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NEWS CLIPPINGS

	INTERNATIONAL NEWS
No	**Topics**
1	Here’s What Labor Market Conditions Say About US Consumer Confidence
2	5.7 mn in Australia to use social network to buy in 2021: eMarketer
3	Brands Sourcing From Covid-Hit Bangladesh, Vietnam ‘Caught Between a Rock and a Hard Place’
4	Pandemic fails to break Jordan’s apparel industry
5	Bangladesh: Apparel industry may lose opportunity to turn its losses around
6	Pakistan: Cotton market remains stable

	NATIONAL NEWS
1	IMF cuts India’s growth estimate to 9.5%
2	Parliamentary panel: Stimulus package for economy, MSMEs inadequate; detailed study on MSME losses must
3	Textile industry grapples with increasing raw material costs
4	Trade Talk: Is India a reluctant liberaliser?
5	Cotton prices rise, textile trade seeks zero duty
6	Exporters seek export policy
7	Proposed changes to Indian e-com rules 'deterrent' for growth: IAMAI
8	India's Kitex Garments receives invitation for investment in Sri Lanka
9	Make-in-India must ‘make for the world’

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SAYING NO TO
CHILD LABOUR

INTERNATIONAL NEWS

Here's What Labor Market Conditions Say About US Consumer Confidence

U.S. consumers' assessment of their outlook on the job market kept confidence levels constant in July.

American consumers are still relatively optimistic, and their assessment of current business and labor market conditions, as well as short-term outlook for business and labor over the next six months, is expected to keep spending at a steady pace. The Conference Board's Consumer Confidence Index inched up to 129.1 in July, from 128.9 in June. The Present Situation Index, measuring current conditions, rose to 160.3 from 159.6. The Expectations Index, measuring the short-term outlook, dipped slightly to 108.4 from 108.5 last month.

In the July survey, 54.9 percent of consumers said of current conditions that jobs are "plentiful," up from 54.7 percent. Looking ahead, 27.7 percent of respondents said they expect more jobs to be available in the months ahead, up from 26.6 percent last month.

"Consumers' appraisal of present-day conditions held steady, suggesting economic growth in Q3 is off to a strong start," Lynn Franco, senior director of economic indicators at The Conference Board, said. She noted that while short-term inflation expectations eased slightly, they remained elevated in July. However, respondents to the latest survey indicated plans to purchase homes, automobiles and major appliances in the coming months. This means that "consumer spending should continue to support robust economic growth in the second half of 2021," Franco said.

Some experts have voiced concerns over consumers' spending power now that unemployment benefits and rent moratorium extensions are about to end. Some believe that new child tax credits program will buoy back-to-school spending, although macroeconomics might move dollars away from clothing and shoes and onto experiential investments like travel, entertainment and dining out.

To be sure, spending on luxury goods is a different animal from middle-market and value-priced merchandise. But there was a glimmer of hope on Monday when LVMH's chief financial officer reported steady spending on the company's luxury goods. If that trend holds true for middle-market and value spending, then National Retail Federation's projection for 10.5 percent to 13.5 percent sales growth, or $4.44 trillion to $4.56 trillion, could come to fruition in 2021.

The latest consumer confidence report indicates that business conditions, financial prospects and the job market are all looking up, Wells Fargo economist Tim Quinlan said Tuesday. The percentage of consumers who expect their income to improve over the next six months rose to 20.6 percent, representing the largest share since the pandemic struck, and some of that optimism stems from perceptions that labor market dynamics are improving, he said.

And while inflation is still top of mind for consumers, they may grumble about higher prices but not enough to put off spending, Quinlan added.

Source: sourcingjournal.com– July 27, 2021

HOME

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5.7 mn in Australia to use social network to buy in 2021: eMarketer

About 5.7 million people aged 14 or more in Australia will purchase a retail item using a social network in 2021, according to eMarketer, which recently said this amounts to just over 30 per cent of all Internet users in the country—one of the highest rates in the world—and represents an 8.6 per cent rise over 2020 figures. The number of social commerce buyers in Australia increased by 17.9 per cent in 2020.

Like several other countries, Australia saw a boom in e-commerce sales last year (53 per cent growth) due to the COVID-19 pandemic.

Social commerce, which was already on the verge of becoming mainstream by 2019, came along for the ride. According to PayPal, spending by social commerce buyers in Australia increased five-fold last year.

Social commerce is defined as products or services ordered via social networks like Facebook, Instagram, Pinterest, TikTok, WeChat, Line and VK, either by buying directly on the social platform, such as via Instagram Checkout or WeChat Mini Programs, or through clicking links on the social network that lead to the retailer's product page to complete the purchase.

After another healthy increase this year, eMarketer estimates that Australia will rank third in the world in terms of how many of its Internet users are embracing social commerce.

Retail media is one of the fastest-growing channels of digital ad investment. China and the United States lead the world in most social commerce metrics—often by wide margins—because of the scale of their markets and the early adoption of social commerce by their digital shoppers.

However, a handful of additional countries are beginning to stand out among the next tier, and Australia is at the top of that list, eMarketer said in a press release.

It forecast that 36.7 per cent of social network users in Australia will make at least one social purchase this year, one of the highest rates in the world. All told, more than a quarter of the population (26.8 per cent) will be spending via social commerce this year. Once again, only China and the US will exceed that number.

Facebook and Instagram are leading the charge for social commerce in Australia with Snap and Pinterest in a distant race for third. Most of Australia's social buyers will engage with the channel via one of these four options.

Source: fibre2fashion.com– July 27, 2021

HOME

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Brands Sourcing From Covid-Hit Bangladesh, Vietnam 'Caught Between a Rock and a Hard Place'

The garment supply chain just can't get a break from Covid-19.

If global shipping delays and inflationary pressures weren't bad enough, factory closures from coronavirus shutdowns in Bangladesh and Vietnam could derail more than one-quarter of U.S. imports of clothing and footwear, S&P Global Market Intelligence's global trade data platform Panjiva said Friday.

Production lapses in late July and early August, when imports of apparel and footwear typically peak in the United States, could result in a shortage of fall/winter deliveries, preventing retailers from fully capitalizing on the spending rebound from stimulus-flush Americans venturing back outside. Already, shipments in the three months to May 31, covering late spring/summer clothing and back-to-school supplies, have jumped 58.6 percent year over year, according to Panjiva.

Paused production lines in Bangladesh and Vietnam, on the other hand, could place 27.4 percent at risk, mostly because "there has been something of a refocusing" on those countries of late, with year-over-year shipments in the three months to May 31 ticking up 6.3 percent and 26.5 percent, respectively, said senior analyst Christopher Rogers. By comparison, imports from China and India stumbled 15.9 percent and 4.1 percent, respectively.

Bangladesh, which resumed its national lockdown on Friday following an "Eid break" to allow Muslims to celebrate the religious festival, is currently the world's second-largest exporter of garments after China, though there were signs that Vietnam was nipping at its heels even before the contagion upended the globe.

"Some apparel brands and retailers have reached a tipping point to the volume they can source from Bangladesh," Saskia Hedrich, senior expert at McKinsey's apparel, fashion and luxury group, previously told Sourcing Journal. "These are starting to diversify volume from Bangladesh to other countries to avoid overdependency and manage supply-chain risks."

But the pandemic has demonstrated there are no safe havens. Even before spiraling Covid-19 cases triggered a 15-day lockdown in the capital of Hanoi over the weekend, several footwear factories in Vietnam had halted work to curb the spread of disease.

Now, the wave of infection has left more than one-third of the nation essentially paralyzed. Panjiva has warned that Nike could find itself short on sneakers because suppliers in Vietnam provided nearly 50 percent of its U.S. seaborne imports in the second quarter of 2021. Footwear was included in 82 percent of the Swoosh company's shipments in the 12 months ending June 30, it added.

But Nike, which lists 132 Vietnamese suppliers on its website, said it is confident in its ability to "navigate these near-term dynamics" as it remains "prudent" in its planning. The sportswear giant also said it expects its suppliers to prioritize the health and livelihoods of their employees while complying with its code of conduct on the provision of wages, benefits and severance.

"The health and safety of our teammates, as well as that of our suppliers, remains our top priority," a Nike spokesperson told Sourcing Journal. "We continue to work with our suppliers to support their efforts in response to the dynamic and unprecedented nature of Covid-19."

Adidas was similarly sanguine about the situation in Vietnam, where 75 of its more than 500 suppliers reside.

"We support the measures taken by the authorities; health and safety is a top priority for Adidas, also in our supply chain," a spokesperson told Sourcing Journal. "We do not expect any immediate effects on our business at the moment. We are in close exchange with our partners on the further development of the situation there."

But circumstances could get worse before they get better, according to Neža Kričaj, intelligence solutions consultant at risk-assessment firm Everstream Analytics. And brands could be scrambling more than they're letting on.

"Production shutdowns at footwear manufacturers have already caused supply-chain disruptions at Nike, where sources reported that the company has begun using air freight to get its products out of Vietnam as quickly as possible amid a shipping crunch," Kričaj told Sourcing Journal. "Also at risk of disruption are supply chains of other large companies that have their products manufactured in factories in Vietnam. The situation is likely to worsen in the coming weeks as the flow of cargo through Vietnamese ports increases. Should logistical operations deteriorate while production continues, there is a risk of warehouse space becoming scarce."

Suppliers in Vietnam are also struggling to adopt safety measures that can prevent the potential spread of the virus and allow them to stay open.

"Due to the short notice of the announcement, many companies have been unable to meet the requirements in order to continue operations," Kričaj said. "Moreover, companies that can meet the requirements are reportedly required to register with authorities to be approved for the usage of the mitigation plans such as '3 in one spot' restrictions, which require companies to allow employees to work, eat and rest in one location."

In the case of Bangladesh, June, July and August are the peak months for the country's apparel exports to Western markets, with roughly 35 percent to 40 percent of annual exports made during this period, said May Yimon Aung, manager, APAC supply chain intelligence, at Everstream Analytics. "Missing this period for production and shipment would entail a loss in sales," she added.

The South Asian nation's stalled output "reverses the trend" seen earlier during the pandemic, when the country's garment suppliers were hit with numerous order cancellations from retailers anticipating Covid-19 restrictions in Europe and the United States, Panjiva's Rogers said.

But Panjiva's data showed that Bangladeshi exports of apparel to the U.S. have remained more resilient than those of neighboring garment hubs throughout the pandemic, with shipments in the three months to April 30 down by only 1.6 percent year over year compared with 6.4 percent in Sri Lanka and 10.1 percent in India. Panjiva's U.S. seaborne import data also revealed a recovery to pre-pandemic levels in May with a growth of 6.2 percent compared with the same period in 2019. Shipments linkedto H&M, one of Bangladesh's biggest buyers, increased 13.5 percent in the three months to May 31.

The Swedish fashion chain said it "refrains from speculating how this situation will affect our production planning" but will be monitoring it closely.

“We have a good relationship with our partners and are used to handling any potential disruptions that may impact our supply chain,” a spokesperson told Sourcing Journal.“We will, as always, stand by our contracts and responsible purchasing practices.”

In terms of sourcing from Bangladesh and Vietnam, companies are “caught between a rock and a hard place,” said Sofia Nazalya, Asia analyst at risk-analysis company Verisk Maplecroft.

“Temporarily shifting production to other countries unconstrained by lockdown measures is a likely option,” she told Sourcing Journal.“However, there is no guarantee that they won’t be hit with similar closures when cases increase.”

Still, given the importance of the garment industry in Bangladesh, it’s unlikely that factories will remain closed beyond the expected end of lockdown on Aug. 5.

“This will be a temporary setback for the industry, with no major disruptions expected as a result of the latest lockdown,” Nazalya said. “The apparel industry in Bangladesh has proved resilient throughout the pandemic, and has bounced back in the face of global instability and shifting sourcing decisions.”

Source: sourcingjournal.com– July 27, 2021

HOME

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Pandemic fails to break Jordan's apparel industry

Jordan's garment industry has been spared the worst effects of the pandemic, proving to be relatively resilient in its adaptability to new market trends.

Though Covid-19 has had a major impact on the garment industry throughout the world, Jordan being no exception, the economic downturn in Jordan's garment industry has only had a 15 per cent reduction in exports and a full rebound is expected by the end of 2021. Thus the sector has fared relatively well in comparison with Jordan's other sectors.

Jordan's garment exports in 2020 made up 22 per cent of all Jordan's exports. With 24 per cent of all exports going to the US, the US continues to be a major export market for Jordan.

However customs fees and taxes imposed on the sector have reached 47 per cent. Other challenges facing the sector include illegal e-commerce and the mail package trade that abuses regulations and allows entry of goods with exemption from customs fees.

Anyone with a passport and a national identification number can order up to five packages a month, with exemption from customs. However, people abuse these regulations and use friends' passports to order goods without having to pay extra customs or taxes and then sell these goods at low prices.

Source: fashionatingworld.com– July 27, 2021

HOME

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Bangladesh: Apparel industry may lose opportunity to turn its losses around

The apparel industry of Bangladesh may lose its opportunity to turn its loss around due to the 19-day long closure of their factories because of the Eid holidays and the lockdown, industry insiders fear.

Although there is a stricter lockdown in Bangladesh, major export destinations of the apparel sector, including the United States and Europe, have returned to normalcy and the business is up and running, said industry insiders.

They also said that there has been a surge in sales in buyer countries since their return to normalcy. Moreover, there is a shortage of products in the stores of many reputed brands.

As a result, the brands are all looking for quick shipments of products. Apparel sector entrepreneurs are fearful of losing 10-15% of their purchase orders due to the stricter lockdown, they added.

The RMG factories did not have to close at any stage of the lockdowns since the outbreak of Covid-19 in March the last year.

But this time, the manufacturers of the RMG industry are worried about not being able to ship their exported goods on time during "peak season" as the factories have to be closed due to the worsening Covid-19 situation in Bangladesh.

"June, July and August are the peak times for apparel exports. We export 35%-40% of the total export of a year during this time, which is worth $12-14 billion," said Shahidullah Azim, vice-president of the BGMEA.

He also said that orders for the Christmas holidays and winter seasons are now in the shipment stage. "Since these are seasonal clothes, the brands will not be able to sell these if we can not ship these timely."

They urged the government to allow the opening of apparel factories from August 1, four days before the end of the lockdown period, he added.

Meanwhile, Home Minister Asaduzzaman Khan Kamal said on Tuesday that the factories will not be opened before August 5. The government has no plans to relax the restrictions amid the request of the businesses.

While asked about this, Shahidullah Azim said that they have nothing to do outside the government's decision to control the Covid-19 infection cases.

“As the infection rate is rising, there is nothing to do about opening the factory units now. We hoped that the infection rate would reduce, but now the reverse is happening. As all the factories are closed, we will abide by the decision of the government,” he added.

According to the manufacturers, Bangladesh is getting a lot of orders for the garments of the next winter, summer and spring seasons. Many companies have already received bookings for March of next year in line with their factory production capacity.

RMG industries had just started to gain recovery from losses. Bangladesh exported $34 billion before the pandemic and later, it was reduced to $6 billion.

Meanwhile, the sector has recovered 3 billion, marked $31.45 billion — fetching a 12.55% growth in the last fiscal year (FY). But the export situation may be affected due to the closure.

In this regard, Mostafiz Uddin, managing director of Chattogram based Denim Expert Limited, said that they have to abide by the governmental decision.

However, they will appeal to allow the opening of apparel factories again if the government extends the lockdown after August 5.

“We will lose a number of buyers since the factories of competitor countries are open and, in this case, if we do not ship the products in time, our reputation will be ruined,” he added.

“Already shipments are being delayed due to container congestion at the Chattogram port, closure of factories could lead to more disasters,” he added.

A number of exporters said that they have orders in the supply chain of the factories that are nearly 90% done. Shipments of those products would have been possible only by finishing and packaging.

They also appealed to complete the work with a small number of workers if the lockdown was prolonged.

Workers in dark

Meanwhile, the apparel workers are worried about their salary, since the factory is closed till August 5.

They fear that they may get paid less than their usual salaries as the law allows owners to pay 50% to employees of their regular wages if factories are closed due to an unprecedented incident, such as a pandemic-led lockdown.

Babul Akhtar, chairman of Bangladesh Garment and Industrial Workers Federation (BGIWF) said that the owners have closed the factory on the instructions of the government. So, if they want to pay less for this excuse, it will be disappointing and can create instability.

“However, even if the factories are closed till August 5, it will not affect the wages as the Eid holiday was till July 28/30. We hope there should not be any problem with the wages of the workers,” he added.

Source: dhakatribune.com– July 27, 2021

HOME

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Pakistan: Cotton market remains stable

The Spot Rate Committee of the Karachi Cotton Association (KCA) on Tuesday increased the spot rate by Rs200 per maund and closed it at Rs12,900 per maund.

The local cotton market remained stable and trading volume was satisfactory. The rate of cotton in Sindh was Rs12,900 Rs13,100 per maund while the same in Punjab remained Rs13,500 to Rs13,600 per maund.

The rate of new Phutti crop in Sindh was Rs4,000 to Rs5,400 per 40 kg while in Punjab it was Rs5,000 to Rs6,200 per 40 kg. Banola in Sindh remained Rs1,600 to Rs1,800 per maund while the same in Punjab was Rs1,700 to Rs1,900 per maund. The rate of cotton in Balochistan was Rs12,900 to 13,000 per maund. The rate of Phutti in Balochistan was Rs5,000 to RS5,200 per maund.

2,000 bales of Shahdad Pur were sold at Rs12,800 to Rs13,000 per maund, 3,000 bales of Tando Adam were sold at Rs12,900 to Rs13,000 per maund, 2,800 bales of Sanghar were sold at Rs12,800 to Rs12,900 per maund, 1,000 bales of Hyderabad, 800 bales of Kotri, 400 bales of Shah Pur were sold at Rs12,800 to Rs12,900 per maund, 400 bales of Maqsoda were sold at Rs12900 per maund, 600 bales of Burewala were sold at Rs13,500 per maund, 200 bales of Chichawatni were sold at Rs13,600 per maund, 200 bales of Khanewal were sold at Rs13,700 per maund and 200 bales of Mongi Bangla were sold at Rs13,500 per maund.

Seven textile mills of Faisalabad have been included among top 25 mills that contributed 21 percent shares in total national export of $25 billion. Appreciating the role of Faisalabad in overall national economy, president Faisalabad Chamber of Commerce and Industry (FCCI) Engineer Hafiz Ihtasham Javed said out of total $25 billion export, the share of textile group in $15.5 billion.

He thanked the government particularly Abdul Razak Dawood, advisor to prime minister on commerce, and said the government has extended maximum facilities and its textile sector has responded positively by giving a quantum jump to the national exports. He said if the current trend continued, textile exports could increase up to $25 billion within the next couple of years.

He also appreciated Interloop, Nishat, Masood Textile, Sadaqat, Kalash, Gohar and Kamal Ltd and said that these groups are further expanding their production lines which will have a salutary impact on the national economy.

ICE cotton futures inched higher in choppy trading on Monday as a weaker dollar warded off the effect of a slide in key Chicago grains. Cotton contracts for December were up 0.06 cent, or 0.07pc, to 89.72 cents/lb, having lost 1.9 to trade at 87.96 cents/lb early in the session.

Chicago soybeans dropped on Monday to their lowest level in two weeks while corn also weakened, as forecasts of cooler weather in parts of the US midwest and slowing demand in top buyer China weighed on prices. Wheat prices also fell. The dollar eased, helping prices of cotton by making the fiber more affordable for buyers using other currencies.

Les added that a forecast of slightly drier and hotter weather for August is favourable for cotton production, as you would see the crop start to catch up a little bit, and await a federal weekly crop progress report really start to mature.

The Spot Rate Committee of the Karachi Cotton Association increased the spot rate by Rs200 per maund and closed it at Rs12,900 per maund. The rate of Polyester Fiber increased by Rs3 per kg and was available at Rs216 per kg.

Source: dailytimes.com.pk– July 28, 2021

HOME

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NATIONAL NEWS

IMF cuts India's growth estimate to 9.5%

The International Monetary Fund (IMF) has cut India's GDP growth estimate for FY22 by 300 basis points to 9.5 per cent from its April projection of 12.5 per cent. It has retained the forecast for global economy at 6 per cent in 2021.

"Growth prospects in India have been downgraded following the severe second Covid wave during March-May and expected slow recovery in confidence from that setback," said the IMF in its latest World Economic Outlook (WEO).

Fiscal measures

Further, it mentioned that countries lagging in vaccination, such as India and Indonesia, will suffer the most among G-20 economies. It also noted that additional fiscal measures have been proposed to mitigate the economic consequences of recurring infection waves in counties such as India. However, it has upped India's growth estimate for fiscal year FY23 by 160 basis points to 8.5 per cent. The IMF's remarks come when the Indian government claimed it has crossed the landmark of 44.19 crore doses administered.

The IMF's growth projection for current fiscal is on a par with the estimate of S&P and RBI of 9.5 per cent. However, it is higher than Moody's forecast of 9.3 per cent and close to Crisil's range of 8.2-9.8 per cent. Other agencies have also cut the forecast to single digit.

World forecast

Titled 'Fault Lines Widen in the Global Recovery', the latest edition of WEO said: "Vaccine access has emerged as the principal fault line along which the global recovery splits into two blocs: those that can look forward to further normalisation of activity later this year (almost all advanced economies), and those that will still face resurgent infections and rising Covid death tolls.

"The recovery, however, is not assured even in countries where infections are currently very low so long as the virus circulates elsewhere," it said.

In her blog accompanying the WEO, Gita Gopinath, Economic Counsellor of the IMF, said growth prospects for advanced economies this year have improved by 0.5 percentage point, but this is offset exactly by a downward revision for emerging market and developing economies, driven by a significant downgrade for emerging Asia.

“For 2022, we project global growth of 4.9 per cent, up from our previous forecast of 4.4 per cent. But again, underlying this is a sizeable upgrade for advanced economies, and a more modest one for emerging market and developing economies,” she said.

According to the fund’s estimate, the pandemic has reduced per capita incomes in advanced economies by 2.8 per cent, relative to pre-pandemic trends over 2020-22, compared with an annual per capita loss of 6.3 per cent a year for emerging market and developing economies (excluding China).

Vaccination drive

Gopinath mentioned that close to 40 per cent of the population in advanced economies has been fully vaccinated, compared with 11 per cent in emerging economies, and a tiny fraction in low-income developing countries.

“Faster-than-expected vaccination rates and return to normalcy have led to upgrades, while lack of access to vaccines and renewed waves of Covid cases in some countries, notably India, have led to downgrades.”

Source: thehindubusinessline.com– July 27, 2021

HOME

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Parliamentary panel: Stimulus package for economy, MSMEs inadequate; detailed study on MSME losses must

Even as the government had announced a stimulus package last year for the economic revival post-Covid, it has been "found to be inadequate as the measures adopted were more of loan offering and long-term measures instead of improving the cash flow to generate demand as immediate relief," said a report by the department-related Parliamentary Standing Committee on Industry tabled in Rajya Sabha on Tuesday.

The report noted that in the process of economic recovery post-first wave of the pandemic, the second wave even more vigorously ripped the economy particularly the MSME Sector. The Committee recommended the government to "immediately come out with a larger economic package aimed at bolstering demand, investment, exports, and employment generation to help the economy, including MSMEs."

The government had last year launched the Rs 3 lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) — as part of the Rs 20 lakh crore stimulus package – equivalent to 10 per cent of India's GDP – to help MSMEs recover from the Covid impact. The scheme's limit was recently enhanced to Rs 4.5 lakh crore.

The Committee noted that based on the written replies by the Ministry, no intensive study has been conducted by the Ministry of MSME to ascertain the actual losses suffered by the sector due to the lockdown.

The second wave, in fact, exposed the vulnerabilities of MSMEs like never before and highlighted the problems faced by them such as delayed payments, high informality, low financial resilience, scarcity in rawmaterial availability, etc. "A detailed study needs to be conducted to make an assessment of the actual losses suffered by the MSME Sector so as to chalk out an effective plan for revival of the MSME Sector."

"The report clearly exposes the let down by the union government to Indian entrepreneurs. A stitch in time would have saved nine. In this case, at least 40 per cent of micro enterprises would have been saved, had the government listened to the voice of the voiceless from the field," K.E.Raghunathan, Convenor of Consortium of Indian Associations told Financial Express Online.

Former MSME Minister Nitin Gadkari had reasoned in February this year in Rajya Sabha that data regarding temporary or permanent closure of the units due to Covid is not maintained by the MSME Ministry as 'MSMEs are there in both formal and informal sector."

Last September as well, former MSME MoS Pratap Chandra Sarangi in the Rajya Sabha had said that "no such record is available" for the number of MSME units shut down during the March-August 2020 period of the pandemic. In fact, there is no data with the government on the number of MSMEs closed down from FY15 to FY20, Sarangi had added.

As of July 2, 2021, 60.6 per cent of the Rs 4.5 lakh crore ECLGS amount was sanctioned in loans. Out of Rs 2.73 lakh crore sanctioned, Rs 2.14 lakh crore was disbursed while guarantees issued for loans granted stood at around 1.09 crore MSMEs, according to the data shared by the MSME Minister Narayan Tatu Rane in the Rajya Sabha.

However, the report noted that despite "a high success rate, yet, around 50 per cent of total guarantee amount only has been issued to MSMEs. As a result, a large number of MSMEs hard hit by the Covid Pandemic remained deprived from the benefit of the scheme. More so, it is observed that the complete amount of sanction has not been disbursed to the borrowers vis-à-vis sanctions, for fear of loan defaulting by MSMEs in the backdrop of the 2nd wave of the Pandemic."

"Banks approached those who had collaterals such as properties while those without collaterals were left out. Even those who raised credit under the scheme, face a catch-22 situation. If MSMEs are not able to repay their existing loans, how will they repay the new loan even after few years? How MSMEs generate profit for the second loan if they are not able to pay for the first loan.

If MSMEs default then it is another difficult situation. ECLGS has been done in a haphazard way even as the timing was right," Mohit Jain, Chairperson, MSME Committee, PHD Chamber of Commerce and Industry told Financial Express Online.

The Committee urged the government to enhance the guarantee amount as nearly 2.5 crore traders have also become eligible for the scheme now. It also suggested the government to extend the scheme in scope to cover small traders/dealers as well who have no access to institutional finances meant for MSMEs. The government had recently reinstated retail and wholesale trades under the MSME classification.

"Most of the policies formulated are aimed at the benefit of medium and large enterprises in the country whereas the position should be contrary…The Committee recommends that while formulating policies/schemes, the Ministry should consider the benefits of MSEs which are often deprived of the benefits of various policies/schemes announced by the Government.

The stimulus package announced by Government last year could not percolate down properly to the lower levels of the MSME sector," the Parliamentary panel said.

Source: financialexpress.com– July 27, 2021

HOME

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Textile industry grapples with increasing raw material costs

The city-based textile industry is grappling with the twin challenge of high raw material cost and low demand in the current Covid-induced market.

Cost of textile manufacturing has increased considerably after yarn spinners and manufacturers of dyes and chemicals increased the prices of their products from 50 to even 100 per cent. On the other hand, moderate demand for finished products in the market did not give them enough room to pass on the hike.

Over 1,000 textile units in the district are engaged in manufacturing tweed, blazers, shawl, blankets, dress material, suiting and shirting. With a combined annual turnover of over Rs 10,000 crore, it offered employment to thousands of skilled and unskilled workers. Despite all this, local textile industry no longer occupies the sobriquet of the Manchester of India.

Kamal Dalmia, running a yarn processing unit, said, during the past few years, China became a major exporter of almost all ingredients used in manufacturing final products of textile at a reasonable price. The hike in prices of yarn dyes and chemicals used in the textile industry prompted big domestic yarn spinners and manufacturers of these products to pass on the hike to textile manufacturers.

For instance, polyester cotton blended yarn before the Covid-19 used to cost Rs 175 per kg and now it is Rs 250 per kg. Similarly, polyester filament yarn costs Rs 125 per kg which was priced at Rs 80.

The Textile Industry, which is second after agriculture in providing employment, is already battling the crisis posed by demonetisation and GST. Currently, textile products are not the priority of the masses. Demand for textile products has been further affected by the rise in prices of the final product due to increase in prices of input cost on its basic raw materials - yarns, dyes and chemicals.

Deepak Bajaj, operating a unit of dyeing and printing of textile, said prices of almost all variants of dyes and chemicals got increased between 25 to 30 per cent after the unlocking of lockdown. He said the processing industry was further battered by nearly 30 percent hike in petcock.

Source: tribuneindia.com– July 27, 2021

HOME

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Trade Talk: Is India a reluctant liberaliser?

Almost three decades ago, Narasimha Rao and Manmohan Singh took the bold decision to usher in trade and investment liberalisation, undertaking India's rapid integration with the global economy. Providing a strong rationale for the government's decision embrace an open-door policy, Singh argued, "Time has come to expose Indian industry to competition from abroad in a phased manner." For the Rao government, ushering in trade liberalisation was a priority, since, within a month of taking over, the government introduced changes in import and export policies, aimed at reduction of import licensing, vigorous export promotion and optimal import compression.

There was hardly any doubt that India was an enthusiastic participant in the process of global integration. Three decades later, how can the country's rendezvous with trade reforms be assessed, both in terms of the trajectory India had followed for market opening and the outcomes of this process? More importantly, what are the factors that have contributed to shaping the outcomes?

In keeping with the early pronouncements, the government adopted what was then termed as the 'big bang' approach, involving steep reductions in import tariffs. By 1992, India's simple average tariffs were reduced by nearly a third from the 1990 levels, but its trade-weighted tariffs fell by nearly half, to 28%.

The Raja Chelliah committee on tax reforms, established in 1991, suggested that the trade-weighted import tariffs should be reduced to 25% by 1995-96. The government went beyond this target, reducing average trade-weighted tariffs to 23.6% in 1996. However, the simple average of tariffs was considerably higher, at 38.7%.

The tariff reduction process went cold in the second-half of the 1990s, and, consequently, trade-weighted tariffs remained unchanged by the year 2000, while simple average of tariffs declined marginally to 33.7%. This was the scenario despite the fact that, in 1997, then-finance minister P Chidambaram tried to provide momentum to the trade liberalisation agenda by announcing that around the turn of the millennium India would achieve the average levels of tariffs prevalent in ASEAN countries, which were already close to single-digit in some countries. It may be mentioned here that though India's average import tariffs did not decline to singledigits by 2000, the government of the day took an important step towards realising this objective. This it did by endorsing the Information

Technology Agreement of the WTO, and agreeing to eliminate tariffs on a range of electronic products from the turn of the millennium.

The tariff reduction sequence was put back on track in 2002, and by 2008, India's trade-weighted tariff was brought down to 6%. During this period, simple average tariff was reduced from nearly 34% to 12%, and it remained around this level until 2017, after which the tariff reduction process was reversed. Lowering of tariffs notwithstanding, India's trade liberalisation was never a smooth affair.

Tariffs could not be lowered for several important manufacturing industries like automobiles, and average tariffs on agricultural products never came down below 34%. Further, during the Doha Round of negotiations at the WTO, India adopted an agnostic view regarding trade liberalisation, a view that was endorsed by successive governments, irrespective of their political affiliations. Concurrently, however, India has been engaged in negotiating FTAs in its efforts to forge strategic partnerships. But, in the recent years, the officialdom has questioned these agreements, suggesting that trade liberalisation via FTAs have not favoured India. It was this scepticism that explains India's withdrawal from the RCEP trade deal.

Why has India emerged a reluctant liberaliser after the enthusiastic endorsement of trade liberalisation three decades ago? The answer is declining global competitiveness of Indian enterprises in several key manufacturing industries, and of course in agriculture.

While unveiling the trade liberalisation agenda, Singh had emphasised the need to increase the efficiency and international competitiveness of domestic entities, as did his successors, but, unfortunately, a coherent strategy was never put in place to realise this objective. Under Singh's prime-ministership, attention was paid, for the first time, to finding ways to improve the languishing manufacturing sector.

The government unveiled the National Manufacturing Policy in 2011, which set the target to increase the share of manufacturing in GDP to 25% within a decade. The NDA government also set a similar target under 'Make in India', but the sector's share remains stagnant, at around 17%.

There is no doubt a major limitation of India's trade liberalisation agenda has caused this situation. Successive governments have remained focused on trade liberalisation but have largely ignored the need to work towards improving competitiveness of domestic enterprises.

Thus, while the policymakers have consistently aspired to make the economy as open as those of the ASEAN members, they ignored the fact that proactive governments in these countries had lent support for strengthening manufacturing—critical investments in both physical and human infrastructure and building vibrant innovation systems were the focus areas. In India, there has been discussion aplenty on the importance of these forms of support, but in terms of delivery, it has been like 'Waiting for Godot'.

Source: financialexpress.com – July 27, 2021

HOME

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Cotton prices rise, textile trade seeks zero duty

With cotton prices rising, the textile industry has sought removal of 10% import duty on the produce.

Southern India Mills' Association (SIMA) chairman Ashwin Chandran said in a press release that the increase of ₹3,800 a candy of cotton over the past 15 days by the Cotton Corporation of India (CCI) and the 10% import duty on cotton were affecting the entire textile value chain. It had made textile exports 'expensive' in the global market, he said.

Though the CCI offered three months' lock-in for bulk purchase, textile mills could not benefit due to a liquidity crunch and uncertainty in cotton prices, he said. The import duty has encouraged price speculation, he claimed. For some varieties, prices of Indian cotton had exceeded the international price.

Pradeep Kumar Agarwal, CMD, CCI, said international cotton prices and MCX prices had risen by ₹7,500 and ₹6,000 a candy, respectively, in the last one-and-a-half months. But, he pointed out, CCI had raised prices by ₹2,200 to ₹2,500 a candy for the same period, except for 1-2 varieties where it is higher. In the last one month, 40% of the cotton sold by CCI were purchased by textile mills directly.

Source: thehindu.com – July 27, 2021

HOME

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Exporters seek export policy

Tamil Nadu should come out with a separate export policy, said A. Sakthivel, chairman of Apparel Export Promotion Council and Federation of Indian Export Organsiations.

In a memorandum to Chief Minister M.K. Stalin, he said that with ₹2.10 lakh crore worth exports, Tamil Nadu accounted for 10 % of total exports from India in 2019-2020.

In a move to give an impetus to exports, the State should form an Export Promotion Board and have a separate export policy.

Currently, Indian garment exports are mostly limited to cotton fibre-based products. This fulfils the need of overseas buyers for three months only. To acquire business throughout the year, the textile units in the State should maximise production of synthetic fibre garments/apparels. Consideringthe potential in this sector, the State should have an exclusive park to develop synthetic fabrics and garments.

MMF segment and technical textiles are included among the 10 key sectors in the Production Linked Incentive Scheme announced by the Union government. The units coming up in the park can leverage on the benefits from the scheme too.

The Government of India has announced a scheme of Mega Investment Textiles Parks (MITRA) and Tamil Nadu can set up parks for synthetic garments, garment accessories and textile machinery under the scheme. The two sea ports in Tamil Nadu one should be upgraded to accommodate mother vessels, he said.

Source: thehindu.com– July 27, 2021

HOME

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Proposed changes to Indian e-com rules 'deterrent' for growth: IAMAI

Terming the proposed amendments to the Consumer Protection (E-Commerce) Rules 2020 as a 'deterrent' for the industry's growth, the Internet and Mobile Association of India (IAMAI) recently raised its concerns and pointed out several ambiguities from an e-commerce business standpoint, which, it claimed, are likely to have unintended negative consequences for consumers.

IAMAI has suggested excluding the entire value chain from the ambit of e-commerce definition, clarifying the flash sale concept and confining the rules to protect the rights and interests of the consumers as “in its current form, they fall under the jurisdiction of Competition law, legal metrology law, intermediary law, etc”.

In a statement, the association said although it supports the government's initiatives and regulatory interventions to protect consumer interests, the proposed amendments to the rules raise several concerns and ambiguities from an e-commerce business standpoint that are also likely to have unintended negative consequences for consumers.

The draft e-commerce rules released by the government on June 21 propose a ban on fraudulent flash sales and mis-selling of goods and services on e-commerce platforms. Appointment of chief compliance officers and grievance redressal officers are also among the key amendments proposed.

The government recently extended till August 5 the deadline for public comments on the proposed amendments. The last date was July 6 earlier.

IAMAI highlighted that the amendments seek to regulate the entire e-commerce supply chain, many elements of platform-to-business (P2B) and business-to-business (B2B) e-commerce, which are beyond the remit of the parent Consumer Protection Act (CPA).

The amendments also fail to provide a level-playing field between online and offline e-commerce/retail, IAMAI said, adding that e-commerce platforms will face several restrictions and an increased compliance burden under the amendments.

"However, the same will not be applicable on the brick-and-mortar stores. Also, implementation of the amendments in the current form will significantly increase the compliance burden on MSMEs [micro, small and medium enterprises] as well as for start-ups who are not even in the e-commerce business, but provide services to e-commerce," IAMAI noted.

In its submission to the consumer affairs ministry, IAMAI recommended that clauses dealing with cross-selling, fall back liability, re-registration with the department of promotion of industry and internal trade will only lead to over-regulation of the sector and impede innovation and access of small sellers to marketplace platforms.

On flash sales, IAMAI suggested that a normal brick-and-mortar store can offer flash sales and therefore, there is no reason to restrict these flash sales on an e-commerce platform.

On the clause of mis-selling, the association pointed out that this is in contradiction with sellers' liabilities in e-commerce rules and the intermediary role that must be performed by all marketplace e-commerce entities under the foreign direct investment laws and the Information Technology Act.

Source: fibre2fashion.com– July 28, 2021

HOME

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India's Kitex Garments receives invitation for investment in Sri Lanka

Kerala-based Kitex Garments recently received an invitation to invest in Sri Lanka from the island nation's deputy high commissioner to Chennai D Venkateshwaran, who assured Kitex managing director Sabu Jacob of 'complete cooperation' from Colombo, according to reports from south India.

The company, however, is yet to take a decision on whether it would venture into the southern neighbour.

Kitex recently announced it would invest ₹1,000 crore in Telangana.

Earlier, Bangladesh and several Gulf countries had offered the group incentives for investment after it scrapped a ₹3,500-crore investment plan in Kerala.

Source: fibre2fashion.com– July 27, 2021

HOME

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Make-in-India must 'make for the world'

As this newspaper recently reported, India's average applied import tariff fell to 15% in 2020 from 17.6% in the previous year. That may not seem like much in absolute terms, but it is the biggest annual fall in a decade. That said, the rate itself is higher than the 13.5% that prevailed in 2014.

The country's trade-weighted average tariff—total customs revenue as percentage of overall import value— eased for a second straight year, to 7% in 2019 from 10.3% in 2018, the lowest level since 2014, as per the latest World Trade Organisation (WTO) data.

While successive governments, over the years, have attempted to bring down duties, in reality, they have been loth to do so; local producers have lobbied hard to keep tariffs elevated in order to protect their businesses.

That's despite a clutch of economists, including former CEA, Arvind Subramanian and former NITI Aayog vice-chairperson Arvind Panagariya, arguing in favour of an open economy that would help boost the country's export, creating jobs in large numbers. India needs to break out of the import substitution trap before it can become an export powerhouse. After all, one of the objectives of having a strong export base is to be able to import those goods that the country cannot produce efficiently enough, without creating a big trade deficit.

Unfortunately, though this government too prefers to look inwards and stay protectionist. The government is now working on a comprehensive review of the numerous exemptions on customs duties—some 400 of them—and hopes to have a new duty structure by October. The exercise is important, given the many anomalies.

However, in the past, revenue considerations have almost always overwhelmed the need to have a duty structure that is free of distortions. Also, this government has made no secret of the fact that it wants to promote manufacturing locally; going by the enormous delays in disbursing refunds to exporters, it would appear that boosting exports is almost an afterthought.

FM Nirmala Sitharaman said in her FY21 Budget speech that the focus of the rejigging exercise needs to be easy access to raw materials and exports of value-added products so as to promote local manufacturing and enable

India to become part of the global supply-chain. The point is the country's manufacturers must want to be part of this supply-chain rather than only wanting to cater for the local markets. Given governments continue to pander to local manufacturers—by keeping import duties elevated—there is little reason for them to aspire to become exporters. A protectionist approach keeps industry from building scale and leaves it globally uncompetitive.

What is needed is a plan to boost exports—not necessarily by incentivising them through schemes like MEIS or SEIS which are in conflict with multilateral trade rules—but by ensuring that the tax content in exports is expunged, the infrastructure is top-class and the labour laws are flexible. Moreover, import duties—for components and raw materials—need to be zero or low and stay that way.

This would allow manufacturers to become efficient and compete in the world markets. As Biswajit Dhar, professor, JNU, wrote in these pages, successive governments have remained focused on trade liberalisation but have largely ignored the need to work towards improving the competitiveness of domestic enterprises.

Unless there is a low and stable tariff regime, companies will not be encouraged to think global and invest for the long term. And until that happens, India cannot become part of the global supply-chain.

Source: financialexpress.com– July 28, 2021

HOME

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