IBTEX No. 254 of 2021 December 28, 2021

US 74.89| EUR 84.83| GBP 100.61| JPY 0.65

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INTERNATIONAL NEWS

Supply chains: companies shift from ‘just in time’ to ‘just in case’

Heineken sells 300 brands to customers in 190 countries. But part of the brewer’s strategy has been to produce regional brands locally and then export them to bigger markets. When it bought majority control of Red Stripe in 2015, it repatriated production to Jamaica. Similarly, the Dos Equis brand was brewed exclusively in Mexico, though much of its sales were in the US and elsewhere.

That single sourcing came back to bite last year when the Mexican government declared beer non-essential, and temporarily closed the country’s breweries during the first wave of the pandemic. Rather than just give up on Dos Equis, Heineken regrouped, sent the labels and bottles to the Netherlands and started brewing the beer there. Production in Mexico has since restarted, but the company is now far more aware that it needs to have alternative production hubs — with access to the necessary supplies — for its biggest, most lucrative brands.

All over the world, companies have encountered snags in their supply chains during the pandemic and the shipping bottlenecks that have followed as economies restarted. Car production lines have been halted by a lack of semiconductors, liquor distillers have run out of bottles and department stores are short of Christmas stock.

Such troubles are forcing a rethink of corporate strategy. For decades, companies prioritised costs above all else when selecting suppliers, building factories and deciding how much stock to keep on hand. This philosophy was often dubbed “just in time” because it emphasised keeping inventory to a minimum and using short-term, flexible contracts that could be adjusted quickly to changes in demand.

But the drive for efficiency encompassed far more than that. Companies also moved production to low-wage locations, consolidated orders to maximise economies of scale, and tried to minimise their physical presence in high-tax jurisdictions.

"A lot of the operating models in the supply chains we see as broken today, were cemented 20 years ago on what at the time were universal truths, that going after low-cost suppliers . . . made a tonne of sense," says Brian Higgins, head of KPMG's US supply chain and operations practice. "It lends itself to these very long supply chains because they are [focusing on] cost, not risk. We've seen that fracture many, many times."

Companies are not entirely abandoning existing supply chain policies, but they are revamping them to build additional resilience.

Some businesses are increasing the inventory they keep on hand and entering into longer term contracts with key suppliers. Others are diversifying their manufacturing to create regional hubs with local suppliers and investing in technology to give them greater advance warning of potential bottlenecks. Some companies are also investigating ways of working with their rivals to share information to develop emergency back up facilities without falling foul of competition regulators.

"What companies love to do is to optimise working capital. So many manufacturers went to just-in-time inventory, and, pre-pandemic, that worked pretty well," Carol Tomé, chief executive of UPS, said at a recent industry event.

"But when the pandemic hit and everything was shut down, including manufacturing, and then the economy started to open and the demand . . . jumped, well, that just-in-time inventory didn't work any more. Companies are now thinking about, I need 'just in case' inventory," she added.

'The pandemic changed everything'

The changes are being driven by the pandemic and the supply chain shock that followed. But they also reflect the geopolitical tensions between China and the west and the growing pressure on companies to reduce their carbon footprint.

Tens of thousands of tiny changes are fundamentally reshaping the way things are designed, manufactured and sold. In some cases, these shifts are driving up costs and contributing to inflation, but the end result may be more reliable, more local supplies, reducing both price volatility and future carbon emissions.

This new mindset took root in the early days of the pandemic, when a McKinsey survey of senior supply chain executives found that 73 per cent of companies had encountered problems with their supplier footprint — from parts shortages to shipping delays — that required changes.

“The supply chain is like your car. If it runs, you don’t give it much thought. But when it breaks down, you sure know the difference,” Hamid Moghadam, chair of Prologis, a real estate investment trust that invests in logistics facilities, said at the same industry event.

“The pandemic changed everything.”

One big German industrial group caught flat-footed by the semiconductor shortage has shifted from three-month non-binding arrangements with suppliers to 24-month commitments that require it to pay in advance of receiving its chips. “We had to give the supply chain more stability,” a top executive says. “It’s a change from a buyer’s to a seller’s market.”

It is not alone. US carmakers Ford and GM are setting up partnerships, rather than just supplier contracts, with semiconductor manufacturers to improve their access to chips. Their German rival Volkswagen is looking at extending the length of its contracts with key suppliers, and Chinese energy groups have been rushing to sign liquefied natural gas contracts that extend as long as 20 years, more than double the old normal length. A follow-up McKinsey survey this year found that 61 per cent of companies had increased inventory of critical products and 55 per cent had taken action to ensure they had at least two sources of raw materials.

As a result, warehouse costs are rising sharply in many markets, as manufacturers and retailers boost inventory levels. US industrial vacancy rates — a measure of available warehouse space — hit a historic low of 3.6 per cent nationally in the third quarter, according to CBRE. In California’s Inland Empire, a key bottleneck near the ports of Los Angeles, vacancy rates scraped 0.7 per cent. And property agent Cushman & Wakefield predicts the UK could run out of warehouse space within a year.

With supply chains becoming more complex and natural disasters disrupting them more often, “you have to reinvent ‘just in time’,” says Oscar de Bok, who runs DHL’s supply chain business. “You can’t plan it as lean any more as you wanted it in the past.”

‘Local for local’ supply chains

Abandoning the “efficiency above all else” mantra goes beyond warehouses and order books.

Companies that had consolidated their production into one or a few low-cost locations got a nasty shock last year as pandemic-related shutdowns and shipping bottlenecks left them without key parts or even merchandise to sell. The message was reinforced by the unexpected February freeze in Texas which shut down petrochemical plants and led to shortages of resin, a core ingredient in everything from plastic straws to auto parts.

The pandemic strengthened the hand of corporate executives who were already exploring whether to set up regional networks for other reasons — such as sidestepping rising US-China tensions or to take advantage of government incentives aimed at stimulating local manufacturing.

Multinational companies are now talking about “local for local” supply chains. That’s partly because logistics problems have eaten away the advantages of shipping products from low-cost factories half a world away. It now takes anywhere from 28 to 52 days to ship a pair of shoes produced in China from Shanghai to Los Angeles, up from between 17 and 28 days before the pandemic. And the total cost has gone up by $1.77 per pair, according to research by consultancy AlixPartners — an additional cost which smaller industry members with slimmer profit margins will struggle to absorb.

“The problem is the volatility. If you always have a 10-day delay, you could put 10 days’ extra material into the supply chain. But some things arrive on time and others are delayed for 20 days,” says Volker Blume, who heads up material control, transport and delivery assurance at the German carmaker BMW. “Our systems are designed for smooth flows.”

Manufacturers and retailers of everything from cars and footwear to vaccines are rediscovering the advantages of having suppliers closer to consumers. In strategically important sectors such as healthcare, they are also receiving government support. This is reviving interest in manufacturing in North America where, for instance, Ford and South Korea’s SK Innovation recently announced a plan to build a $5.8bn lithium-ion battery plant in Kentucky, and in continental Europe, where Intel has promised to spend $20bn on semiconductor manufacturing.

"The pendulum has swung and . . . I don't think it will ever go back completely. Not even China is going to be the low-cost manufacturing centre it [once] was," says Simon Freakley, chief executive at AlixPartners. "It does mean areas like Texas and Kentucky become [more attractive because they] have the added advantage of just in time and just in case."

Resilience, a San Diego-based biopharmaceutical company, is one of the beneficiaries of this trend. Founded during the pandemic, it specialises in high-tech onshore manufacturing. It received a direct investment from the Canadian government worth $164m for its Ontario site and has won contracts from Moderna and other companies that have developed vaccines and medicines to produce them in North America. It has four sites operating already and plans for at least another six.

"It is a myth that cost depends on geography," says Resilience co-founder and chief executive Rahul Singhvi, who previously worked for Takeda, the Japanese drugs group. "We had manufacturing technologies that we could deploy to reduce cost even in Japan. It was cheaper than some Indian and Chinese markets."

Shared responsibility, shared risk

VW and BMW have been trying to standardise components across each of their various models and brands so that suppliers have sufficient volume to manufacture regionally.

VW's design platform for petrol and diesel cars "is highly flexible so if volume decreases we can combine combustion engine cars of different brands in one plant and redesign the others," says Arno Antlitz, the company's chief financial officer. "We are heavily reducing complexity because we have to."

While much of the focus on localisation has been driven by logistics issues, executives say the trend also dovetails with their efforts to address global warming, and capitalise on changing government policies.

Cutting back on the number of parts and products that are shipped around the world is an easy way to improve a company's carbon footprint. Some groups are also moving their manufacturing to places where renewable energy is abundant and there are substantial markets for their products such as Yunnan province in China, where hydropower has helped it become a centre of aluminium production.

At the same time, the financial incentives around siting plants are changing. Not only are governments scrambling to boost domestic manufacturing, but some of the advantages of production in low-tax jurisdictions are shrinking.

The groundbreaking global deal on corporate taxes, signed in October, calls for companies to pay at least a 15 per cent effective tax rate and declare profits. And to pay more taxes in the countries where they do business. That would remove the current incentives for companies to avoid having a physical presence in high-tax countries where they have lots of sales so they can shift the revenue and profits elsewhere, says Kate Barton of EY.

The tweaks to supply chains go beyond physical shifts. Many companies are using technology to quickly identify supply chain delays. BMW has increased its use of digital trackers to follow its parts across Europe and receive real time alerts if a truck is running late. The current backlog at key ports means that sea transport times are more variable, so the automaker is working with a couple of start-ups that are trying to develop predictive algorithms. But information from direct suppliers can only go so far.

“If you have good information about your supply chain, you need less stock and you can decrease the buffers,” says BMW’s Blume. “You need a solution for standardised communications to allow participants in a supply chain to look deeper.”

That is why the major German car companies and their biggest suppliers — Bosch, Siemens, Schaeffler, among others — joined together last spring to found Catena-X. This automotive alliance sets standards for information and data sharing, to make it easier for all of them to see what is going on not just at their direct suppliers but also at the hundreds of thousands of smaller companies that they rely on.

At the same time, retailers and manufacturers who belong to the Consumer Goods Forum are exploring ways they could collaborate to build resilience, perhaps by investing in shared back-up facilities that would be needed in an emergency situation.

These could include alternative ports, extra warehouses and trucks. This would likely require regulatory blessing because of cartel concerns, but there are precedents. The UK government allowed grocers and suppliers to work together to divert supplies from restaurants to supermarkets in the early days of the pandemic.

The conversations are in early stages but “the fact that the word ‘collaboration’ is even part of a boardroom meeting is a change,” says Ruediger Hagedorn, the group’s end-to-end value chain director. “If you have shared facilities you share the risk.”

Building up inventory is much easier than relocating factories or agreeing to share space with a competitor and it is not at all clear that companies will follow through. While 93 per cent of companies told McKinsey last year they intended to make their supply chain more flexible, agile and resilient, only 15 per cent had made structural changes by the time this year’s survey came around.

Still, Daniel Swan, who heads the consultancy’s operations practice, says “there’s a meaningful increase in CEO engagement in supply chain issues. That gives me encouragement that it won’t be a flash in the pan.”

Source: ft.com– Dec 21, 2021

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Clothing saw 5% YoY growth, textiles 7% fall during Jan-Sep 2021: WTO

The year-on-year (YoY) growth in trade values for manufactured goods in the first three quarters of 2021 was 5 per cent for clothing and minus 7 per cent for textiles, according to the World Trade Organisation (WTO), which recently said despite strong headwinds contributing to the overall decline in merchandise trade in the third quarter, trade volume was still up by 11.9 per cent YoY during the period.

The textiles category includes surgical masks, which surged earlier in the pandemic. The higher baseline for these products may explain their decline in the third quarter, WTO said in a note.

The forecast of a 10.8 per cent increase in merchandise trade for 2021 could still be achieved if volume growth picks up in the fourth quarter. This is a real possibility since measures to unblock container ports on the US West Coast met with some success, WTO said.

“Nevertheless, the emergence of the Omicron variant of SARS-CoV-2 appears to have tipped the balance of risks towards the downside, increasing the chance of a more negative outcome,” the multilateral trade body noted.

The main reason for the dip in merchandise trade volume in the third quarter was weaker than forecasted imports in North America and Europe. This translated into reduced exports from those regions and also from Asia. Asian imports contracted in the third quarter, but this decline was anticipated in the October trade forecast.

In contrast to volume, the value of world merchandise trade continued to climb in the third quarter as export and import prices rose sharply.

Source: fibre2fashion.com– Dec 25, 2021

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Outlook 2022: Consumers will expect something new

Following a protracted period of robust spending, much of it online or omnichannel, consumers have rolled with the punches as supply chain issues have made in-stocks more uncertain.

Their expectations going forward are going to be higher, according to Sandra Duff, president of Jackman Reinvents, which specializes in customer engagement.

“Consumers have been very forgiving of retailers. Now they’re going to be looking for something new. They want to be enticed. They want to be wooed,” she said as part of an exclusive interview for HTT’s January/February issue.

Most retailers have a good idea of who their shoppers are demographically, but brands need to do a better job of understanding their values beliefs and attitudes, Duff believes.

“Do they like to be inspired are do they feel very confident in their choices? Right now, attitude is very important.”

Jackman Reinvents worked with Joann Stores to develop- in-store spaces where shoppers could create and collaborate with associates or one another. The consulting firm also worked with JCPenney as the retailer crafted its concept testing store in Hurst, Texas, which has experimented with fitness classes, a selfie studio and a Pinterest in-store style explorer.

Showrooming is poised for a return, but in an evolved fashion. “In 2018 to 2019, it was about price comparison. Now that’s easy to do online,” Duff explained.

The new showrooming, when done right, offers the consumer a richer experience. With Joann Stores, Jackman Reinvents found that creativity was an essential part of the core customer’s lifestyle. When visited the store, they didn’t just want to buy merchandise, they wanted to share their passion. The remodeled store experience includes levering opportunities to connect with staff to talk about their projects and to tap into their expertise.

Creating a better, more productive shopping experience requires rethinking “how staff shows up in store,” said Duff. “What is their purpose?

The current environment is also a good one for smaller, niche retailers as more consumers embrace the "shop local" ethos.

"Sometimes, big retailers are letting them down. And it's nice to see that curated point of view," she said. "That's experiential."

She credits volume retailers with reacting swiftly to changing consumer needs during the era Covid-19 era and working creatively this year to keep merchandise flowing despite supply chain challenges. The focus, by necessity has been on the operational side. Now, said Duff, retailers need to pay more attention to how consumers' values have changed.

It's about who they trust, and how they spend their time as well as their money.

"Shopping has become a chore," said Duff. "Make it worth my while. Make it worth me visiting your store."

Source: hometextilestoday.com– Dec 27, 2021

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US transportation secretary announces over $241 mn in grants for ports

US transportation secretary Pete Buttigieg recently announced the award of more than $241 million in discretionary grant funding for 25 projects to improve port facilities in 19 states and one territory through the Maritime Administration's (MARAD) Port Infrastructure Development Programme (PIDP).

The grants will strengthen US supply chains to meet demand resulting from the rapid economic recovery over the past year and help address inflationary pressures, an official release said.

"These investments in our nation's ports will help support American jobs, efficient and resilient operations, and faster delivery of goods to the American people," Buttigieg said.

PIDP is in its third year and has already awarded $492 million for 32 projects of regional and national economic significance within its first two years.

The programme supports efforts by ports and industry stakeholders to improve facility and freight infrastructure to ensure the nation's freight transportation needs, present and future, are met. It provides planning and capital financing and project management assistance to improve ports' capacity and efficiency.

The projects that were awarded grants include coastal seaports, Great Lakes ports and inland river ports.

Source: fibre2fashion.com– Dec 28, 2021

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Vietnam economy rebounds after Q3 2021 GDP contraction: IHS Markit

Economic growth in Vietnam was strong in the first half of 2021, with the gross domestic product (GDP) in the second quarter (Q2) rising by 6.6 per cent year on year (YoY). However, a severe COVID-19 Delta wave hit the nation in mid-2021, resulting in a sharp contraction in GDP growth in Q3. Economic data for Q4 is showing signs of recovering economic momentum, according to IHS Markit.

IHS Markit Vietnam manufacturing purchasing managers' index (PMI) for October showed a strong rebound in the manufacturing sector. However, the economic recovery still faces headwinds due to a renewed upturn in daily new COVID-19 cases as well as continuing supply chain disruptions, according to Rajiv Biswas, Asia Pacific chief economist of IHS Markit.

Prior to the COVID-19 pandemic, Vietnam had been one of the world's fastest growing emerging markets in the past decade, boosted by strong foreign direct investment inflows into its manufacturing sector. The pace of economic growth slightly exceeded 7 per cent in both 2018 and 2019.

Rapid growth of manufacturing exports and large new inflows of foreign direct investment (FDI) have been important growth drivers for Vietnam, notably driven by rapid expansion in the textiles and electronics sectors. Textiles, clothing and footwear accounted for 19.4 per cent of total merchandise exports in 2019.

Total foreign direct investment inflows reached $20.4 billion in 2019, up by 6.7 per cent year on year, driven by strong investment by multinationals in establishing new manufacturing production facilities in Vietnam.

With the domestic pandemic having remained contained, economic growth momentum strengthened in the first half of 2021. GDP growth in the second quarter of 2021 rose by 6.6 per cent YoY, improving on the 4.65 per cent YoY growth recorded in Q1 2021, Biswas said.

A key driver of economic growth momentum was the rapid growth of exports, which rose be 28.4 per cent YoY in the first half (H1) of 2021. The strong performance of industrial exports also boosted the industrial sector, with industrial production up 9.3 per cent YoY in H1 2021. FDI inflows in

the first half of 2021 remained resilient, at $9.2 billion, up by 6.8 per cent YoY.

However, with the highly transmissible Delta strain of COVID-19 having spread rapidly throughout Southeast Asia in mid-2021, a severe new Covid Delta wave hit Vietnam in Q3 2021. Consequently, Vietnam's GDP contracted by 6.17 per cent YoY in Q3, with consumer spending, construction activity and manufacturing production hit severely by the lockdown measures.

This led to a sharp decline in business conditions for manufacturers during June and July. The IHS Markit Vietnam manufacturing PMI plummeted from 53.1 in May to 44.1 in June, showing the most severe deterioration in business conditions for over a year and ending a six-month period of growth.

During Q3, severe disruption to supply chains were noted by firms in the PMI survey results, with the extent of delivery delays reaching the highest level since the survey began more than a decade ago.

Shortages of labour also contributed to rising backlogs of work, as migrant workers returned to their home provinces and towns during the protracted lockdowns and widespread factory closures.

In August, total merchandise exports fell by 2.3 per cent month on month (MoM), as the impact of factory closures due to the escalating pandemic began to impact more significantly upon manufacturing production. The decline in August exports was heavily impacted by a 15 per cent MoM decline in exports of textiles and garments and a 40 per cent MoM decline in exports of footwear, due to widespread factory closures.

The economic impact of the pandemic is expected to recede during 2022 as vaccination rollout becomes more widespread across the population of Vietnam, IHS Markit added.

Source: fibre2fashion.com– Dec 28, 2021

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Online clothing resale is here to stay

Like many members of Gen Z, my children have soured on traditional clothing stores. For both sustainability and cost reasons, they now shop only at thrift stores.

Dragged along on a recent outing, I funded an update of my daughter's wardrobe and scored some Lucky jeans for myself while spending less than a new pair would have cost at the mall.

But Christmas presents are going to be a challenge. With the Omicron variant spreading, I have no desire to flip through the racks again, and the kids would frown on brand new items. That leaves the burgeoning online market.

Clothing resale sites were already starting to take off before the pandemic: consultants BCG said last year that one quarter of global shoppers bought a used item in 2019 and predicted that second-hand fashion's share of the global closet could grow from 21 to 27 per cent by 2023.

But global lockdowns really juiced investor interest in the sector's potential for growth. This year, US sites ThredUp and Poshmark joined the public markets. In Europe, Gucci owner Kering put money into Vestiaire Collective, crafting marketplace Etsy bought Depop and private equity group EQT backed a big fundraising for Vinted at triple its prior valuation.

A GlobalData study commissioned by ThredUp optimistically predicted that curated resellers (as opposed to traditional thrift stores) would grow 11 times faster than ordinary clothing retail and the total second-hand market would double in size to $77bn by 2025. Younger consumers are powering the trend: 42 per cent of Gen Z and millennials shopped for second-hand apparel last year.

The bloom is now coming off the rose. ThredUp and Poshmark shares are down more than 80 per cent from their peaks earlier this year. Even RealReal, which has been listed for longer, has seen its share price fall by more than half since February.

Much of the scepticism is warranted. Online clothing resale is getting crowded. Bigger players are elbowing their way in, and the success stories are starting to bump into each other as they expand further. Poshmark, for

example, reported slowing revenue growth in the third quarter as it swung to a loss.

Bricks and mortar competition is also rising now that stores have properly reopened. For shoppers who like the thrill of discovery, online browsing struggles to beat rifling through a thrift shop rack. And department stores such as Selfridges and Neiman Marcus are courting those who seek genuine brand names and vintage pieces.

Consumers who turn to second-hand for cost reasons also have other options. Fast fashion stores and websites from China's Shein to the UK's Primark are thriving. Sweden's H&M is a triple threat. It not only sells cheap new clothing but also collects old garments for recycling and several of its brands have entered the resale market.

Despite the challenges, the online resale market is consolidating and maturing rather than flaming out. As sustainability rises as a driver of consumer behaviour, fashion will feel the heat. It accounts for about 10 per cent of greenhouse gas emissions due to long supply chains and heavy use of petroleum-based synthetics.

That suggests second-hand sales will only become more attractive — to the original makers. There are few better ways to reduce total carbon emissions than to resell the same goods. Customers are also likely to pay more if the manufacturer vouches for their authenticity. Enthusiasts argue that artificial intelligence and blockchain will speed validation and draw in new buyers much as dealer-certified "pre-owned" cars widened the used vehicle market in the 1990s. The ultimate dream is to create a circular market, where loyal customers send back goods they have tired of and receive credit that they use towards buying more.

Kate Fletcher, a professor of sustainability design at the London College of Fashion, doubts that clothing resale will solve the sustainability problem. "The industry is trying to maintain a fundamentally high-impact model by substituting second-hand goods," she says. "People's wardrobes are becoming engorged."

That hasn't stopped groups such as online luxury retailer Farfetch from trying to capitalise. Last week it acquired Luxclusif, a resale platform that provides technology to brands that want to get into online reselling.

Last year, 32 per cent of Gen Xers and 16 per cent of boomers bought second-hand clothing, according to GlobalData. If luxury and fashion companies can convince more of us to follow the kids, there is a lot of money to be made.

Source: ft.com– Dec 16, 2021

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Shein: the Chinese company storming the world of fast fashion

Time did not seem to be on Chris Xu's side when he threw himself into the cut-throat world of Chinese entrepreneurship. He quit his job in marketing and set up an online fashion retailer just as the 2008 global financial crisis struck.

Yet after little more than a dozen years, Shein, the company he founded, has seized over a quarter of the US fast-fashion market and its rapid growth threatens to disrupt established global players such as Spain's Inditex and Sweden's H&M.

The business is built around the fast-fashion model pioneered by others, including Inditex's Zara. But through use of automation, artificial intelligence and a well-drilled supply chain, Shein has found a way to do it both cheaper and faster.

The company's detractors say its business model relies on tax loopholes, a flexible attitude to intellectual property and scant regard for corporate and social responsibility. "I think it should be closed down," grumbles the chief executive of one big fashion retailer.

But its young consumers appear to care little and Shein's rock-bottom pricing plus its growing dominance in mobile apps and social media favoured by that cohort has started to cause concern in western boardrooms.

In the first few months of 2021, its app downloads were second only to Amazon and its engagement levels on TikTok were notably higher than those of rivals.

Despite such a rapid rise, there is little public information about the company or its enigmatic founder, beyond that it started life selling Chinese-made goods from sunglasses to wedding dresses for export to individual customers in the US, and that it changed its name from SheInside to Shein in 2015.

In the process, Shein has become one of the few Chinese consumer brands to break through in the US and European markets. The company's competitiveness also calls into question the notion that the era of super-cheap manufacturing in China is over.

"We didn't come out of nowhere," says George Chiao, head of the company's operations in the US, where Shein this year surpassed H&M and Zara to become the largest fast-fashion retailer by sales, according to retail data analytics company Earnest. "We spent the past 10 years building the foundations of the company."

"It has been difficult for Chinese brands to go to the west and make a name for themselves," he adds, referring to what he says is the tendency of Chinese companies to concentrate on manufacturing and to shun publicity. "Chinese people have been very good at manufacturing. Why? Because they lock themselves up in a factory and make products westerners ask them to make. It's a cultural thing. Chinese people don't like to talk about themselves and take away from what the business has built."

'Test and repeat'

Inditex, the world's biggest apparel retailer, pioneered the idea of quickly adapting catwalk styles into clothes that could be bought by ordinary consumers in stores. The likes of Boohoo in the UK and Fashion Nova in the US used a "test and repeat" model — producing small amounts of a range of styles — to accelerate that process to just a couple of weeks.

But Shein has taken that down further — to as little as a week — and at much greater scale. Each day, it adds 6,000 new items online, far more than any comparable retailer manages. It responds in real time to trends picked up not by fashionistas and designers but by analytics software, which trawls through shopping and social media websites.

While established fashion retailers rely heavily on Instagram, especially for social media promotion, Shein has piggybacked on the growth of TikTok, the Chinese short-video app that has also become wildly popular around the world.

For Gen-Z consumers, the company has become synonymous with the TikTok phenomenon of influencers posting short clips of "Shein hauls", parading an array of outfits to their online fans.

Shein also makes a much greater proportion of its sales via mobile apps rather than conventional websites and has borrowed ideas from the world of gaming — such as countdown clocks and even games with discounts as prizes — to boost engagement and spend in that channel.

Before shoppers check out, Shein's app entices them to continue adding to the basket with the lure of gifts and express delivery if they hit a certain spending threshold. Although such practices are common among fast-fashion retailers, Rouge, a website and branding agency, found that Shein included more prompts to users to spend more money or disclose personal data than any other.

Dimitrios Tsivrikos, a consumer psychologist at University College London, says that Shein has turned shopping into a form of online entertainment. "Social media has been a very effective promotional outlet for Shein, especially with the rise of TikTok.

"Young people can only wear the same clothes once or twice before eventually throwing them away for fear of being labelled 'cheugy'," he adds, referring to a pejorative teenagers use to poke fun at the unfashionable and outdated.

Shein is also very cheap. The average unit price for its more than 600,000 products is just $7.90. Analysts at Morgan Stanley found that only Primark in Europe — which operates a traditional model of long lead-time manufacturing in south Asia — and Forever 21 in the US could consistently match it on prices of staples such as jeans, dresses and T-shirts.

Industry competitors question how Shein is able to sell its wares so cheaply, given that labour costs in China have been rising for years, and that more recently the Covid-19 pandemic has inflated prices for everything from fabrics to air freight.

"We have tried to model it and we just couldn't make it add up," says one senior UK fashion executive. "A lot of the clothes are very simple but the quality isn't bad for the price points."

He and many others point to the tax advantages that Shein enjoys. Most fashion retailers build a presence in their home market before expanding overseas, but Shein has never sold clothes in China itself.

Click here for more details

Source: ft.com– Dec 09, 2021

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What's So Great About Egyptian Cotton Sheets?

Much like French wine, Russian caviar, and German engineering, when you hear the words "Egyptian cotton," you know to expect quality and luxury. But how exactly does Egyptian cotton differ from other kinds of sheets? And is it worth the hype? Well, it depends on a few factors. We headed to the source to learn just what makes this material so special—and what to look our for when you're buying bedding made from it. Read on for everything you need to know about Egyptian cotton.

The History

Cotton has been cultivated for more than 5,000 years; it wasn't until the mid-20th century that farmers moved away from manual picking and ploughing to mechanical farming methods. There are some 50-odd species of cotton of the *Gossypium* genus, and you can find cotton plants in North and South America, Asia, and Africa. Some 90 percent of the world's cotton consists of a type known as upland cotton. Its distinctive feature is that it is made up of relatively short fibers. This short-fibred cotton makes up the vast majority (95 percent!) of the cotton grown in the US.

What makes Egyptian cotton different?

Egyptian cotton, on the other hand, consist of extra-long fibers, which are smaller in diameter, yet much stronger than other types of cotton, making textiles made from it not only softer, but also more durable. Over the years, these fibers have been optimized for the best cloth.

"The best type of Egyptian cotton is extra-long stable cotton, made from hybrid Egyptian cotton, finessed over the years by taking the best characteristics from each one," explains Ziad Darwish, Vice President of Darwish Cotton, based in Alexandria.

Where does Egyptian cotton come from?

"The best Egyptian cotton is planted in the north, around the city of Damietta, with the area offering the most favorable factors of soil, humidity and temperature," Darwish explains.

But just because a product reads "Egyptian cotton" on the label doesn't necessarily mean it's high-quality— or even long-fibered. In recent years,

cotton farmers have struggled economically and there have been countless reports of "supplementing" good Egyptian cotton with lesser varieties.

How can you tell if cotton is high-quality?

To ensure good quality, look out for labels mentioning **long-staple Egyptian** or **long-staple Pima and Supima** cotton (the latter two are not Egyptian, but also high-quality long-fiber cottons). If you are lucky enough to buy your cotton in Egypt itself, look for labels listing **Giza 45, Giza 87,** and **Giza 92,** advises Darwish.

What does thread count have to do with it?

Okay, so you know what *type* of cotton you want—now what about the count? This too needs to be taken with a pinch of salt, as thread count can be inflated depending on what you count as a thread. Generally, a thread count between 400 and 700 is considered high quality for bed linens. Obviously, the higher the better, but double-check if the manufacturer is trustworthy when a label suggests a thread count of 1,000.

Anything else to know?

Apart from the type of cotton and the thread count, you'll also want to consider the weave. The most commonly encountered types of weaving in cotton bedsheets are percale (an up-and-under weave which leaves the sheets feeling cool and crisp against the skin), satin (a warp-faced technique which results in smooth and silky sheets), and Sateen (similar to Satin in the silky and smooth feel, but overall heavier and warmer).

TLDR: There's more to Egyptian cotton than a simple label, but once you know what to pay attention to, you'll be a pro at selecting the best.

Source: housebeautiful.com– Dec 27, 2021

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Turkey a growing market for Indonesian fiber and yarn

Turkey is one of the important export destinations for Indonesian synthetic fiber and yarn products, says Secretary General of the Indonesian Fiber and Filament Yarn Producers Association (APSyFI) Redma Gita Wiraswasta. Fiber products such as staple fibers of viscose rayon and single yarn are a few textile products offered by Indonesia in a counter-trade agreement with Turkey, one of Indonesia's main trading partners.

Fiber and yarn producers in Indonesia have expressed interest in trying out a counter-trade scheme in trading these products. Trade returns are considered as an alternative for market penetration in the midst of trade barriers that are applied in the destination country.

Turkey accounts for 10 per cent of Indonesian fiber and filament yarn exports. Trade compensation is an alternative considering that several Indonesian fiber products are subject to anti-dumping duties in that country. Meanwhile Indonesia believes the Regional Comprehensive Economic Partnership (RCEP) will open up opportunities to increase exports of footwear.

The country's shoe exports to RCEP countries reached 29 per cent of total exports in 2020 followed by the United States at around 27 per cent. RCEP participating countries are the second largest footwear export destination for Indonesia after the European Union.

RCEP countries have become an important market, especially China, which showed a large increase in imports in the period 2019 and 2020.

Source: fashionatingworld.com– Dec 24, 2021

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Bangladesh garment exports on the rise

Bangladesh's garment exports to the US and the EU increased between July and October of the current fiscal year compared to the corresponding period of the last fiscal year.

Bangladesh has two main export destinations for garment and its products -- the US, which accounts for 24 per cent of the shipments, and the European Union (EU), which accounts for 64 per cent.

The country's garment shipments have continued to attain impressive recovery, largely driven by volume, as the price hike rate has been very low, with normalcy restoration in the global supply chain from the pandemic's severe fallout.

A new study by the Centre for Policy Dialogue (CPD reveals the volume-driven export growth has had important consequences for bottom tier entrepreneurs and their falling profit margins.

The rise in productivity is not being realised through higher prices, although it is helping Bangladesh's apparels remain competitive. In the US market, the 23.8 per cent growth in export earnings was mostly driven by volume, which rose by 19.8 per cent, whereas in contrast the rise in price per dozen was a mere 3.3 per cent.

Export earnings from the EU rose 8.9 per cent against the backdrop of a rise in volume of 7.9 per cent as against the rise in price by an insignificant 0.9 per cent.

Source: fashionatingworld.com– Dec 27, 2021

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Bangladesh surpasses China, Vietnam and Indonesia in export growth rate

The growth rate of RMG exports of Bangladesh to United States of America has surpassed that of China, Vietnam and Indonesia in the first 10 months of 2021.

According to US Department of Commerce, Bangladesh's export earnings from the US increased by 27 percent during Jan-Oct period compared to last year's corresponding period while the China's export growth was 25 percent, Vietnam's 14 percent and Indonesia's 10 percent.

In fact, the Office of Textiles and Apparel (OTEXA) of the Department of Commerce shows Bangladesh, the third largest exporter of garments to the United States, earned 5.7 billion dollars from apparel export to the US market in the Jan-Oct period.

According to textile industry insiders, the Covid-19 pandemic led to a sharp decline in China's production of readymade garments. Besides, the production has also been disrupted in Vietnam and Indonesia. As a result, garment manufacturers in Bangladesh have received additional work orders.

BGMEA First Vice-President Syed Nazrul Islam said, "After struggling for a long time since the pandemic began, the readymade garment sector started to recover. We were getting good response from buyers. However, Omicron, the new variant of Covid-19, has posed a new threat to the sector."

"Lockdown has been imposed in many countries of Europe. As a result, outlets are now almost closed. Although we haven't observed any effect of the new variant in export yet, we fear that a large number of orders might get cancelled if the situation gets worse." he added.

Source: fibre2fashion.com– Dec 26, 2021

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NATIONAL NEWS

2021- A Year of Game Changing Reforms for Ministry of Textiles

India has the unique advantage of the entire value chain for textile production present within the country vis-à-vis other competing nations which have to import fibre, yarn and fabric to meet their requirement for garment production.

It has a large market, which is growing rapidly with affordable manpower. The domestic textile and apparel production is approx US$ 140 Bn including US$ 40 Bn of Textiles and Apparel export. The textile and apparel industry contributed 2% in the overall GDP of India in 2019 and 11% to total manufacturing in GVA.

Availability of almost all types of raw materials, existence of total value chain, young demography of India, entrepreneurial mindset of industry leaders, continuous support of Government, technology up gradation, focus on innovation and strong presence of support industries will help this sector grow at a healthy pace in coming decade.

Widely referred to as a change agent owing to its transformative powers, this industry alone has the capacity to generate around 70 jobs in garmenting and an average of 30 jobs overall for every INR 1 crore (USD 132,426) invested as compared to 12 jobs created on an average in other industries.

With direct and indirect employment of close to 105 million people, this industry is the second largest employment generator in the country, next only to agriculture. More significantly, women constitute 70% of the workforce in garment manufacturing and about 73% in Handloom.

The growth of India as a manufacturing hub for textiles will depend on the attractiveness of the domestic market and on investments in high-end textile machinery and products in emerging areas like technical textiles, Man Made Fiber (MMF). A hallmark achievement of the Ministry includes, India has establishing a Rs 7000 crores PPE industry in a short span of just three months in post-COVID situation and becoming the second largest producer of PPEs.

Recent key initiatives of the Ministry during the year are as under:

PM MITRA PARKS: Government has approved Setting up of 7 Pradhan Mantri Mega Integrated Textile Region and Apparel (MITRA) Parks with a total outlay of Rs. 4445 Crores in a period of 5 years. World-class Industrial infrastructure would attract cutting age technology/scale and FDI / local investment in the sector. PM MITRA Park will encompass all '5F' components: Farm to Fibre; Fibre to Factory; Factory to Fashion; Fashion to Foreign.

PM MITRA Park is envisaged to be located at sites which have inherent strength for Textile Industry to flourish. PM MITRA Park will offer the opportunity to create an Integrated Textiles Value Chain right from spinning, weaving, processing/dyeing and printing to garment manufacturing etc. at one location and will reduce logistics cost of Industry. It is intended to generate around 1 Lakh direct and 2lakhindirect employment per park.

PRODUCTION LINKED INCENTIVE (PLI) SCHEME FOR TEXTILES:

Production Linked Incentive (PLI) Scheme for Textiles is specially focused at high value and expanding MMF and Technical Textiles segments of Textiles Value Chain. Incentives worth Rs. 10,683crore will be provided over five years for manufacturing notified products of MMF Apparel, MMF Fabrics and segments/products of Technical Textiles in India. This will give a major push to growing high value MMF segment which will complement the efforts of cotton and other natural fiber-based textiles industry in generating new opportunities for employment and trade. It will help create 50-60 global champion of exports.

RoSCTL scheme and Duty Structure : Government has approved continuation of RoSCTL scheme up to March 2024 to boost export competitiveness of Indian apparel and made-ups. The Government has notified uniform goods and services tax rate at 12 % on MMF, MMF yarn, MMF fabrics and apparel that has addressed the inverted tax structure in the MMF textile value chain. The changed rates will come into effect from 1st January, 2022. This will help the MMF segment grow and emerge as a big job provider in the country.

AMENDED TECHNOLOGY UPGRADATION FUND SCHEME (ATUFS):

Technology Upgradation Fund Scheme (TUFS) is a credit linked subsidy scheme intended for modernization and technology up-gradation of the Indian textile industry, promoting ease of doing business, generating employment and promoting exports. The ongoing ATUFS with an allocation of Rs 5151cr has been implemented with focus on facilitating and providing support to MSMEs.

TECHNICAL TEXTILES: The Technical Textiles segment is a new age textile, whose application in several sector of economy, including infrastructure, water, health and hygiene, defense, security, automobiles, aviation will improve the efficiencies in those sectors of economy. Government has also launched a National Technical Textiles Mission for promoting R&D efforts in that sector.

SAMARTH (SKILL DEVELOPMENT & CAPACITY BUILDING): Samarth is a placement oriented programme targeting skill development of unemployed youth in the value chain of textiles for gainful employment in organized sector and skill upgradation of weavers & artisans in traditional sector. So far, a total of 71 textile manufacturers, 10 industry associations, 13 state government agencies and 4 sectoral organizations have been on-boarded under the scheme with an allocated target of 3.45 lakh beneficiaries, after due process of empanelment.

NATURAL FIBERS: India enjoys a pre-dominant position in availability of natural fibers of textiles.

Silk: India's traditional and culture bound domestic market and an amazing diversity of silk garments help the country to achieve a leading position in silk industry.

India is the second largest producer of silk next to China. It contributes about 32% of global silk production.

Total size of the Indian silk industry is Rs.75000.00 crore(estimated). The Government has taken a number of steps for promotion of investment, production, exports and employment generation in the sericulture sector across the country.

The central sector scheme "Silk Samagra" provides R & D/ Seed support, technical and financial assistance for enhancing the quality and production of silk. The main focus of the scheme is to make India Atma nirbhar in production of international grade bivoltine silk and scale up the Automatic Reeling Machine. Brand "Indian Silk" is promoted through Product Development & Diversification to address the global market need.

Cotton: CCI could procure around 26 lakh bales under MSP Operations and about 6 lakh cotton farmers were benefitted by disbursement of Rs.7600 crores directly into their bank account.

Jute: Jute-ICARE (Improved Cultivation and Advanced Retting Exercise) scheme has been implemented for improvement of quality and yield of raw jute production. Jute Raw Material Bank (JRMB) Scheme is for supplying jute raw materials at Mill Gate Price to MSME JDP units for production of jute diversified products,

Wool: Ministry of Textiles has approved rationalization and continuance of Integrated Wool Development Programme (IWDP) from 2021-22 to 2025-26 with total financial allocation of Rs. 126 Crore. 'Wool Processing Scheme' is for promotion of woolen industry.

TRADITIONAL LIVELIHOOD SECTOR OF TEXTILES –

Handlooms and Handicrafts:

Ministry of Textiles is implementing schemes for development of handlooms, welfare of weavers and for revival and promotion of handloom industry across the country. To promote marketing of handloom products, Handloom Export Promotion Council (HEPC) has been organizing International Fairs and domestic marketing events for the weavers.

Linking Textiles with Tourism though Crafts Tourism Village is a modern-day concept wherein craft promotion and tourism are being taken up simultaneously. 13 crafts villages have already been identified.

Focusing on Direct market Access to Weavers/Artisans: To provide direct marketing platform to the handicraft artisans/weavers, Ministry of Textiles is developing an e-commerce platform through digital India Corporation, Ministry of Electronics and Information Technology. In the first phase, the artisans/weavers from 205 handicrafts/handlooms clusters are being selected throughout the country for uploading the

handicrafts/handlooms products on portal. Further, the artisans/weavers are being registered on Government E-Market Portal (GeM) also to sell their products directly to the Government Ministries/Departments. So far about 1.50 Lakh weavers have been on-boarded on the GeM portal.

Promotion of Indian Toys: As emphasized by Hon'ble PM in his "Man ki Baat" programme that everyone should "team up for toys" with the focus on the theme of Atma Nirbhar Bharat to promote Indian Toy Industry including handicrafts and handmade toy products. A National Action Plan for Indian Toy Story has been made with collaboration of 14 Ministries/Departments of Government of India.

Source: pib.gov.in– Dec 27, 2021

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India-UAE FTA text likely to get Cabinet nod soon

The final text of the proposed India-UAE free trade agreement is likely to be taken up by the Union Cabinet for approval soon as negotiations between the two sides have been successfully concluded, according to a source.

"The Cabinet approval for the India-UAE Comprehensive Economic Partnership Agreement (CEPA) is expected to come in time for Prime Minister Narendra Modi's visit to Dubai, scheduled around January 6, where the pact is likely to be formalised", the source told BusinessLine.

Exports from India that could benefit from the CEPA include textiles, gems & jewellery, petroleum products, engineering and machinery products and chemicals. Gains will, however, be limited as import duties on most goods are at 5 per cent in the UAE.

Import duties on most agriculture products, such as meat, fruits & vegetables and tea, are already at zero per cent, so India is unlikely to make substantial gains in the area, the source pointed out. However, alcoholic, carbonated, and sweetened beverages products have a 50 per cent duty, and e-smoking devices and tobacco products attract a 100 per cent customs duty.

"Market access in services, including mutual recognition agreements for various professions, is also an area of primary interest for India," the source said. The CEPA will also cover other areas including investments and government procurement.

Since India's import duties, on both industrial and agricultural goods, are much higher, especially for sensitive sectors, it has greater responsibility of protecting its industry against import surges.

"New Delhi's key concern is that the UAE should not be used by third countries to ship their products to India at concessional import duties negotiated under the CEPA.

While the Indian industry can face competition from the UAE, the situation can get serious if items from other countries also start getting in. It is, therefore, important to fix strong rules of origin," the source said.

The UAE was India’s third largest trading partner in 2020-21 with the country exporting goods worth $16.7 billion and importing items valued at $26.6 billion. India's major imports from the UAE include petroleum and petroleum products, precious metals, gems and jewellery, minerals, chemicals and wood products.

UAE has also investments worth $11 billion into India since 2000 and is among the top 10 investors for the country.

The proposed CEPA is also important because of its strategic interest to India since UAE is a top supplier of petroleum to the country and could play a major part in strengthening relations with the entire Gulf region.

India’s goal is to become the ``No. 1 trading partner’’ of the UAE, Commerce & Industry Minister Piyush Goyal said at a recent interaction with the industry. “UAE is a gateway to Gulf Cooperation Council and all of Africa," he said.

The negotiations for the pact, which started in September 23-24 this year, were fast-tracked following an intensive round between officials from both sides earlier this month when demands and offers were finalised in all key areas including rules of origin. //The legal procedures and ratifications to implement the CEPA may take some more time. It is expected to cover a wide range of areas including goods (both industrial and agricultural), services, investments and government procurement.

Source: thehindubusinessline.com– Dec 27, 2021

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Uniform GST on MMF, yarn, fabric from January 1: Government

Despite demands from traders and states, the government is sticking to its decision to implement uniform goods and services tax (GST) rate at 12% on manmade fibre (MMF), MMF yarn, MMF fabrics and apparel from January 1, 2022. In its year end statement on Monday, the textiles ministry said that this has addressed the inverted tax structure in the MMF textile value chain and will help the MMF segment grow and emerge as a big job provider in the country.

“The government has notified uniform goods and services tax rate at 12% on MMF, MMF yarn, MMF fabrics and apparel that has addressed the inverted tax structure in the MMF textile value chain. The changed rates will come into effect from January 1, 2022,” the ministry said.

Industry has opposed the rise in tax from 5%, citing higher compliance cost especially for the unorganised sector and MSMEs besides making poor man’s clothing expensive.

Telangana and West Bengal have urged Prime Minister Narendra Modi to intervene in the matter, citing job losses and closure of units.

Former West Bengal finance minister and currently advisor to the state's Chief Minister, Amit Mitra has said that by raising GST to 12% from 5%, 15 million jobs will be lost and 1 lakh units will close.

The Confederation of All India Traders on Monday said that the high tax will not only add to the financial burden on end users but also affect small businesses and encourage tax evasion, among other malpractices.

The traders’ body has sought the implementation of tax rate hike to be deferred and the government to constitute a taskforce to arrive at a consensus.

“GST collection across the country is increasing every month and as such any increase in tax rates without consulting the stakeholders will run contrary to the ease of doing business,” CAIT said.

The domestic textile and apparel production is approximately $140 billion including $40 billion of textiles and apparel export, the ministry said.

The textile and apparel industry contributed 2% in the overall GDP of India in 2019 and 11% to total manufacturing in GVA.

As per the ministry, this industry alone has the capacity to generate around 70 jobs in garmenting and an average of 30 jobs overall for every Rs 1 crore ($132,426) invested as compared to 12 jobs created on an average in other industries.

“With direct and indirect employment of close to 105 million people, this industry is the second largest employment generator in the country, next only to agriculture. More significantly, women constitute 70% of the workforce in garment manufacturing and about 73% in handloom,” it said.

On the seven Pradhan Mantri Mega Integrated Textile Region and Apparel (MITRA) Parks that have been approved with a total outlay of Rs 4,445 crore in a period of five years, it said that the parks will be located at sites which have inherent strength for textile Industry to flourish.

The parks will offer the opportunity to create an Integrated Textiles Value Chain- from spinning, weaving, processing/dyeing and printing to garment manufacturing at one location. It is intended to generate around one lakh direct and two lakh employment per park.

Source: economictimes.com– Dec 27, 2021

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Exporters keeping fingers crossed as Covid cases rising

Exporters are keeping their fingers crossed due to rising Covid infections globally on account of emergence of Omicron variant as it could again disrupt supply chains and affect demand for goods, industry leaders said on Monday. According to medical experts, Omicron is highly contagious and it is likely to affect a lot more people in a very short time, which in turn could impact global demand and disrupt supply chains, which have not yet returned to normalcy, the Federation of Indian Export Organisations (FIEO) said.

"The first quarter of 2022 may see moderate growth in global trade which is a cause of concern for all of us," FIEO Director General Ajay Sahai said. Sharing similar views, leading exporter of Mumbai and founder chairman of Technocraft Industries India Sharad Kumar Saraf said that the exporting community is concerned due to rising infections in the country and different parts of the world. Saraf suggested the government not to take any harsh measures such as lockdown as it would affect businesses.

"We are concerned. We only hope that it will not last long because this time all the governments across the globe are vigilant," he said. He added that so far order books are good and there are no reports of cancellation of orders. Hand Tools Association President Subhash Chander Ralhan said that people should follow all Covid-related protocols so that cases should not increase and the government should continue with their vaccination programme at a faster pace.

"The government should ensure that logistics should not get affected," Ralhan said. Due to rising Covid infections, several countries are cancelling flights. India saw the highest single day rise of Omicron infections with 156 fresh cases, taking the total tally of such cases to 578, according to the Union Health Ministry data updated on Monday.

With 6,531 people testing positive for coronavirus infections in a day India's total tally of COVID-19 cases rose to 3,47,93,333, while the active cases declined to 75,841, according to the data updated at 8 am. India's exports during April-November 2021 rose by 51.34 per cent to USD 263.57 billion.

Source: financialexpress.com– Dec 27, 2021

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Exports rise 36% to $23.8 billion in first three weeks of December

India exported items worth $23.8 billion during the first three weeks of December, up 36.2 per cent year-on-year.

This came amid robust external demand for goods, according to preliminary data collated by the commerce and industry ministry.

The growth was 27.7 per cent as compared to the same period of 2020. In terms of value, goods worth $18.65 billion were exported two years ago.

Export of other items, excluding petroleum oil and lubricants, increased more than 28 per cent (December 1-21) over the same period of 2021 as well as 2020 and 2019.

According to data, the value of exports grew by over a fourth to $7.36 billion during the third week of December as compared to the same time period of 2021. It was up 15.4 per cent during the same time period in 2020.

There has been a sustained increase in exports since the beginning of the year due to recovery in key global markets and robust demand.

The pace of growth in exports was slower in November. Exports growth fell to 26.49 per cent in November from 43.05 per cent in the previous month. In terms of absolute value, it fell to $29.8 billion, the lowest in nine months.

India aims to achieve a target of $400 billion in the current fiscal year, and has met nearly two-thirds of its annual export target during April-November.

Source: business-standard.com– Dec 27, 2021

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Bangladesh may become India's fourth largest export destination in FY22

Bangladesh may become India's fourth largest export destination in FY22, jumping five places in two years. This comes as the economic boom of the eastern neighbour continues to fuel India's exports growth.

INDIA'S EXPORTS STORY

Top 5 export destinations of India (Apr-Oct, FY22)

Rank	Country/ economy	Exports ($ bn)	YoY in %
1	US	43.3	61.9
2	UAE	15.4	87.4
3	China	14.1	16.1
4	Bangladesh	7.7	81.0
5	Hong Kong	6.9	27.7

Top 5 export items to Bangladesh

ank	Item	Exports ($ bn)	YoY in %
1	Cotton	2.1	162.0
2	Cereals	1.3	442.5
3	Electricity and fuel	0.6	0.6
4	Vehicle parts	0.5	64.1
5	Machinery and mechanical appliances	0.4	50.1

Source: Commerce Ministry

According to disaggregated data available till October, during the first seven months of FY22, exports to Bangladesh grew 81 per cent over the same period in the preceding year to $7.7 billion. This makes it India's fourth largest export market behind the US, UAE and China.

If the trend continues, Bangladesh will only better its rank in India's export profile from last year's 5th position when it surprised analysts by jumping from 9th rank in FY20.

Bangladesh has been an economic miracle in South Asia with its unprecedented transformation over the past decade and may even surpass India in terms of per capita income.

Bangladesh's growth stems largely from its success as an exporter of garments, which account for around 80 per cent of its total exports. Remittances from overseas amount to over 6 per cent of GDP.

The major items exported to Bangladesh by India during the April-October 2021 period include cotton ($2.1 billion), cereals ($1.3 billion), electricity and fuel ($0.6 billion), vehicle parts ($0.5 billion) and machinery and mechanical appliances ($0.4 billion).

India and Bangladesh are currently undertaking a joint study on the prospects of entering into a bilateral comprehensive economic partnership agreement (CEPA).

The India-Bangladesh CEO Forum, which was launched in December 2020 to provide policy-level inputs in various areas of trade and investment and facilitate exchanges among business communities, is expected to meet soon to further deepen trade and economic ties.

In a joint statement after the virtual summit between Prime Minister Narendra Modi and his Bangladesh counterpart Sheikh Hasina, both sides emphasised the need to address issues of non-tariff barriers and trade facilitation. They include port restrictions, procedural bottlenecks and quarantine restrictions.

“The Bangladesh side requested that as India’s export of essential commodities is an important factor influencing its domestic market, any amendments in the export-import policy of India should be conveyed in advance. The Indian side took note of this request,” the joint statement said. Bangladesh avoided a recession in FY21, growing at 3.5 per cent unlike India whose economy contracted 7.3 per cent during the period. The economy of Bangladesh is expected to grow at 5.5 per cent in FY22 and 6.8 per cent in FY23, according to the Asian Development Bank (ADB).

ADB, in its Asian Development Outlook released in September, said excluding petroleum, imports (overall) by Bangladesh increased by 14.5 per cent in FY21.

This reflects the solid economic advance. Interme¬diates for the garment industry rose by 8 per cent, while there were double-digit increases in import of other intermediates, consumer products and capital goods.

“Imports are expected to grow by 5 per cent from a high base. As the readymade garments industry continues robust growth, its substantial input requirements will expand.

An increase in the volume of import of petroleum and petroleum products is expected, but with a more moderate price adjustment than in FY21. Accelerated implementation of large infrastructure projects and robust real estate development are expected to boost import of construction, capital equipment and other materials. Meanwhile, foodgrain imports will fall,” it added.

Source: business-standard.com- Dec 28, 2021

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Explained: Why GST on textiles, apparel is being changed; industry's concerns

Textile and apparel manufacturers have expressed concern over the Goods and Services Tax Council's decision to change GST rates on finished textile and apparel products.

There will be a uniform rate of 12 percent across the textile value chain from January 1, 2022, the finance ministry said in a notification on November 18. GST on fabrics will increase to 12 percent from 5 percent and that on apparel of any value will go up to 12 percent, compared to earlier, when pieces priced up to Rs 1,000 were subject to 5 percent GST.

Moneycontrol explains why the government is changing the GST rates, what are industry's concerns, and how the move will likely impact consumers and manufacturers, especially small businesses that have a significant footprint in the textile space.

Why the rates are being changed

The objective behind the proposed changes is to correct the problem of inverted duty structure faced by a segment of the textile value chain. An inverted duty structure is when taxes on inputs and raw material exceed those on output or the final product.

Businesses face higher GST rates on raw material than on finished products, which are refunded by the government at a later date. The GST Council has addressed the issue of inverted duty structure for many industries. However, it still persists for footwear, textiles, pharmaceuticals and fertilisers.

Refund of unutilised input tax credits under the inverted duty structure of GST has been a long-pending issue for businesses.

According to Sanjay Jain, chairman of the Confederation of Indian Textile Industry, only 15 percent of the textile sector – which is the manmade fibre sector and the yarn sector – face the issue of inverted duty structure.

"Our major argument is that why does the government want to adversely impact 85 percent of the industry in order to solve a problem of the 15 percent?" Jain asked.

Industry's concerns

Associations representing the textile manufacturers have said the proposed move will create stress on working capital requirements of manufacturers, especially micro, small and medium enterprises.

As per MSME registration portal Udyog Aadhaar, textile manufacturing MSMEs registered between September 2015 and June 2020 were 651,000, while apparel MSMEs were 428,000.

Ashok Todi, president of the West Bengal Hosiery Association and vice president of the Bharat Chamber of Commerce, said the proposed changes would push lakhs of MSMEs into the unorganised sector or result in their closure.

He said the uniform rate will make it hard for small players to remain afloat as the difference in the rate of tax on the basis of price was crucial for those who produce non-luxury/non-premium items.

Impact on consumers

Rahul Mehta, chief mentor of the Clothing Manufacturers Association of India, said the textile industry will not be able to absorb the increase in GST because it is still recovering from the impact of two waves of the pandemic and reeling from an unprecedented increase in raw material costs in the past year.

"The cost of yarn has gone up by 60 percent in the past 12 months. So, the government is putting an additional 7 percentage point increase on consumers at a time they are already faced with a 20 percent cost increase due to profit margins," said Mehta.

He noted that by putting a uniform GST rate structure in the textile value chain, the government will mop up an additional Rs 7,000-8,000 crore in tax collections.

"GST collection is on average about Rs 1.25-1.3 lakh crore per month. An additional Rs 7,000 crore in a year is peanuts. Is it worthwhile playing around with an industry which employs 12-15 million people?" Mehta asked. The associations said they have been in continuous talks with the government over the GST issue and are hopeful that the rate changes will be put on hold.

"The government has been understanding our concerns, so I will be hopeful even till the night of December 31 that the government will reverse its decision," said Vijay Kariwala, senior vice president of the West Bengal Garment and Dealers' Association.

According to a study by the Clothing Manufacturers Association of India, the GST rate changes will result in 700,000 to 1 million direct job losses in the sector.

Source: moneycontrol.com- Dec 27, 2021

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GST hike from January 1: How hard will the changes hit textile & handloom industry?

On the recommendations of the GST Council, the Central Board of Indirect Taxes and Customs (CBIC) announced that the GST rate on garments, textiles, and footwear would be raised from 5% to 12% with effect from January 1, 2022. The textile and handloom industries are already suffering from the effects of the Covid pandemic, and any proposal to raise the tax would be a death knell for the industry. All textiles and clothing will become more expensive as a result of the proposed GST hike on the textile industry. The tax committee is expected to consider raising India's goods and services tax (GST) rates in order to earn an additional $3 trillion in revenue per year.

Government's outlook

Due to rising spending needs and the economic impact of the second wave of the Covid-19 pandemic in the first half of the current fiscal year, both the federal and state governments are under revenue challenges. This tax increase will aid the Centre, which is experiencing a revenue shortage as a result of recent fuel duty cuts, by stabilising tax revenues and freeing up funds for welfare initiatives. It will also spare states from a fiscal cliff when the central government's GST compensation ends in June of next year. The Centre wishes to correct the inverted duty structure because the GST on man made fibre is 18%.

The possible impact

- This would affect 85 % of the industry and roughly 80% of final products.
- Over 15 lakh jobs in main and ancillary units would be lost as a result of the planned GST increase.
- Because the unorganized sector accounts for over 80% of fabric production in the country, raising the GST on fabrics to 12% will hurt power loom and handloom weavers.
- Due to extraordinary price increases in raw materials like yarn, packing materials, and freight, the market is likely to experience a 15-20% price increase in clothing in the near future. The traders lament the fact that individuals who purchase clothing for less than Rs 1,000 will be the most affected.
- Cloth traders claimed trading activity has been hampered for the previous two years by the Covid-19 pandemic, but is progressively

improving due to a decrease in new illnesses in recent weeks. They had good hopes coming with the year 2022 ,but the same was shattered with the above announcement.

- One of the most frequently mentioned issues in the community is the high inflation, prices of vegetables and FMCG essential goods that people buy, and now if GST rates are raised on the apparel and footwear sectors, it will further strain household budgets.
- The incremental revenue may also be limited because many small businesses that were in the informal sector prior to GST may revert to their previous status. ? The imposition of high taxes has already created an atmosphere of uncertainty not only for consumers but also for manufacturers.

The Reactions

Industry clearly expresses dissatisfaction with higher GST rates on textiles and clothing:

- Apparel manufacturers seek a delay in the implementation of the GST increase on hosiery items

- The Hosiery Manufacturers' Association has expressed concern about the Centre & notification on Higher Goods and Services Tax (GST) Rates to be levied on several apparel items beginning January 1, 2022, as it will affect the common man and those in the micro, small, and medium enterprises (MSME) sector.

- Clothing was an essential commodity, but people were experiencing financial hardship as a result of the 5% GST, so traders have been requesting a reduction in GST for several years.

Reasons for Deferment

- Significant increase in garment prices, as cotton prices have risen by 70% in the last year.

- Another increase would result in a significant drop in consumption or a shift to cheaper and lower-quality goods.

- The Centre must withdraw the proposed increase in GST on natural fibers.

- The increase in GST will have a significant impact on the textile industry in Andhra Pradesh.

- Textile trade and industry are stunned by the government's decision to raise textile taxes, despite the fact that textiles are the second-largest revenue-generating commodity after agriculture. The cloth traders have begun protests against the GST increase and intend to escalate the agitation.

- According to the cloth traders, the current 5% GST levy on purchasers is Rs 1,500 crore, which will be increased to Rs 3,600 crore if the 5% GST is increased to 12%. They claimed that an additional burden of nearly Rs 2,100 crore would be imposed on people in New Year 2022 as a result of an increase in GST.

- Transportation costs have risen significantly as a result of higher gasoline and diesel prices, and the GST increase will be disastrous for textiles, handlooms, and readymade clothing.

- If the Union government does not reverse the increased GST, many textile federations have planned to intensify their protests and agitations.

- Over 60% of citizens and opposition party leaders criticized the GST increase on apparel, textiles, and footwear as "completely unjustifiable."

More pain for the end-consumer

The notification by the Centre of higher GST rates for several textile and apparel items beginning in January 2022 has come as a blow to micro, small, and medium-scale textile and clothing units, with industry groups claiming that the move will raise consumer prices and fuel inflation.

Fixing the rate at 12% for fabrics and garments in an industry where nearly 80% of the units are in the MSME segment will only lead to higher prices for the average consumer.

Cotton is the mainstay of India's textile industry. According to the Cotton Corporation of India, India is the world's largest cotton producer, accounting for around 22% of global cotton production (CCI). Exporters argue that the government should not have intervened in the cotton value chain because it is the primary raw material utilised in a variety of other industries.

Cotton is widely used in the home furnishing textile industry. Beginning January 1, 2022, the cotton textile industry will be required to pay enhanced GST @ of 12% on their products, whereas previously, we were required to pay GST @ 5%. Because the cotton textile sector is already burdened by a 70% increase in raw material prices and a nearly 500% increase in sea freight, we have no choice but to shift the net burden of the enhanced 7% GST to the end-consumer.

Conclusion

There is a strong belief that a far more beneficial and reasonable solution will not only resolve the inverted duty structure anomaly but also give a fillip to the industry. The industry and that nation suggest that imposing a 5% rate on the entire value chain would be a far more beneficial and reasonable solution.

Source: economictimes.com- Dec 28, 2021

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Labour unrest in Kerala lands children's garments producer Kitex in a spot

Labour unrest in Kerala lands Kitex in a spot

SHINE JACOB
Chennai, 26 December

Kerala-based Kitex Garments, the world's second-largest children's garments producer, has landed in trouble after sporadic violence at its workers' camp led to an attack on the local police, injuring at least five officers.

The local police told *Business Standard* that at least 156 migrant workers were detained after the incident and around 50 have been arrested so far.

A decision on any possible action against the company will be taken after the investigation. Kitex Garments' clients include global majors such as Gerber, Carter's, Wal-Mart, Amazon, Target and The Children's Place.

According to local media, a central intelligence team has reached the location to probe whether there is any terror link to the violent incidents. The violence has left five police officers injured and a police jeep was set on fire.

The workers were mainly from the Northeastern states, Jharkhand and West Bengal.

Sabu M Jacob, promoter and managing director (MD) of Kitex Garments, said only around 23 people were involved in the violent incidents and the remaining workers were wrongly charged and detained. "We are saying this based on CCTV evidence. Those who have been using this expected event with political narrow-mindedness have been trying to shut down Kitex for the past six months," Jacob said.

Sreenijan was not available for comment. The local MLA had criticised the Kitex management, citing that it should be probed if it is responsible for escalating the violence.

He had said around 15 people are staying at camps where only four to five people can stay. Jacob added that there was no criminal intent behind the incident and some workers may have been under the influence of narcotics.

"THOSE WHO HAVE BEEN USING THIS EXPECTED EVENT WITH POLITICAL NARROW-MINDEDNESS HAVE BEEN TRYING TO SHUT DOWN KITEX FOR THE PAST SIX MONTHS,"
Sabu M Jacob, Promoter and MD, Kitex Garments

The violence started after differences between two groups of workers over Christmas celebrations.

In July, Kitex had announced that it was moving out a planned ₹3,500-crore investment from Kerala to Telangana. This was apparently owing to a witch-hunt by the Pinarayi Vijayan government that conducted a series of 11 raids and inspections by various government departments. These include labour, health, factory and boilers, pollution control, besides the police and the collector.

Interestingly, the company had hogged the limelight in 2015 for launching a political party called Twenty 20. In the 2020 Panchayat elections, it contested in Kizhakkambalam, Aikkaranadu, Kunnathunad and Mazhuvannoor panchayats.

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Source: business-standard.com - Dec 28, 2021

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Anti-dumping duty on imports from China may trigger price rise: Experts

Ease of Doing Business for MSMEs: The anti-dumping duty imposed on multiple Chinese goods by the Indian government to promote domestic manufacturing and restrict cheaper imports from China may increase the cost of local production and consequently the prices of finished goods, according to experts.

India had imposed anti-dumping duty on the axle for trailers (axles are rods or shaft that rotates the wheels and supports the weight of the vehicle), hydrofluorocarbon component (HFC) of R-32 gas – a refrigerant used in small split air conditioning systems, and Silicone Sealant – a liquid adhesive used for insulating auto parts, electronics, aluminium windows and doors, appliances; etc.

"This imposition was based on the findings by the Directorate General of Trade Remedies (DGTR) of how these products were exported to India at prices below normal value and the 'material' injury caused to the domestic industry," the Central Board of Indirect Taxes and Customs has said in multiple notifications respective to the goods imported from enterprises in China.

"While this would help local axle manufacturers to garner market share but the cost will only increase and the end customer will have to pay the passed-on cost. Around 85 per cent are small operators in the sector. There would be around 15-20 per cent impact on the cost of axles now as importing from China was cheaper compared to the cost of the same product manufactured in India," Naveen Kumar Gupta, Secretary General, All India Motor Transport Congress told Financial Express Online. The price for an axle varies from around Rs 5,000 per piece to over Rs 60,000 based on its usage and application.

The anti-dumping duty on HFC of R-32 and Silicon Sealant has been for five years. "There is a causal link between dumping of product under consideration and injury to the domestic industry and has recommended imposition of anti-dumping duty on imports of the subject goods, originating in, or exported from the subject countries and imported into India, in order to remove injury to the domestic industry," CBIC notifications read citing DGTR findings.

The imposed duty on R-32 was $1,171.78 per metric tonne (MT) to $1,519 per MT and $396.99 per MT — $738.73 per MT on Silicon Sealants. "Almost all companies are importing the R-32 refrigerant. It was imported because it was cheaper from China. Most of the importers are bottlers and they don't have a manufacturing facility in India.

The cost will now go up for them if they would be setting up plants in India instead of importing from China which would also be expensive now or else they won't be able to compete," Vikram Luthra, Director, SAAV Refrigeration and Secretary, Northern India Refrigeration & Air-Conditioning Trades Association told Financial Express Online.

The cost also depends on the size of the plant and the product life as the government is looking to phase down HFCs from 2032 onwards with a cumulative reduction of 10 per cent in 2032, 20 per cent in 2037, 30 per cent in 2042, and 85 per cent in 2047, as per the ratified Kigali Amendment to the Montreal Protocol, a global pact on substances that deplete the Ozone layer. "While HFCs do not deplete the stratospheric ozone layer, they have high global warming potential ranging from 12 to 14,000, which have an adverse impact on climate," the Cabinet had said in August this year announcing its approval to the amendment.

"HFC R-32 will also begin to phase out from 2030 onwards. Chemical plants should run at least 20-30 years while bottling plant itself would cost Rs 2-3 crore and storage tank would be worth Rs 50 lakh. The cost eventually will have to be borne by the customers at the end. I estimate Rs 115-120 per kg cost will be added. Nobody wants to invest for the short term as after 10 years phase-out will start.

However, I don't think the impact would be very significant as the refrigerant cost in, let's say, a Rs 40,000 AC is only worth around Rs 400. The add-on duty would not be very high," KK Sharma, Owner, Value Refrigerants and Member, All India Air Conditioning and Refrigeration Association told Financial Express Online.

Source: financialexpress.com– Dec 27, 2021

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ECLGS: Govt's credit guarantee scheme crosses Rs 3 lakh cr mark in loans sanctioned to MSMEs

Credit and Finance for MSMEs: The Rs-4.5-lakh-crore Emergency Credit Line Guarantee Scheme (ECLGS) announced last year by the government to support MSMEs and other businesses with their operational liabilities post Covid has sanctioned loans amounting to Rs 3.09 lakh crore as of December 10, 2021, according to the data by National Credit Guarantee Trustee Company (NCGTC).

The guarantee coverage by NCGTC is provided to member lending institutions with respect to the credit given by them to MSMEs whose total credit outstanding across all lenders and days past due as of February 29, 2020, is up to Rs 50 crore and up to 60 days respectively.

The latest data on ECLGS sanctions was shared by MoS Finance Ministry Bhagwat Karad in a written reply to a question in Rajya Sabha. The sanctioned amount till December 10 was up from Rs 2.86 lakh crore loan sanctioned as of September 24, 2021, as per a Finance Ministry's statement in September.

Importantly, the government had extended the scheme till March next year from September this year. This was the fifth extension since the scheme's launch in May last year.

From earlier extension till November last year, ECLGS was extended further to March 2021 followed by June and then September before another six-month extension along with subsequent expansion in scope as well to include more sectors and markets. Further, the last date of disbursement under the scheme was extended till June 30, 2022.

The total beneficiaries under the ECLGS scheme have been more than 1.25 crore. "Over around Rs 2.90 lakh crore loans have been sanctioned (under ECLGS). With this support, over 1.25 crore beneficiaries have strengthened their businesses.

The majority of them are MSMEs," Prime Minister Narendra Modi had said on November 12 at the virtual launch of the RBI Retail Direct Scheme and the Reserve Bank – Integrated Ombudsman Scheme.

However, according to a TransUnion Cibil report earlier this month, 57 per cent of ECLGS borrowers had said it wasn't easy to avail the credit facility under the scheme.

The study was based on sample data of loans amounting to Rs 1.45 lakh crore disbursed out of Rs 1.7 lakh crore in overall disbursement under ECLGS 1.0 and ECLGS 2.0 till March 2021.

Source: financialexpress.com- Dec 23, 2021

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