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INTERNATIONAL NEWS

Merchandise trade posts strong gains in first quarter despite growing regional disparities

Global merchandise trade continued to bounce back in the first quarter of 2021 from its collapse earlier in the pandemic, but the pace of recovery has diverged strongly across countries and regions. The volume of merchandise exports and imports in the first quarter rose to new heights in Asia, reverted to pre-pandemic levels in Europe and North America, and lagged in poorer, less industrialized regions such as Africa and the Middle East.

The volume of world merchandise trade grew 2.1% quarter-on-quarter in Q1, which is equivalent to an annual rate of 8.7%. Year-on-year growth picked up to 4.3% in the same period.

A bigger increase is expected in the second quarter due to the steep decline in the same quarter a year ago. The current pace of recovery is broadly consistent with the WTO's most recent forecast of 31 March 2021, which predicted global merchandise trade growth of 8.0% in 2021 and 4.0% in 2022. Inequitable access to COVID-19 vaccines continues to pose the greatest threat to the economic outlook since a failure to protect all people regardless of income leaves populations vulnerable to further waves of infection. The next forecast update will be released in October.

Most regions have seen merchandise exports and imports recover to varying degrees since trade bottomed out in the second quarter of last year. The major exception is the Commonwealth of Independent States (CIS) including certain former and associate members, exports of which have continued to decline.

In the first quarter of 2021, merchandise export volumes were up in Asia (+21.0% year-on-year) and Europe (+1.9%). They were down slightly in South and Central America (-0.1%) and North America (-2.2%), and down more substantially in Africa (-4.6%), the Middle East (-8.4%) and the CIS (-13.9%).

By comparison, merchandise import volumes were up year-on-year in all regions except Africa (-0.9%) and the Middle East (-2.7%). Overall, it appears that the trade recovery to date has been strongest in Asia and weakest in regions that export natural resources disproportionately.

Merchandise trade values

Merchandise trade in nominal US dollar terms also rebounded strongly in the first quarter, up 14% year-on-year, due to a combination of increased quantities and higher prices. The sharp decline and subsequent rebound since the start of 2020 mostly reflects trends in manufactured goods trade, while other product categories made smaller contributions.

Prices of primary commodities fell during the first wave of the pandemic but have since risen steadily, contributing to the upswings in fuels, mining products and agricultural products trade. In May 2021, prices were up 194% year-on-year for fuels, 54% for metals, 45% for food and 26% for agricultural raw materials according to IMF primary commodity price statistics.

Click here for more details

Source: wto.org– June 24, 2021

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Global cotton prices to rise to $1.72 per kg in 2021

Although cotton production is projected to increase by 5 per cent in 2021, it is unlikely to return to 2019 levels. Demand on the other hand, is expected to outpace supply leading to a rise in global cotton prices. As per a World Bank report, the global average price of raw cotton will rise to $1.72 per kg in 2021.

Favorable weather, increase in area to boost cultivation

The main factors driving up prices rise is increasing demand from global markets, says Indexbox's new report 'World Cotton Lint-Market Analysis-Forecast, Size, Trends and Insights'. It states, favorable weather conditions and increase in area under cotton cultivation will boost yields in the US by 523 tons, in Brazil by 436 tons, Australia 239 tons and Pakistan 174 tons during the year.

On the other hand, production in China will decline giving way to India to increase its share of cotton production to 24 per cent. Pakistan, India, Bangladesh, Vietnam, Turkey and China will be the major demand drivers of cotton lint in 2021. China in particular, will step up imports as local production will not be able to meet domestic demand.

Recycling technologies to curb water consumption

In 2021, growth in cotton market will be challenged by strong competition from other natural and functionally similar materials such as hemp or flax as well as synthetic textile materials. Farmers will prefer growing hemp for its convenience and lower water consumption.

Also, cotton requires large amounts of pesticides and is often grown by countries employing forced labor. This compels many apparel manufacturers to divert their supply chains towards more ethical suppliers. In order to make cotton production more sustainable, industry leaders need to introduce a new cost-effective recycling method that also reduces water consumption.

India's cotton exports decline in 2020

In 2020, India's cotton lint exports decreased for first time since 2016 by 9.2 per cent. India exported 965,000 tons of cotton lint during the year

followed by Brazil which exported 865,000 tons. Together, the two countries made up 23 per cent of global cotton lint exports. They were followed by other exporters including Benin, Greece, Cote d'Ivoire, Burkina Faso, Nigeria, Australia and Uzbekistan which together made up 19 per cent of total exports.

The US was the largest exporter of cotton lint during the year in value terms. It exported 46 per cent of global cotton lint followed by India and Brazil. The average price of cotton lint exports declined 6.9 per cent in 2020 to $1,616 per tons. Nigeria commanded the highest price for cotton lint exports at $2,222 per tons followed by Uzbekistan whose exports were priced at $1,823 per ton and India whose cotton lint exports fetched $1,501 per ton.

China the largest cotton lint importer

After growing for nearly three years, cotton lint imports declined by 16.8 per cent to 7.1 million tons in 2020. Value also declined to $12.2 billion during the year. With 1.9 million tons, China was the largest importer of cotton lint during the year followed by Vietnam with 945 tons and Pakistan 819 tons.

Together the three countries along with Turkey and Indonesia imported 79 per cent of world's cotton lint. In value terms, China imported 29 per cent of global cotton lint. Imports amounted to $ 3.6 billion second largest importer Vietnam imported $1.4 billion. Pakistan was the third largest importer of cotton lint with a 12 per cent share.

The average price of cotton lint imports declined 5.3 per cent in 2020 to $1,706 per tons. India's imports were priced highest at $1,979 per ton followed by China at $1,929 per ton, Viet Nam at $1,486 per ton and Turkey at $1,519 per ton were amongst the lowest.

Source: fashionatingworld.com– June 24, 2021

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Australian cotton exports to China are plummeting

The quantity of Australian cotton that passed Chinese customs clearance remained low, while price quotation and purchasing were also sluggish for the commodity as Chinese businesses had become cautious about importing Australian cotton amid the two countries' cooling relations.

Experts said that Australian cotton is losing its once favored market status in China as demands soared for domestically produced cotton, particularly produced in Northwest China's Xinjiang Uygur Autonomous Region, which is of high quality.

In 2019 and 2020, the quantity of Australian cotton that passed customs clearance at major Chinese ports were low, and certain traders only had 1-3 containers of cotton to be sold, a report of Chinese cotton news portal cncotton.com said, citing port traders as saying. The report said that most Chinese traders and middlemen were cautious about purchasing Australian cotton.

A manager surnamed Chen, of a cotton trading agency based in Qingdao, East China's Shandong Province said that cotton imported from Australia has encountered problems with customs clearance in recent months and was at increased risk of being denied entry into China. "Many (of our) clients are worried and don't want to order Australian cotton any more, their motivation in acquiring for the price of Australian cotton has been very low," he told the Global Times.

Data calculated by the China Cotton Association showed that the China's cotton import from Australia has been edging down since 2019, but the drop has intensified since 2020. Last year, China imported 40,170 tons of cotton from Australia in 2020, down 68 percent from 2019. The association's statistics also showed that cotton imports from Australia have continued to slump this year. In the first four months this year, China imported 12,706 tons of cotton from Australia, down 68.4 percent on a yearly basis.

China was the top major destination of Australian cotton from September 2020 to March 2021, accounting at 36.5 percent of its total cotton exports. The drop in China's imports of Australian cotton came amid increasingly fraying relations between the two nations. In 2020, China's imports from Australia decreased 4.6 percent on a yearly basis to 796 billion yuan ($123 billion), a Chinese customs spokesperson said in January.

Jiao Shanwei, editor-in-chief of cngrain.com, a website specializing in grain news, said that the cooling diplomatic relations has causedthe slumping exports of Australian cotton to China. "Importers should be worried that China may impose anti-dumping and anti-subsidy duties on Australia cotton similar to barley, and shun the commodity's trade to prevent potential risks," he told the Global Times on Thursday.

Some Australian media reported that there is speculation that a hefty punitive tariff might be slapped on Australian cotton. Chinese experts said that Australia is "eating its own medicine" for losing market share in China, not only as a result of the country's growing hostility toward China in policymaking, but also because its products have lost edge in terms of price or quality.

Wang Zhankui, a senior industry analyst, told the Global Times on Thursday that China's cotton has gained a reputation for being of high-quality, and can replace Australian imports. "Previously, Australia's cotton had some edge, but with the rising quality of domestic cotton produced in Xinjiang and elsewhere, Australian cotton's advantages are lost," he said, adding that another reason why domestic cotton can replace Australian cotton is its high yield.

Huang Tingyu, vice president of Chinese textile company Grace, told Global Times that they only use domestic produced cotton for knitting and had never used Australian cotton. "When we began to build cotton processing base, we had compared the features and quality of cottons from US, Pakistan and India, and finally we settled on Xinjiang cotton," said Huang. "The cotton from Australia didn't appear on our candidates list."

Experts also noted that China can easily find alternatives to replace cotton from Australia.

"As China is a major grower of cotton, changes in imports wouldn't affect the country's cotton consumption and supply much.If cotton imports from Australia plummet, we can increase cotton growing area in the country or import it from other destinations like Brazil or the Black Sea countries,"Jiao said.

Source: globaltimes.cn– June 24, 2021

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US-PRC trade war jolts cost global value chains 3-5 yrs of growth: UN

Trade shocks induced by the tariff battle between the United States and China have undone three to five years worth of growth among global value chains in affected countries, according to a policy brief by the United Nations Development Programme (UNDP), which said trade within those supply lines shrank in absolute terms along with other types of trade.

The countries, however, will stay at the core of Asia-Pacific economic recovery even as global manufacturers consider moving production closer to home.

"The trade policy shock is therefore very large," a news agency reported quoting the UNDP report. "However, while there is some unraveling of global value chain linkages, there is by no means a wholesale disintegration of the model."

While the effect of the shocks is 'far from negligible', the absence of policies designed to disrupt production sharing makes it "extremely costly to radically alter the prevalence of global value chain trade", the report said.

Apart from the trade war, restrictive trade policies during the COVID-19 pandemic have also amplified shocks as producing countries restricted exports, the report stated. The supply troubles evolve as the cost of shipping goods across the globe is skyrocketing, threatening to boost consumer prices and compounding concerns in global markets already bracing for accelerating inflation.

"What we've seen both because of the pandemic and because of the trade war is that countries, including China and the U.S., have actually diversified risk," said Kanni Wignaraja, UN assistant secretary-general and UNDP's Asia-Pacific director.

"Previously there was a lot of talk saying 'Let's go for least cost,' and the cheapest option started stretching that global value chain," she said. "Now we've seen this double shock, showing the advantage of our global value chain system because you're starting to see the diversified risk, and more reliance on multiple suppliers in multiple countries."

The report found 'significant potential' for countries to boost trade through two mega agreements, the Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), both of which involve a number of economies in Asia.

Nations participating in the CPTPP may enjoy the equivalent of 12 years of additional global value chain integration based on the rate observed between 2000 and 2018, while RCEP countries may see a boost equal to around five years, according to the report.

The UNDP policy brief also recommended that Asian economies that rely on the export of goods like transport equipment, electronics, textiles and apparel, should focus on developing general redistribution policies and social-safety nets.

Source: fibre2fashion.com– June 24, 2021

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China may open up to more Foreign Cotton after Xinjiang ban

China looks likely to allow more cotton imports than usual this year after a U.S. ban on fiber from Xinjiang spurred some Western retailers to avoid material produced from the controversial region.

Beijing may issue another batch of import quotas soon to meet rising global demand for textiles after awarding 700,000 tons last month, said Xu Yaguang, an analyst at Huatai Futures. China issued just 400,000 tons of quotas in 2020.

Washington banned entry of all products using cotton from Xinjiang early this year over China's alleged ill-treatment of its ethnic Uyghur Muslim minority. Hennes & Mauritz AB -- better known as retail brand H&M -- also refused to use cotton from the region, which accounts for around 80% of Chinese output and a fifth of the world's supply of the fiber.

The Biden administration is increasing pressure on China over Xinjiang, where advocacy groups and a panel of United Nations experts say Uyghurs have been subjected to mass arbitrary detention and forced to work against their will. The U.S. is poised to bar some solar products made in the region, according to several people familiar with the matter.

China's cotton imports have already increased following the U.S. ban, customs data show. Inward shipments have averaged around 275,000 tons a month in 2021, compared with 179,000 tons last year and 154,000 tons in 2019.

Huatai Futures' Xu said the next batch of import quotas would likely be smaller than the 700,000 tons last month. China also issues 890,000 tons of low-tariff cotton-buying quotas on an annual basis, so the extra amounts come on top of that. The country awarded 800,000 tons of additional quotas in 2019 before Covid-19 savaged the global economy.

The potential opening up to more cotton imports comes as the global recovery gains traction, boosting demand for apparel. International supply has also been hit by cooler-than-normal weather in Xinjiang and droughts in other top growers Brazil and India. Cotton futures have risen by 44% over the past year.

The government could issue even more quotas later in the year if more textile export orders are diverted to China from India, said Mao Chengsheng, an analyst at Chaos Ternary Futures Co. As well as the additional quotas, Beijing may soon hold its annual sale of cotton from state reserves, said Wang Qianjin, a senior analyst at Shanghai International Cotton Exchange. The government sold 500,000 tons of cotton in the first such offer last July.

Source: bloomberg.com– June 24, 2021

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Sri Lankan Factory Bosses Playing 'Catch Up' on Orders with 'Very Little Leeway'

Struggling to weather a third wave of Covid-19, Sri Lankan garment factories are fighting for survival with facility closures and new restrictions in place since April.

The impact is being felt by laborers who risk infection given the nature of factory work, often living in close quarters in crowded neighborhoods or dormitories, as well as factory owners struggling to keep safety measures in place and meet delivery deadlines while running at 50 percent capacity.

"If we go out of business, that doesn't help the workers at all," said Rehan Lakhany, chairman, Original Apparel Private Limited, citing the dire outlook, with factories forced to shut down for weeks when infections surged while already running at lower labor capacity and facing ocean vessel congestion and delays. Sri Lanka has 350,000 garment workers, and its businesses support approximately one million citizens. Much more as a percentage of the 20 million-strong population, as Lakhany pointed out, than Bangladesh.

Apparel factories across the country are seeking leniency and support from their partners. When Western retailers and brands suffered shutdowns and losses in early 2020, order cancellations were rampant, and requests turned into demands for longer payment windows.

Now, the manufacturers are asking, will global brands help with freight costs and delays as they suffer a brutal Covid wave?
"At this time, the customer is fine, the producer is in trouble," said Mahika Weerakoon, CEO of Trendywear Private Limited, a business her mother started 33 years ago.

"It's been a lot of stress and anxiety as a factory owner. On the one hand, we are responsible for the safety of the workers and we have to ensure that they are tested, get provisions and help manage the quarantine. On the other, we have to ensure orders are met, and there is very little leeway in terms of deadlines with retail having opened across the world," she told Sourcing Journal.

The point is being echoed across the industry, which had projected catching up with the 2019 apparel exports of approximately $5.3 billion. In 2020, that total dipped to $4.15 billion.

As of April, Sri Lanka garment exports were close to the levels seen in 2019, at $345 million compared to $342 million, up from the comparative $60 million in April 2020 when the country faced a near-total lockdown.

This time, clothing factories have been allowed to continue functioning despite the lockdown set off after the Tamil and Sri Lankan new year holidays when many workers traveled to visit families. Covid spiked with their return to factories.

"Let me put it this way," Weerakoon said, "The first wave had me under constant claustrophobia…I couldn't sleep, I didn't know what to do. With the second wave there was more acceptance. With this third wave my doctor told me that I need to do something about my stress levels, chest pains, headaches."

"As manufacturers, we are being bombarded with all sorts of things," said Lakhany of Original Apparel. "The industry works on long orders that you have to ship in three to four months, and one of the biggest issues is meeting the target dates given the impact of the third wave. Even as we struggle to complete the work, one big issue is that air freight costs—now the only way to meet the deadlines—add five to six times the cost."

"The problem is no assistance from any entity. We don't have support from local government as it is going through a financial crisis; The European Union has assisted some countries with monetary support. But Sri Lanka has remained out of the radar. That is the reality," he said.

As the Sri Lanka supply chain has become more sophisticated in the kind of orders it fills, more design-heavy, and catering to specialty needs, global brands have not shifted their focus from production there.

"The orders are there, it's how fast we can catch up," Siddharth Hirdaramani, the fourth generation of a family that has 15 factories in Sri Lanka and 22,000 workers, told Sourcing Journal. The group also has factories in Ethiopia and Vietnam. "Sri Lanka has always been a niche for the apparel sector. We're not nearly as big as Bangladesh or India, but the apparel industry in Sri Lanka is known for its higher-value product and as social and environmental compliance industry leaders."

It is clear that the size of the company isn't enough protection. "There are three weeks to three month delays in delivery and we're having a loss of sales," he said, adding that running at 50 to 60 percent capacity is "extremely challenging in a labor-intensive industry."

"From our point of view, the priority has been the health and safety of workforce," he said. "We've tried to social distance as much as we can, but there is no way around the delays."

Other changes have been endemic. "We have to change with the industry trends, specifically with the pandemic in 2020 when there were no orders, moving to manufacture masks, gowns, PPE, work-from-home clothing, hoodies with built in masks, athleisure, sleepwear—we've had to be flexible. That's been key to our survival. As has the digitization journey," Hirdaramani said.

He, for one, has seen hopeful signs. "Some of our customers have partnered with us on air freight, wholesalers have managed to get extended terms from their retail partners, and we are asking the others to support in the same way," he said.

Sri Lanka's garment factories—along with major brands and the government—need to extend a similar hand to their workers, labor advocates argued Thursday, citing the "devastating consequences" the current wave of the pandemic has wrought on their health, livelihoods and right to unionize.

With many factories open, workers have to huddle into tight spaces, and not always with sufficient protective and hygiene measures, according to the Clean Clothes Campaign, the garment industry's largest consortium of labor groups and nonprofits. Many are also unable to adhere to social distancing in crowded boarding houses. Forced into these "infection hubs," at least six workers have died from Covid-19 during this current wave and many others have fallen ill, it said.

"Factories are forcing workers to come to work during this wave of the pandemic," Chamila Tishari, program coordinator at the Dabindu Collective, said in a statement. "If workers are infected, they have to wait many days before being quarantined or hospitalized. Even though garment-producing zones are playing a major role in the Covid-19 outbreaks, the vaccine strategy of Sri Lanka is not prioritizing garment workers."

Sri Lankan unions have repeatedly called for the establishment of bipartite health committees in factories that would allow workers to have autonomy over their own workplace safety. Other factors, including wage theft, union-busting practices and climate-change-induced extreme weather, which can lead to flooding, are also exacerbating workers' distress, they said.

The Clean Clothes Campaign is urging factory owners to take responsibility to ensure their workers receive what they are owed. In the case of brands, not only should they meet with trade unions to negotiate a "memorandum of understanding" on health measures, wages and bonuses, basic labor rights and a dispute resolution mechanism, but they must also sign a binding agreement on wages, severance and the right to organize. To enable Sri Lanka's workers to "stand up for their own health," they have to push for the creation of bipartite health committees as directed by local authorities.

"Brands and retailers have made large profits on the basis of the low wages of workers in the Sri Lankan garment industry," said Palitha Atukorale, president of Progress Union. "The least they can do is to ensure during the pandemic that workers receive their full wages, get severance if they lose their job and can stand up for themselves. These major profitable brands and retailers have a moral obligation to sign a binding agreement that can ensure workers are paid what they are owed."

Source: sourcingjournal.com– June 24, 2021

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UK shoppers struggle to be understood by chatbots: survey

Although chatbots are primarily used for customer service, more than half of UK shoppers want to also use chatbots to connect with an employee for advice and 45 per cent want support finding specific products, according to a survey of 800 respondents by Lucidworks, provider of the Connected Experience Cloud. Two-fifths of UK shoppers said they use a site's chatbot often or at every visit.

Unfortunately, frequent usage does not translate into satisfaction with over 40 per cent of respondents saying chatbots understand them rarely or never.

The survey about shopper behaviour and preferences in the United Kingdom and the United States outlines how shoppers interact with chatbots, product and content recommendations, where they prefer to do research, and plan for future in-store shopping.

Shoppers are ready for an experience that's as multifaceted as they are; this includes expanded chatbot capabilities, diverse recommendations that incorporate content, and personalised experiences that understand who they are and what they like, the company said in a press release.

Simply providing a chatbot is not sufficient, and a below-par experience can actually do more harm than good. Brands need to up their game, and invest in machine learning and natural language processing to extend a chatbot's functionality so shoppers can ask questions in a natural way and get immediate, relevant and contextual answers.

Product recommendations are a proven approach to adding value to consumers' shopping experiences, as well as increasing average order value for brands. The overwhelming majority of shoppers (78 per cent) across the UK and the US interact with product recommendations always or often, and 58 per cent of UK shoppers say every visit or often they buy recommended items they didn't initially plan on buying.

However, shoppers also signaled that suggested content, including how-to and do-it-yourself (DIY) guides, expert recommendations and product videos, are useful, particularly during the research phase of a customer journey.

Almost two-thirds of UK shoppers do research always or often before making a purchase. Reviews from other customers were most popular, and roughly a quarter of respondents reviewed branded content on the website before purchasing.

Although recommending this type of unstructured content is more difficult for legacy commerce technology environments, surfacing relevant content builds trust with shoppers and keeps them on site longer, the survey found.

Many of the shopping behaviours adapted over the past year will continue even once restrictions are lifted. For example, 39 per cent of UK shoppers plan to visit in-person stores less often than before COVID-19. Willingness to return to stores in-person varied across verticals.

Apparel appears more resilient than other industries. Although today, two-thirds of UK shoppers buy apparel or clothing online to have it delivered, as restrictions lift more than half of shoppers (59 per cent) plan to primarily purchase apparel or clothing in person.

Source: fibre2fashion.com– June 25, 2021

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25% fall in FDI flows to SE Asia in 2020; flows to India rose: UNCTAD

Foreign direct investment (FDI) inflows to developing Asia as a whole were resilient, rising by 4 per cent to $535 billion in 2020; however, excluding sizeable conduit flows to Hong Kong, flows to the region were down by 6 per cent. While inflows to China rose by 6 per cent to $149 billion, Southeast Asia saw a 25 per cent decline and flows to India increased, driven in part by merger and acquisitions (M&As).

Elsewhere in the region, FDI shrank. In economies where FDI is concentrated in tourism or manufacturing, contractions were particularly severe. M&A activity was robust across the region, growing by 39 per cent to $73 billion–particularly in technology, financial services and consumer goods.

In contrast, the value of announced greenfield investments contracted by 36 per cent to $170 billion, and the number of international project finance deals stagnated.

Flows to East Asia rose by 21 per cent to $292 billion, partly due to corporate reconfigurations and transactions by multinational corporations headquartered in Hong Kong.

FDI growth in China continued in 2020, with an increase of 6 per cent to $149 billion, reflecting the country’s success in containing the pandemic and its rapid GDP recovery. The growth was driven by technology-related industries, e-commerce and research and development.

South-East Asia saw FDI contract by 25 per cent to $136 billion. The largest recipients—Singapore, Indonesia and Vietnam—all recorded declines. FDI to Singapore fell by 21 per cent to $91 billion, to Indonesia by 22 per cent to $19 billion, and to Viet Nam by 2 per cent to $16 billion.

Investment in South Asia rose by 20 per cent to $71 billion, driven mainly by a 27 per cent rise in FDI in India to $64 billion. Robust investment through acquisitions in information and communication technology (ICT) and construction bolstered FDI inflows. Total cross-border mergers and acquisitions (M&As) surged by 86 per cent to $28 billion, with major deals involving ICT, health, infrastructure and energy sectors.

FDI fell in South Asian economies that rely to a significant extent on export-oriented garment manufacturing. Inflows in Bangladesh and Sri Lanka contracted by 11 per cent and 43 per cent, respectively.

FDI flows in West Asia increased by 9 per cent to $37 billion in 2020, driven by an increase in M&A values (60 per cent to $21 billion) in natural resource-related projects. In contrast, greenfield investment projects were substantially curtailed, because of both the impact of the pandemic andlow prices for energy and commodities.

FDI in the United Arab Emirates rose by 11 per cent to $20 billion, driven by acquisitions in the energy sector. Inflows in Turkey decreased by 15 per cent to $7.9 billion. Investments in Saudi Arabia remained robust, increasing by 20 per cent to $5.5 billion.

FDI prospects for the West Asia region are more positive than those for other developing regions, owing to resilient intraregional value chains and stronger economic growth prospects. Signs of trade and industrial production recovering in the second half of 2020 provide a strong foundation for FDI growth in 2021.

Nonetheless, in smaller economies oriented towards services and labourintensive industries, particularly hospitality, tourism and garments, FDI could remain weak in 2021, the UNCTAD report added.

Source: fibre2fashion.com– June 24, 2021

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Canada, Indonesia discuss Comprehensive Economic Partnership Agreement

Canada and Indonesia recently began negotiations over a Comprehensive Economic Partnership Agreement (ICA-CEPA) that is expected to boost bilateral trade and investment. Canadian minister of small business, export promotion and international trade Mary Ng and Indonesian trade minister Muhammad Lutfi officially launched the talks during a virtual ceremony on June 21.

"Once it is concluded, an Indonesia-Canada CEPA will level the playing field and allow Indonesian businesses to compete with exporters from Canada's other free trade partners," ambassador Cameron MacKay said in a statement issued by the Canadian Embassy in Jakarta.

"This is an extension of President Joko Widodo's instruction to have Indonesia actively negotiate international trade deals to open new markets, especially new export markets, amid the pandemic," media reports in Indonesia quoted Lutfi as saying.

This is the second such agreement being negotiated with a country from the Americas after Indonesia ratified a CEPA with Chile in 2019. Canada has free trade agreements with over 50 countries.

Canada's and Indonesia's bilateral trade value is quite small, amounting to just over $2 billion in 2020, according to Statistics Indonesia. Canada was Indonesia's 15th biggest foreign investor last year, with investments standing at $175.3 million, according to Investment Coordinating Board. The United States invested $749.7 million, making it the eighth biggest investor.

The embassy's statement said that, in 2020, Canada's top exports to Indonesia were cereals, fertilisers, wood pulp, oilseeds and machinery while its top imports were rubber, electrical and electronic equipment and textiles.

Source: fibre2fashion.com– June 24, 2021

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Bangladesh: Council Apparel future lies in manmade fibre

Bangladesh's primary textile sector is undergoing rapid changes with local millers taking to producing significant amounts of manmade fibres alongside cotton fibres to meet rising global demand.

MANMADE FIBRE: KEY POINTS

- Imports rose 45 per cent in Jan-May 2021
- Japan and China made a big change in MMF technologies
- Globally 78 pc garments are made from MMF
- Bangladesh makes 74 pc garment items from cotton fibre
- Prices of MMF-based garment are higher
- Currently 40 local mills produce MMF

Import of manmade fibres grew a substantial 45.72 per cent to reach 99,597 tonnes in the first five months (January to May) of this year compared to 68,348 tonnes during the corresponding period in 2020, according to Bangladesh Textile Mills Association (BTMA) data.

Of the imports, about 61,693 tonnes were polyester staple fibre, 32,454 tonnes viscose staple fibre, and around 5,450 tonnes tencel and flax fibre.

The spending on such imports also increased amidst the ongoing coronavirus pandemic, which had disrupted the global supply chain for a long time.

Local importers, millers, traders and spinners spent about Tk 1,221 crore during the January-May period this year compared to around Tk 706 crore in the same period the last year, registering 73 per cent year-on-year growth.

The three main manmade fibres -- polyester, viscose and tencel -- have emerged as substitutes for cotton fibres, bringing on a revolution in global fashion trends.
Of all garment items produced in the world, 78 per cent is made from manmade fibres while cotton fibre accounts for the rest, according to data from International Textile Manufacturers Federation (ITMF), a Switzerland-based platform for global textile makers.

Mainly Japan and China have brought significant changes to global fibre technologies while ensuring that apparel items remain comfortable even

when made from petroleum by-products, plastic bottles, pineapple leaves or even tree bark.

But the case of Bangladesh is almost in reverse compared to the global trend.

Of the total garment items made in the country, more than 74 per cent are from cotton.

Using cotton fibres instead of manmade ones for export-oriented garment items is one of the major reasons premium prices cannot be availed from international clothing retailers and brands.

The price chart indicates that the value of Bangladeshi made garment items has not increased since the Rana Plaza tragedy.

However, local garment factory owners are now maintaining global workplace safety standards spending nearly $4 billion as per recommendations of the Accord and Alliance, two foreign agencies working on such upgrades.

This proves that limitations to product variations and overdependence on cotton fibres are the main reasons for premium prices from international retailers and brands staying elusive.

"For instance, the price range of a cotton fibre T-shirt made in Bangladesh could be between $3 and $7," said Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

However, if the same T-shirt is made from manmade fibres, the price is at least 30 per cent higher, he added.

The demand for manmade fibre-based garments is growing all over the world mainly due to being comfortable, durable and functional and ability to protect against cold.
BTMA President Mohammad Ali Khokon said the government should withdraw the nearly 15 per cent advanced income tax and advanced tax on manmade fibre imports to help expand the sector.

The total investment in the spinning sector alone currently stands at more than $8 billion but if manmade fibre-based industries grow further, so too will investment, he added.

For example, a more sophisticated section of manmade fibre-based industries is the filament yarn industry, where it takes at least Tk 500 crore to set up a factory.

So, in the future entrepreneurs will set up these types of factories in Bangladesh if the local manmade fibre-based industries can shine, according to the BTMA chief.

Khokon pointed out that Bangladeshi garment manufacturers used to import a large amount of fabrics to make jackets but local mills are now supplying the high-end textiles required thanks to investment in the sector.

Monsoor Ahmed, additional director of the BTMA, said use of sophisticated technologies in production of manmade fibres make them very comfortable while the demand for such items has been rising rapidly.

Currently, some 40 local factories have been importing, using and selling manmade fibres in Bangladesh while it was less than 30 just five years ago.

The rising number of factories that use manmade fibres also indicates that millers are showing a heightened interest in the sector.

However, manmade fibres are not a complete replacement for cotton fibre, Monsoor added.

The BGMEA chief also demanded a 10-year tax holiday for investments in the manmade fibre sector alongside a 10 per cent incentive for manmade fibre-based garment exporters.

"This would help increase investments in this new opportunity to grab a greater share of the global manmade fibre-based garment markets," he said, adding that Bangladesh has the installed capacity to manufacture and export manmade fibre-based apparel items.

Source: thedailystar.net– June 25, 2021

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Bangladesh: Private sector faces burdensome business climate: IFC

The private sector in Bangladesh faces one of the most burdensome business environments in the world, the International Finance Corporation (IFC) said in a report yesterday.

"To improve the business environment and attract more local and foreign investment, the country needs to embark on a new round of reforms," it said.
The report, the Country Private Sector Diagnostic, was launched at a virtual event.

The reforms would enable the country to have an economy of $900 billion by 2030 from around $300 billion at present, it said.

While Bangladesh has been one of the biggest development success stories in recent decades, it's now time to switch gears to meet ambitions to transform into an upper-middle-income country in the next decade, said the report.

"The pandemic has hit Bangladesh hard, and as the country recovers from Covid-19, the need for reforms will become even more compelling. Finding new sources of income and growth will be an urgent priority," said IFC Vice President for Asia and the Pacific Alfonso Garcia Mora.

The private sector, which already accounts for more than 70 per cent of all investments in Bangladesh, supported by a strong financial sector, will need to play an important role in spurring the recovery so that the country can grow, export and create quality jobs, the IFC said.

Key priority areas for the reform agenda include creating a favourable trade and investment environment for domestic and foreign investors, modernising and expanding the financial sector and removing impediments for developing infrastructure.

Transport and logistics, energy, financial services, light manufacturing, agribusiness, healthcare and pharmaceuticals sectors are among those with the strongest potential for private investment that could play a significant role in boosting economic growth.

Bangladesh has nonetheless reached the limit of its current development model, it said.

"Moving to the next stage of development will require a new round of reforms to strengthen and modernise the private sector, which faces an economic policy environment that increasingly undermines its potential to drive diversified, export-led growth."

High import tariffs and the discretionary use of regulations protect well-established businesses and sectors at the expense of the rest, and this impedes innovation.

Limited progress in opening the infrastructure sector for competitive private participation -- with the exception of power generation -- holds back investment and modernisation, the IFC said.

"As a result, Bangladesh's private sector has not moved beyond its initial success and is becoming increasingly concentrated and inward-looking, seeking to maximise rents from existing markets instead of embracing openness and competitiveness."

The report said the financial sector lacks the capacity to efficiently channel domestic savings into a productive investment because of an elevated ratio of non-performing loans and weak capital buffers, underscored by inadequate corporate governance, weak supervision, and a lack of breadth.

Since the private sector is the engine of growth, the facilities that have been given to the garment sector should also be extended to other sectors so that they can also perform well in export in a diversified way, said IFC Country Director Wendy Werner.

Currently, the garment industry contributes 84 per cent to the national export. Sectors such as leather and leather goods, footwear, agricultural products, jute and jute goods have a lot of opportunities to grow.

"For a more resilient, inclusive and sustainable growth, Bangladesh needs to diversify its export basket and develop a robust and sophisticated private sector, relevant in the post–Covid-19 recovery phase when public resources would be needed most in the social sectors," said Mercy Tembon, country director of the World Bank.

Salman F Rahman, adviser to the prime minister on private industry and investment, said protectionism was not always bad as, in some cases, it proved worthy.

For instance, the pharmaceutical industry is meeting 95 per cent of the domestic demand and exporting products to other countries due to protectionism. The same is also true for the primary textile industry, he said.

The infrastructures and power plants at Matarbari can be the game-changer for Bangladesh, he said.

Ahsan Khan Chowdhury, chief executive officer of Pran-RFL Group, said that investors needed funds from the government, local banks, debt markets, bond market, and international sources for the growth of the private sector.

Mamun Rashid, managing partner of PwC Bangladesh, said the foreign exchange regulation of 1947 needed to be amended as it acted as a stumbling block for foreign direct investment in the country.

Tofazzel Hossain Miah, secretary to the Prime Minister's Office, said the government had already formed six sub-committees with representation from businesses to simplify rules, improve logistics, facilitate trade, and create jobs.
The IFC report said challenges persist, with more than 40 million Bangladeshis still living below the poverty line today and nearly half the population vulnerable to falling back into poverty.

The private sector is responsible for 90 per cent of jobs in the developing world. "It is, therefore, critical to boosting the development of a broad-based private sector."

Source: thedailystar.net– June 24, 2021

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NATIONAL NEWS

Textile Minister calls for study on cotton yarn price

Union Textile Minister Smriti Zubin Irani called for a third party study of sudden spike in cotton yarn prices which affects the prospects across the value chain of Indian textiles.

Solution

At a virtual meeting on Wednesday, organised by the Cotton Textiles Export Promotion Council to present the Texprocil Export Awards, the Minister said cotton yarn price was an issue on which the Ministry of Textiles and the office of the Textile Commissioner sought to find solution in partnership with the industry.

Cartelisation

The Minister had directed the Textile Commissioner Office to find evidence of cartelisation which hurt the overall interest of the industry.

The Texprocil, jointly with the Office of the Textile Commissioner, should take up a third party, statistical study on the sudden spike in cotton yarn prices. The Ministry would support, wherever needed, for the study, she said.

The Minister also said that the Cotton Corporation of India had this year opened over 450 centres to procure cotton and MSP operations during the current year was to the tune of ₹26,720 crore, benefiting nearly 19 lakh farmers.

Product verticals

There were new product verticals in technical textiles where cotton could play a significant role, especially in medical textiles. The industry and the government could work together and add value through cotton in the Technical Textile Mission of India, the Minister said.

Source: thehindu.com– June 24, 2021

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S&P cuts India's FY22 growth forecast to 9.5%

S&P Global Ratings on Thursday cut India's growth forecast for the current fiscal to 9.5 per cent, from 11 per cent earlier, and warned of risk to the outlook from further waves of Covid pandemic.

The agency lowered the growth outlook saying that a severe second Covid-19 outbreak in April and May led to lockdowns imposed by states and sharp contraction in economic activity. “We forecast growth of 9.5 per cent this fiscal year from our March forecast of 11 per cent,” S&P said.

Stating that permanent damage to private and public sector balance sheets will constrain growth over the next couple of years, it projected India's growth at 7.8 per cent in the next fiscal ending March 31, 2023. “Further pandemic waves are a risk to the outlook given that only about 15 per cent of the population has received at least one vaccine dose so far, although vaccine supplies are expected to ramp up,” S&P said.

Indian economy contracted by 7.3 per cent in fiscal 2020-21 as the country battled the first wave of Covid, as against a 4 per cent growth in 2019-20.

GDP growth in the current fiscal was estimated to be in double digits initially, but a severe second wave of pandemic has led to various agencies cut growth projections. Earlier this month, RBI too cut India's growth forecast to 9.5 per cent for this fiscal, from 10.5 per cent estimated earlier.

Services disrupted

It said manufacturing and exports were less severely affected compared with 2020, but services were acutely disrupted. Consumption indicators such as vehicle sales fell sharply in May 2021 and consumer confidence remains downbeat. “The economy has turned a corner now. New Covid-19 cases have been falling consistently and mobility is recovering. We expect this recovery to be less steep compared with the bounce in late 2020 and early 2021,” it said.

S&P said households are running down saving buffers to support consumption and a desire to rebuild saving could hold back spending even as the economy reopens. “Monetary and fiscal policies will remain accommodative but new stimulus will not be forthcoming,” it added.

S&P said RBI has no room to cut interest rates with inflation above 6 per cent the upper end of the central bank target range.

Also, fiscal policy is constrained by limited policy space, particularly because the budget for fiscal 2022 (ending March 31, 2022), which was decided before the second Covid-19 wave, had already targeted a large general government deficit of 9.5 per cent of GDP.

S&P joins a host of global and domestic agencies which have cut India's growth estimates for current fiscal.

Another US-based rating agency Moody's has projected India to clock a 9.3 per cent growth in the current fiscal ending March 2022. For 2021 calendar year, Moody's has cut growth estimate sharply to 9.6 per cent.

Earlier this month, World Bank had slashed its GDP growth forecast for current fiscal ending March 2022 to 8.3 per cent, from 10.1 per cent estimated in April, saying economic recovery is being hampered by the devastating second wave of coronavirus infections.

Domestic rating agency ICRA too had projected economic growth at 8.5 per cent for this financial year, while British brokerage firm Barclays had last month cut India's growth forecast to 9.2 per cent.

Source: thehindubusinessline.com– June 24, 2021

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HSBC-backed Serai launches digital solutions to simplify trade for textile businesses

Serai currently has over 7000 companies on its platform from over 100 countries including India, UK, Bangladesh, Sri Lanka, USA and Australia. Serai, the digital B2B platform by HSBC that helps making global trade easier for apparel businesses has come up with various solutions to help apparel companies showcase their products and capabilities, grow their network and learn about their supply chain.

With the first Indian company joining in February last year, Serai now has over 2000 Indian brands, suppliers and manufacturers on its platform, including manufacturers liek Shivalik Prints, Radnik Exports and Indian Designs. This year Serai has seen a QOQ 23% increase in Indian apparel businesses joining the platform.

“India is one of the most culturally rich and diverse countries in the world with a wide range of home-grown textiles and apparel companies. While the travel restrictions brought about by Covid have made the traditional way of doing business difficult, this has opened up opportunities to take a new approach. Technology is a critical enabler for us to overcome these issues. Platforms such as Serai’s can help to aid the transition for apparel MSMEs in a post Covid, digital world. Companies can showcase their products and capabilities on the platform and build relationships with suppliers or buyers from all over the world,” said Vivek Ramachandran, CEO, Serai, in a statement.

Since its launch in 2019, Serai has launched several features aimed at encouraging the apparel businesses on its platform to network, build strong relationships and trade with each other. Recently it introduced a feature that allows buyers to upload their requests for quotations (RFQs) which can be responded to by manufacturers and suppliers on the platform. There were over 1800 RFQs submitted since February, indicating strong global demand for garment sourcing.

“We’ve introduced a private sourcing service for buyers who have specific needs. Serai experts will screen for potential suppliers and manufacturers based on the requirements stated by the buyers and arrange individual sourcing. This helps accelerate the buying cycle, especially for small and medium-sized buyers who may not have the network and resources a larger brand would have,” Ramachandran added in a statement.

With supply chain transparency being a priority for the apparel industry globally, Serai also launched its Traceability solution in January which allows apparel businesses to track cotton and other raw materials going into their products. Through the product, businesses can trace the order flow throughout the supply chain, manage supply chain risks and collect data for compliance purposes.

A subsidiary of HSBC, Serai currently has over 7000 companies on its platform from over 100 countries including India, UK, Bangladesh, Sri Lanka, USA and Australia. About 62% are suppliers and manufacturers, while 38% are buyers and brands primarily from the US, UK and Australia.

Source: economictimes.com– June 24, 2021

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73% SMEs didn't make any profit during FY21 amid Covid; majority insecure about future: CIA survey

73 per cent of Indian small and medium enterprises (SMEs) couldn't make a profit during the last financial year (FY21) while only 13 per cent broke even amid Covid impact, a survey by Consortium of Indian Associations (CIA), which represents multiple trade associations in India, said on Thursday. SMEs in most of the sectors such as retail, travel and hospitality, aviation, automobile, real estate, etc., were crippled during the first wave of the pandemic last year and the second wave this year.

The survey, which covered more than 81,000 self-employed individuals and SMEs in India through 40 partner SME associations of CIA earlier this month, also noted that 80 per cent entrepreneurs were insecure "about their future, with the double whammy of the pandemic crisis & economic implosion coupled with the lack of any support base."

"Last year, the government performed surgery on MSMEs without any sedation. This time there should be sedation of moratorium, capital support to MSMEs who have lost revenue, postponing all payment collection like GST, PF, ESI, etc., by six months so that whatever money MSMEs have can be used for this emergency situation," K.E. Raghunathan, Convenor, CIA and former National President, All India Manufacturers' Organization told Financial Express Online.

Multiple surveys have been conducted by associations, trade bodies, and corporates over the past financial year to underscore the impact of the pandemic on small businesses and suggest measures to accelerate their recovery. While the government and the Reserve Bank of India announced steps to cushion Covid distress, the support had seemingly fallen short to help revive MSMEs as indicated by the survey.

Among other key findings of the CIA survey included, 82 per cent respondents felt that the central and state governments weren't looking after their interests, 42 per cent were unable to decide on retention of employees, 59 per cent reduced their staff or sacked or removed them in comparison to the pre-Covid period, 88 per cent were yet to avail any of the stimulus packages introduced by the government amid Covid. The respondents included 49 per cent manufacturers, 15 per cent service providers, and 14 per cent self-employed, consultants, startups, traders, etc.

To enhance the recovery of SMEs, the survey suggested the government to first, exempt SMEs from statutory compliances, penal actions, and litigation; second, protect them from the high-interest burden, price wars, high cost of raw materials, losing employees, penalties, and late fees; and third, support them by giving liberal loans, clearing off the pending dues, offering moratorium with interest waiver, and not declaring NPAs for a year. CIA also proposed the government to amend the Micro, Small and Medium Enterprises Development Act, 2006, to strengthen the state facilitation councils.

"Micro Small Enterprises Facilitation Centers should be given more power to conduct their proceedings in a transparent and time-bound manner and enforce payment of the specified interest to the aggrieved MSMEs. The government also needs to make changes in the GST Act to make it SMB friendly," suggested Ravi Sood, General Secretary, Badli Industrial Estate Association.

Source: financialexpress.com– June 24, 2021

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Marking recovery in business activity, E-way Bill generation picks up pace

States ease Covid curbs enabling commercial recovery

As more States unlock Covid restrictions, the E-way Bills generation has also seen a sharp increase. It registered a significant rise during first 20 days of June -- over 34 per cent in number and over 20 per cent terms of value.

E-way bill is required to be generated by a registered GST taxpayer to move goods between States of value of more than ₹50,000. For intra-State movement, the limit varies in each State. Rise in generation means economic activities picking up and higher generation will also reflect in better GST collection.

Impact on tax deposit during each month will be known on the first date of the subsequent month. According to figures collated by the Finance Ministry, E-way Bill generation started showing improvement from last 10 days of May, and further improved in June. “Basically, we see improvement in June especially more in the value of E-way bills,” a senior Finance Ministry official said.

Though E-way Bill generation started dipping in April, a sharp slump was recorded during first 20 days of May and it was basically on account of pandemic induced stringent local lockdowns in economically significant States. Moody’s Investor Services, in its report had said that only 10 States account for 75 per cent of the total confirmed Covid-19 cases in India, with Maharashtra, Karnataka and Kerala the worst affected in terms of total confirmed and active cases. Moreover, these States collectively account for 63 per cent of the pre-pandemic level of GDP, with four of them – Maharashtra, Tamil Nadu, Uttar Pradesh and Karnataka – contributing the largest shares in financial year 2019-20.

With the improvement in economic activities, States are expected to lessen stress on their finances. In a report, economic research firm, Crisil said that aggregate GST collections, which account for a fifth of the revenues of States, recovered well in the fourth quarter of last fiscal as economic activity sprung back. Further it mentioned that the momentum continues this fiscal, with April and May collections averaging ₹0.93-lakh crore, marking an 11 per cent growth over fiscal 2020.

"While the second wave of the pandemic may moderate GST collections in June-July, we expect a recovery to pre-pandemic levels by August,"Manish Gupta, Senior Director with CRISIL Ratings said while adding that CRISIL expects India's GDP to grow 9.5 this fiscal which should assist GST collections to marginally better the pre-pandemic levels.

Source: thehindubusinessline.com– June 24, 2021

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Accessing South Asian Markets from India's SAARC Free Trade Membership, Preferential Trade Agreements

Since 1991, India has strived for economic liberalization by implementing an open trade regime. This process has however been tempered by local market considerations, with protective measures erecting direct and indirect market barriers to ensure local players remain competitive.

Currently India has signed free trade agreements (FTAs) with 42 countries, of which 13 are in effect, 16 are under negotiation, and 12 have been proposed. Most of these FTAs are with the South Asian countries, with whom India seeks to better trade opportunities by reducing import tariffs and simplifying the import license application process. To help South Asian businesses that export to India, there are plans to implement standardized nationwide duties, but these have not yet been confirmed.

Foreign companies and trading businesses should be able to enjoy easy access to these South Asian markets with India as an operational base, whose own vast market remains untapped in several segments and regions.

Rohit Kapur, Managing Director of Dezan Shira & Associates India Offices, comments: "India is the economic powerhouse of South Asia. The economies of Nepal, Bangladesh and Sri Lanka are closely intertwined with that of India. The trade between India and other South Asian countries is increasing, which is advantageous for businesses from Europe, US, Australia to access markets in South Asia from India. This allows them economies of scale. Also, India's liberal trade policies encourage foreign companies to store goods in Free Trade Warehousing Zones (FTWZs), free of customs duties, till the goods are cleared either for sale in the domestic market or are exported to the neighboring countries. Additionally, South Asian countries can take advantage of the FTAs India enters into with any country."

India's membership of SAFTA

India and the countries that make up the South Asian Association for Regional Cooperation (SAARC) – Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka – benefit from several bilateral and multilateral free trade agreements (FTAs). These are the India-Afghanistan Preferential Trade Agreement (PTA), Bangladesh-India-Myanmar-Sri Lanka-Thailand Economic Cooperation (BIMSTEC), India-

Bhutan FTA, India-Maldives FTA, India-Pakistan FTA, India Nepal FTA, and India Sri Lanka FTA. Trade between these countries stood at US$31 billion in 2020. Regional multilateral agreements include the South Asian Free Trade Area (SAFTA), SAARC Preferential Trading Arrangement (SAPTA), and the Asia Pacific Trade Agreement (APTA).

Implemented starting July 1, 2006, the South Asian Free Trade Area / SAFTA established a trade agreement between the respective governments of the SAARC member states. SAFTA categorized Bangladesh, Bhutan, Maldives, and Nepal as Least Developed Contracting States (LDCs), and India, Pakistan, and Sri Lanka as Non-Least Developed Contracting States (NLDCs). Based on these categorizations, SAFTA began its phased tariff liberalization program (TPL), wherein all LDCs were expected to bring down their tariffs to 30 percent, and all NLDCs to 20 percent. Both the NDLCs and the LDCs were expected to lower the tariffs to zero to five percent within the next eight and five years, respectively; this was six years for Sri Lanka.

LDCs benefit from smaller sensitive lists in some of the SAFTA members (meaning that they have duty free, quota free/ DFQF access in a larger number of products) and less stringent Rules of Origin (requirement of change of tariff heading and value addition of 10 percent less than the general requirement for non-LDCs; the general rule is 60 percent andthere are some product-specific rules).

Only those goods that have undergone a substantial manufacturingprocess, defined in terms of the twin criteria of a) Change of Tariff Heading (CTH)at four-digit Harmonized Coding System (HS) and b) value content of 30 percent for LDCS and 40 percent for NLDCS – are given preferentialmarket access.

Additionally, given their undiversified industrial structure, LDCS are provided with technical assistance in the following areas: capacity building, product certification, data management, institutional upgradation, human resource training, and improvement in legal systems, customs procedures, and trade facilitation.

Click here for more details

Source: india-briefing.com– June 24, 2021

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Ajio contributes 25% of our apparel business: Mukesh Ambani

Online fashion commerce platform Ajio has started to contribute over 25 percent of Reliance Industries' apparel business, chairman Mukesh Ambani said during the company's 44th annual general meeting on June 24.

"Driven by innovation, Ajio now contributes to over 25 percent of our apparel business," he said, adding that the company's overall apparel business sold around five lakh units on a daily basis cumulating to over 18 crore units during the financial year ending March 2021.

Launched in 2016, Ajio now claims to be having a portfolio of over 2,000 labels and brands with five lakh listings on its platform.

According to a recent report by brokerage firm Goldman Sachs, Ajio managed to leave behind the market leader in online fashion Myntra in monthly app downloads year to date.

The app also competes with horizontal players such as Amazon and Flipkart that have been trying to up their ante in online fashion retail since the last few years.

As per the report quoted above, Reliance Retail which houses Ajio, is the largest retailer in India by market share and a market leader across food & grocery, electronics and fashion & apparel. These three categories represent 76 percent of the retail market in India.

However, except electronics, Reliance and organised retail overall still have a significant opportunity to gain share from the unorganised and fragmented market, especially in grocery and fashion, where RIL continues to focus on Tier 2 and 3 cities.

The e-commerce market is expected to grow to $119 billion by 2025 with over $14 billion of the incremental gross merchandise value (GMV) growth coming from the apparel and footwear segment in India.

Source: moneycontrol.com– June 24, 2021

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Top 10 states' FY22 revenue to exceed pre-Covid levels

States are also dependent on various grants provided by the Centre, including grants towards centrally-sponsored schemes, the Finance Commission grants, GST compensation, and revenue deficit.

Revenues of India's top 10 states that account for about 70% of aggregate gross state domestic product are set to exceed pre-pandemic levels by about 600 basis points in FY22, said ratings agency Crisil.

The surge will be driven by higher tax buoyancy, sales tax collections from petrol and diesel and increased grants as per the 15th Finance Commission recommendations.

The ratings agency added that aggregate goods and services tax (GST) collections, which account for a fifth of the revenues of states, had recovered well in the fourth quarter of FY21 as economic activity sprung back, and the momentum continued in FY22 with April and May collections averaging Rs 0.93 lakh crore, marking an 11% growth on-year.

"While the second wave of the pandemic may moderate GST collections in June and July, we expect a recovery to pre-pandemic levels by August," said Manish Gupta, senior director at Crisil Ratings.

He added that Crisil expects India's GDP to grow 9.5% this fiscal, which should assist GST collections to marginally better the pre-pandemic levels.

"Revenues of India's top 10 states, which plunged 600 basis points (bps) last fiscal, are set to exceed the pre-pandemic—or fiscal 2020—levels by ~600 bps this fiscal," the agency said Thursday, basis its analysis of revenues of Maharashtra, Gujarat, Karnataka, Tamil Nadu, Uttar Pradesh, Telangana, Rajasthan, West Bengal, Madhya Pradesh and Kerala.
Source: economictimes.com– June 24, 2021

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Reliance Retail expected to grow 3x in 3-5 years: Mukesh Ambani

Reliance Industries' retailing arm Reliance Retail would grow at least three times in the next 3 to 5 years, chairman and managing director Mukesh Ambani said on Thursday at RIL's annual general meeting with shareholders. Despite a challenging year, Reliance Retail had revenues of ₹1,53,818 crore and an EBITDA (pre-tax profit) of ₹9,842 crore in FY21.

Ambani added that the company will create employment opportunities for over ten lakh people and enable the livelihoods for many more. The company continues to be among the fastest-growing retailers globally and aims to be among the top ten retailers of the world.

Reliance Retail will continue to acquire businesses to heighten its offering, sharpen omnichannel capabilities, and drive operating efficiencies, as it has recently acquired digital platforms including Zivame, the chairman said. It is also looking to expand its store footprint multi-fold this year, with co-located delivery hubs in the next few years.

The company's fashion portal Ajio has a portfolio of over 2,000 labels and brands along with a listing of over 5 lakh options. It now contributes to over 25 per cent of its apparel business. "Our apparel business sold nearly five lakh units per day and over 18 crore units during the year. This is equivalent to dressing the entire population of UK, Germany and Spain once," he said.

Reliance Retail would further invest in research, design and product development capabilities along with strengthening its sourcing ecosystem and supply chain infrastructure to maximise efficiencies.

"An automated, modular, reliable and scalable warehousing and logistics ecosystem will enable us to deliver products anywhere across the country in the shortest possible time," he said.

In the pandemic impacted FY21, Reliance Retail added 1,500 new stores, which is among the largest retail expansion undertaken by any retailer during this period. Reliance Retail has a total store count of 12,711. "We continue to maintain and strengthen our leadership position. Today, one in every eight Indians shops with Reliance Retail," Ambani said.

In FY21, Reliance Retail has also created over 65,000 new jobs. It currently employs over 2 lakh people, making it one of the largest employers in the country. "Over the next three years, we shall further create employment for over ten lakh people and enable the livelihoods for many more," he noted.

In FY21, Reliance Retail also agreed to acquire the retail and wholesale business along with the logistics and warehousing segment of the Future Group for a consideration of ₹24,713 crore. The deal is contested by Amazon and final order from the Supreme Court is awaited. Reliance Retail also executed India's largest fundraising of ₹47,265 crore in FY21 from global investors.

Source: fibre2fashion.com– June 24, 2021

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