOME

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