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INTERNATIONAL NEWS

World economy will go into recession with likely exception of India, China: UN

The world economy will go into recession this year with a predicted loss of trillions of dollars of global income due to the coronavirus pandemic, spelling serious trouble for developing countries with the likely exception of India and China, according to a latest UN trade report. With two-thirds of the world's population living in developing countries facing unprecedented economic damage from the Covid-19 crisis, the UN is calling for a USD 2.5 trillion rescue package for these nations.

According to the new analysis from United Nations Conference on Trade and Development (UNCTAD), the UN trade and development body titled 'The Covid-19 Shock to Developing Countries: Towards a 'whatever it takes' programme for the two-thirds of the world's population being left behind', commodity-rich exporting countries will face a USD 2 trillion to USD 3 trillion drop in investments from overseas in the next two years.

The UNCTAD said that in recent days, advanced economies and China have put together massive government packages which, according to the Group of 20 leading economies (G20), will extend a USD 5 trillion lifeline to their economies. "This represents an unprecedented response to an unprecedented crisis, which will attenuate the extent of the shock physically, economically and psychologically," it said.

It added that while the full details of these stimulus packages are yet to be unpacked, an initial assessment by the UNCTAD estimates that they will translate to a USD 1 trillion to USD 2 trillion injection of demand into the major G20 economies and a two percentage point turnaround in global output. "Even so, the world economy will go into recession this year with a predicted loss of global income in trillions of dollars. This will spell serious trouble for developing countries, with the likely exception of China and the possible exception of India," the UNCTAD said.

The report, however, did not give a detailed explanation as to why and how India and China will be the exceptions as the world faces a recession and loss in global income that will impact developing countries.

Further, given the deteriorating global conditions, fiscal and foreign exchange constraints are bound to tighten further over the course of the year. The UNCTAD estimates a USD 2 trillion to USD 3 trillion financing gap facing developing countries over the next two years. In the face of a looming financial tsunami this year, the UNCTAD proposes a four-pronged strategy that could begin to translate expressions of international solidarity into concrete action.

This includes a USD 1 trillion liquidity injection for those being left behind through reallocating existing special drawing rights at the International Monetary Fund; a debt jubilee for distressed economies under which another one trillion dollars of debts owed by developing countries should be cancelled this year and a 500 billion dollars Marshall Plan for a health recovery funded from some of the missing official development assistance (ODA) long promised but not delivered by development partners.

The speed at which the economic shockwaves from the pandemic has hit developing countries is dramatic, even in comparison to the 2008 global financial crisis, the UNCTAD said. “The economic fallout from the shock is ongoing and increasingly difficult to predict, but there are clear indications that things will get much worse for developing economies before they get better,” UNCTAD Secretary-General Mukhisa Kituyi said.

The report shows that in two months since the virus began spreading beyond China, developing countries have taken an enormous hit in terms of capital outflows, growing bond spreads, currency depreciations and lost export earnings, including from falling commodity prices and declining tourist revenues. Lacking the monetary, fiscal and administrative capacity to respond to this crisis, the consequences of a combined health pandemic and a global recession will be catastrophic for many developing countries and halt their progress towards the Sustainable Development Goals.

Even as advanced economies are discovering the challenges of dealing with a growing informal workforce, this remains the norm for developing countries, amplifying their difficulties in responding to the crisis. “Advanced economies have promised to do ‘whatever it takes’ to stop their firms and households from taking a heavy loss of income,” said Richard Kozul-Wright, UNCTAD’s director of globalisation and development strategies. He added, “But if G20 leaders are to stick to their commitment of ‘a global response in the spirit of solidarity’, there must be commensurate action for the six billion people living outside the core G20 economies.”

According to reports, the death toll from the coronavirus pandemic has soared past 35,000 while the number of confirmed cases topped 750,000 globally.

Source: thehindubusinessline.com- Mar 31, 2020

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Trump Set to Announce 90-Day Tariff Deferral for Certain Apparel Items

Reeling apparel retailers may be able to put the brakes on duty payments for the next 90 days.

President Trump is reportedly prepared to announce a 90-day deferral on tariffs for certain imports, Bloomberg reported Tuesday, citing sources close to the matter. An official announcement, which is expected to be made in the form of an executive order, could come as soon as this week. Some apparel is expected to benefit from the tariff break.

The United States Trade Representative (USTR) could not be immediately reached for comment.

The move, which comes amid a mounting COVID-19 pandemic crisis, would defer payments for most-favored nation duties and isn't expected to apply to Chinese goods tariffed higher in the trade war, according to Bloomberg.

Most-favored nation, or MFN, tariffs are the highest rates countries agree to impose on other members of the World Trade Organization (WTO), for product groups like textiles, clothing and footwear.

Details beyond that are not yet clear, and because Trump has consistently flouted pleas for tariff breaks on China duties in particular, the scope of the deferrals may be narrower than what some might hope.

Nearly 400 CEOs from major global companies sent a letter to President Trump Tuesday imploring him to delay duty collection in light of the havoc coronavirus has already wreaked on businesses both stateside and worldwide. The request was for a 90- to 180-day deferral.

“Delaying duties helps us preserve cash flow—critically important during a prolonged period of little to no revenue—allowing us to keep our businesses in operation so we can preserve U.S. jobs,” the letter, undersigned by CEOs from Adidas, Levi Strauss & Co., Under Armour, Kontoor Brands, Macy’s and Moda Operandi, read. “At the same time, delaying duties does not undermine the effect of tariffs on trade flows because the money is still due.”

The deferral the CEOs are seeking would help the companies preserve their cash flow at a time when funds have largely dried up with stores shuttered and sales stunted. Many retailers have already laid off workers or furloughed them, and executives are starting to take pay cuts.

The 90-day pause on import duties still awaits Trump’s approval, according to reports, but his sign off on some sort of deferral is expected.

Source: sourcingjournal.com-Mar 31, 2020

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Order-Cancelling Retailers Could Send Asian Factories into a Tailspin

Retailers are slashing second-quarter apparel orders, and prolonged reductions in production for the back half of 2020 could mean factories across Asia may see closures similar to the levels last seen in the Great Recession.

As store closures that were once billed as temporary, two-week measures are now set to drag on ad infinitum, fashion retailers have been canceling orders to keep cash in their coffers and align inventory to demand while shoppers shelter in place amid the coronavirus pandemic. But retailers are also beginning to finalize back-to-school orders as holiday open-to-buy season is right around the corner.

“We think retailers have already begun to cut second half orders to preserve cash based on suppliers’ commentary,” Rafe Jadrosich, Bank of America Securities apparel supply chain analyst, said.

It’s too late to cancel second-quarter shipments without a penalty, Jadrosich said, but retailers still have some flexibility to adjust second-half receipts—either through negotiations with factories to delay receipts or extend

payable terms. Vendor payment terms are usually 30 days to 60 days, and brands usually pay for inventory 45 days or so after they take ownership, he noted.

Jadrosich cautioned that there may be limits to what factories can do to help.

“Many factories are facing their own liquidity challenges, which could limit the amount of support they can provide their customers. A prolonged period of weak orders could result in factory closures across Asia similar to the 2008 to 2009 recession,” Jadrosich said.

According to Jadrosich’s timeline, fall and back-to-school purchase orders are finalized mid-March, with deliveries beginning in early July to distribution centers and payments for goods coming due in August and September.

Meanwhile, the first set of holiday purchase orders is due early April, and the last ones typically make it into vendors’ hands in late June. Deliveries to the distribution center are typically slated for late September, while payments for holiday goods are due in October and November.

And the later a brand cancels, the bigger the penalty, Jadrosich pointed out, presuming that the earliest orders that can be canceled without a fee would be for merchandise that’s slated for delivery to distribution centers in late June or July.

“Brands have flexibility if they cancel prior to raw material preparation, usually three to four months before delivery to the distribution center. Brands that frequently cancel orders could damage their relationship with factories making it more difficult to find reliable sourcing partners,” Jadrosich cautioned.

Source: sourcingjournal.com - Mar 31, 2020

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Italy's Textile Supply Chain Holds Out in Coronavirus Crisis

From access to credit to sustainability and new purchasing habits, Italy's textile entrepreneurs weigh in.

Italy's lockdown of all nonessential manufacturing businesses last week left many questioning how the country's fashion pipeline could survive the coronavirus-related crisis and forge ahead once the emergency is over.

Italy's fashion sector, which in 2019 generated total revenues of 95.5 billion euros and employed 580,000 people across its textile, fashion and accessories businesses, is highly dependent on the 50,000 small and medium-sized premium suppliers. In particular, according to preliminary figures released by Confindustria Moda, the textile industry alone generated 7.57 billion euros in revenues last year, down 4.7 percent compared to 2018. The COVID-19 pandemic is likely to impact the supply chain even further, dragging down the companies supplying local and international brands and representing the foundation of the fashion sector, which is the second most important business in the country.

“Stopping the engine of the country will have an economic impact in the long-term, probably for the next 10 years on a global scale. I think it's worse than the 2008 subprime financial crisis when the world was still traveling, retail was still operating,” contended Ercole Botto Poala, chief executive officer of Biella-based textile firm Reda, noting 2020 will be a “suffering but challenging year.”

As the lockdown forced textile firms to stop their manufacturing activities at least until April 3 — with talk of a possible extension to April 18 — companies are trying to offset the negative impact by staying close to their clients, including developing new products, and most of the entrepreneurs, including Stefano Albini, president of the Albini Group, said they shipped goods ahead of the lockdown in order to pave the way for what is hoped to be a brisk return to business.

Vitale Barberis Canonico, another textile company operating in the North Italian textile district of Biella, is leveraging its stock service providing three-day delivery of goods to those companies that manufacture in countries that are not under lockdown. Alessandro Barberis Canonico, the company's ceo and the newly appointed president of the Milano Unica textile trade show, said the new mind-set could extend beyond the

emergency, noting that “faster services and deliveries will allow our clients to make decisions closer to the season they are about to produce. We’re trying to build a structure that will enable us to give quick answers.” There are several areas of concern, including the survival of smaller, often family-run third-party suppliers that have little to no access to credit and liquidity.

“If each company will keep focusing on its own balance sheet, it’s only a matter of time before the consequences knock at the door,” said Botto Poala, urging mutual support throughout the supply chain.

To this end, Barberis Canonico voiced concerns for its suppliers, noting “orders will decrease even upon recovery and I’m afraid that during the season’s peak, which is not going to happen this year, we will be unable to provide them with [enough] work.”

He added that the Italian government’s measures issued with the March decree are not enough to support those businesses. Vitale Barberis Canonico itself applied to the “cassa integrazione” wage support measure for some of its employees, but it is currently bearing its costs for the time being. “Generally speaking, the measures are right but probably not enough, and we also need to understand how they will be implemented, as smaller enterprises are already suffering,” he said.

Similarly Andrea Crespi, managing director of Italian high-performance fabrics company Eurojersey, called for European intervention “to directly inject cash flow and offset the costs during this two- to three-month shutdown period, if we want to prevent half of the companies to cease operations.” He praised the lobbying activity carried out by Confindustria and Sistema Moda Italia as the country’s pipeline cannot succeed on its own.

“If we don’t want to lay off our employees, and in order to avoid recession and sustain exports, which have always boosted our industry, Europe must work to secure access to credit...and avoid a liquidity crisis,” echoed Albini. Andrea Cavicchi, president of the fashion section of Confindustria Toscana Nord, which represents textile firms based in the manufacturing hub of Prato, in Tuscany, issued a statement warning of “a serious lack of liquidity that might impact the entire pipeline, with ruinous effects especially for third-party suppliers.” The association already set up a post-coronavirus roundtable aiming to ask several entities, including local and national institutions, as well as banks, to support the sector once the emergency is over.

Urging the European Union to act rapidly, Botto Poala underscored that “the fact that the emergency occurred at a moment when populist parties are so strong in Europe did not help to set up a shared outlook and view.” “We should all work more sustainably, also from a financial standpoint....If we keep disregarding our suppliers and delaying payments throughout the pipeline, the companies at the top of it will disappear. Historically firms at the bottom have absorbed most of the margins, leaving suppliers in weaker condition,” Botto Poala continued, calling also on clients to do the same and support textile firms “if they want us to be creative, innovative and proactive.”

To this end, Vitale Barberis Canonico is allowing its clients to postpone payments given its solid financial situation. Crespi said the company has always been “self-financed” and “steady”; however, he’s worried about future market trends as “those businesses that are not able to cope with the crisis might postpone payments.” Crespi forecast orders to decrease roughly by 20 percent and sales to start dropping in March “also because the lockdown in the rest of Europe might stretch beyond April 6 and we risk operating in a stagnating market,” he said.

Although sales for the spring and fall 2020 seasons were not directly impacted, as textile firms usually develop their collections a year ahead of the season’s fashion retail debut, spring 2021 will be significantly reduced, according to entrepreneurs.

Barberis Canonico forecast that, as the warehouses of the firm’s apparel clients are now packed with potentially unsold spring 2020 fashion items, merchandise for spring 2021 will be reduced, while, he said, “seasonal, more fashion-y products that usually push sales will be less impacted, albeit scaled back.”

So, too, believes Albini, noting the current retail slowdown is already “escalating to the top end of the supply chain and we’re experiencing a decrease of orders.” The company is based on the outskirts of Bergamo, one of the areas most severely hit by COVID-19. “[The crisis] will be followed by a period of expansion, I think, if supported by a [global] ‘Marshall Plan.’ We will probably restart with lower revenues but I expect that the upswing will be faster and ‘healthier.’” Botto Paola made optimistic projections for the fall 2021 season, now being developed and representing the bulk of revenues, hoping the health emergency will be over by then.

The end customers' spending capacity and habits are yet to be determined and they will eventually affect the ability of textile firms to recover quickly. "I personally believe that the sun will shine again, but I think a spending euphoria will last very little," noted Eurojersey's Crespi.

"I expect a new consciousness, new values coming in...which might go against a consumeristic approach. People will look more at the value of their purchases rather than their prices. I expect we will all be buying less in quantity but also spending more for valuable products," he said, noting the company's high-performance man-made fabrics might benefit from the new scenario he forecast.

Thoughts were mixed, though, as some entrepreneurs believe a revenge spending attitude, as first reported in China, will boost the sector's performance when health concerns are over. Botto Poala predicted a return to tailoring as a reaction to the long period of quarantine, while Barberis Canonico was more cautious, questioning if customers will need formalwear that is primarily linked to social occasions, including work, travel and ceremonies. As Albini put it, "Psychologically it's hard to tell how [customers] will overcome the whole situation as their preoccupation might last longer than the health emergency." To this end, he was cautious making year-end forecasts, acknowledging it will depend on the duration of the crisis and the customers' resilience.

"This emergency has been such a brain washer that our ego and sense of omnipotence will wane down and we will be more conscious about our limits. We will shift our paradigms for sure, focusing less on mundane issues," noted Crespi.

The Italian textile sector has been increasingly banking on innovation over the past five to 10 years and Baberis Canonico believes the current scenario will call for even more innovative products that can trigger consumption. Albini said the company is committed to "forge ahead with innovation, banking on our peculiarities as I believe that customers will return to shop, looking for engaging products."

Innovation often comes with sustainability, a topic that will continue to represent a top priority for the textile industry although, according to Barberis Canonico, it will represent "a necessary but not sufficient condition to overcome the crisis."

Albini underscored that “its relevance is poised to grow further as the forced industrial lockdown is showing how much the environment is benefiting from it,” while Botto Poala noted that “consumers acknowledged they might be impacted by uncontrolled occurrences, so they will be even more cautious with their purchases, aiming to know where products come from.”

Crespi said companies which have genuinely implemented eco-friendly initiatives will continue to do so and stressed Eurojersey will continue to address the issue, focusing on the industry’s environmental costs and aiming to increasingly produce items that can last longer and that have a value to them.

As the COVID-19 crisis is spreading globally, the Chinese market — the first to be impacted by the outbreak — is showing signs of recovery but textile entrepreneurs saw it more as an example of things to come, rather than part of their business rescue plan.

“The outbreak is behaving like a wave, touching down in China, Europe and then the U.S., so we will not overcome the crisis all at the same time. China is already picking up, so the positive side is that we can see how every country will eventually bounce back,” contended Botto Poala, noting the country currently represents the firm’s fourth largest market but might become its top one in a few months.

For Albini Group, China accounts for less than 2 percent of its direct sales but “it’s still an essential indirect market, as the most relevant country for luxury brands,” the company’s president said, explaining that China’s upswing is crucial to avoid the whole world stopping at the same time, also given an expected slowdown in the U.S. market, the cotton specialist’s top priority.

Representing 5 percent of its revenues, Eurojersey’s Crespi hopes China’s recovery will help offset losses in the first two months of the year which amounted to at least 50 percent for luxury brands, he noted.

Barberis Canonico noted China — and the whole Asia-Pacific area accounting for 30 to 35 percent of the company’s revenues — will represent an even greater target in a post-coronavirus scenario, although he expects sales in the region to drop this year. “There’s still a certain psychosis and stores’ sell-through rates are 40 percent lower than before the crisis spread,” he said.

Asked about the upcoming edition of trade show Milano Unica, slated for July 7 to 9, Barberis Canonico said “the fair’s board is looking at the evolution of the situation....We are more worried about the impact that it will have on our clients as they might be still unable to travel.”

Source: wwd.com - Mar 31, 2020

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USA: Macy’s, Kohl’s suspend many business operations

With stores temporarily closed and sales cratering, several retailers are idling most of their buyers and other employees.

Macy’s Inc. yesterday said it is cancelling some orders and putting nearly its full workforce on furlough.

“The COVID-19 outbreak continues to take a heavy toll on Macy’s Inc. business,” the company announced. “All of our stores have been closed since March 18th and will remain closed until we have clear line of sight on when it is safe to reopen.”

Although e-commerce continues, the company said it has lost the majority of its sales due to temporary store closures.

Furloughs go into effect tomorrow. All employees at the director-level and above who are not furloughed will have a pay reduction. Company CEO Jeff Gennette and the board of directors will receive no cash compensation.

“We expect to bring colleagues back on a staggered basis as business resumes,” the company said.

In the meantime, the Macy’s, Bloomingdales and Bluemercury nameplates will remain the minimum workforce needed to maintain basic operations.

Kohl’s yesterday extended its temporary store closures and announced it will furlough store and store distribution center associates, as well as some corporate office employees. CNBC reported that the action will impact approximately 85,000 people, or nearly 70% of Kohl’s employees.

The retailer will continue to ship e-commerce orders and provide curbside pickup from stores with a limited staff.

This morning, Urban Outfitters Inc. said it will furlough a substantial number of store, wholesale and home office employees for 60 days beginning tomorrow. It is also cancelling or delaying many orders and asking for price concessions on those remaining.

“Even though our digital business continues to operate, the store closures and lower overall demand require a smaller workforce to support the business,” the company said.

Source: hometextilestoday.com- Mar 31, 2020

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Believe It or Not: USDA Prospective Plantings Project 13.7 Million Cotton Acres

As cotton growers have watched prices continue to fade as COVID-19's impact on markets – and potential acres for 2020 – increases, USDA's March 31 Prospective Plantings report for the year may have come as a shock.

According to the report, U.S. cotton acres are estimated at 13.7 million acres – down less than 1% from 2019. Upland acres total 13.5 million acres, with Pima estimated at 228,000 acres. Across the Cotton Belt, only six states – Florida, Kansas, Missouri, New Mexico, Oklahoma and Texas – were projected to show small percentage increases in cotton acres this year.

To help put the USDA numbers into context, however, recall that growers were surveyed by the National Agricultural Statistics Service (NASS) during the first two weeks of March, just prior to the broad scale public health and business restrictions put in place due to coronavirus.

“These are strange times, and the market was obviously surprised,” said Dr. John Robinson, professor and Extension cotton marketing specialist at Texas A&M University. “It was 50 points up going into the report and down 65 points afterward. The market was probably expecting 12.5 million acres or less.

“I’ve been puzzled by NASS reports in the past that didn’t seem to line up with reality,” he added. “But they’re right more often than I am.”

While he was still attending meetings up to three weeks ago, Robinson noted that many growers at that time were unsure about what to do and were planning to wait until the last minute to finalize planting decisions. This report may not provide a clearer direction.

“We’ve often seen big swings from USDA’s March number to its June Planted Acres report, usually because of weather conditions,” he said. “But NASS is generally right in their projections.

They have statistically reliable approaches to determining their numbers. The carpenter always says measure twice and cut once. NASS will take another measurement, and we’ll have a better picture on acres.”

Source: cottongrower.com- Mar 31, 2020

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Cambodia to explore FTA with EAEU with Russian help

Cambodian deputy prime minister Hor Namhong recently met Russian ambassador to Cambodia Dmitry Tsvetkov in Phnom Penh and said both sides have vowed to raise bilateral trade and investment as the former aims to diversify its market by signing a free trade agreement (FTA) with the Eurasian Economic Union (EAEU), of which Russia is a member.

Other EAEU members are Armenia, Belarus, Kazakhstan and Kyrgyzstan. The bloc has a total market of 183 million people and a gross domestic product (GDP) of \$5 trillion.

Singapore and Vietnam have also signed FTAs with the EAEU, while Indonesia, Malaysia and Thailand are reportedly interested as well. Namhong said talks are under way over 14 memoranda of understanding (MoU) that are expected to be signed soon, according to a report in a Cambodian newspaper.

Since 2015, both sides have signed 51 agreements to boost trade and investment. Last year, bilateral trade between the two countries reached \$55.39 million.

In 2016, Cambodia and the EAEU signed an MoU to enhance cooperation in trade. However, as Cambodia is still in the World Trade Organisation's least developed country classification, 46 Cambodian products can enter the EAEU market duty-free for the next three years.

Source: fibre2fashion.com- Mar 31, 2020

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US, EU buyers to stop buying Vietnamese goods

Many US and European Union (EU) partners have sent notices to Vietnamese garment and textile businesses informing they will temporarily stop receiving goods for three to four weeks. Ph?m Xuan Hong, Chairman of the HCM City Association of Garment Textile Embroidery and Knitting says, nearly two-thirds of the garment-textiles market narrowed with this. Half of all textile exports from HCM City go to the United States, while the EU accounts for 15-18 per cent of annual exports.

According to chairman of Viet Thang Jean Ph?m Van Viet, the Chinese experience shows it will take at least two months in the United States and EU to control the pandemic.

The United States accounts for 30-35 per cent and the EU 20 per cent of the company's total export turnover. About 40 per cent of existing fabrics will be abandoned or sold at low prices, he said.

Suddenly stopping imports forced enterprises to store many containers of products that were on the way to US and EU ports, he said, which will increase expenses, according to a Vietnamese media report.

The most urgent problem for textile enterprises is not delivery of orders but how to protect workers. Textile enterprises in the country have suggested the government to quickly disburse approved economic stimulus packages and consider partial use of the unemployment insurance fund and social insurance fund to help businesses continue paying their workers.

They also hope the ministry of finance and the banking system will lower interest rates or give interest-free loans, which could be used to pay workers until production activities and trade return to normal.

Source: fashionatingworld.com- Mar 31, 2020

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Sri Lanka apparel firms divert production to masks and protective equipment

Sri Lanka's apparel sector has turned factories to make mask and protective equipment for frontline workers who are fighting against COVID-19, though tight controls are making it difficult to keep factories running.

At the moment the industry is making one million pieces of safety suites through JAAF for people who are working frontline of COVID-19 treatment.

However, production halted after police asked some factories to close and workers were not allowed to report to work at others.

The fabric for mask production had been donated by Teejay Lanka, a local knitted fabric manufacture, while the HDPE polythene to produce coverall protective suites were donated by PolyPack, a Sri Lankan plastic products maker.

In addition, a number of factories are working with the government to supply in a number of protective cover all garments made out of HDPE polythene, again being provided free of charge to the Government for use in state hospitals. The raw material for this project has been donated Polypack.

However, the industry is not looking at exporting at the moment due to workforce shortages meanwhile the government tightens its Island wide curfew.

Source: fashionatingworld.com- Mar 31, 2020

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Bangladesh seeks \$1 bn from IMF, WB to face COVID-19

Bangladesh has recently sought \$1 billion in support from the International Monetary Fund (IMF) and the World Bank (WB) to support its people, businesses and industries suffering from the COVID-19 pandemic, according to Finance Minister AHM Mustafa Kamal, who recently requested the global lenders in a video conference to stand by Bangladesh during crisis.

The government expects to receive \$750 million from the IMF and \$200 million from the World Bank, according to Bangla media reports.

The coronavirus stands to wipe out 1.1 per cent of Bangladesh's gross domestic product, as per a projection of the Asian Development Bank (ADB), the minister said.

Remittance sent by migrant workers have kept the economy dynamic to some extent so far, but the flow would see negative impact soon as a significant number of migrant workers have returned to Bangladesh because of the outbreak, he said.

Source: fibre2fashion.com - Mar 31, 2020

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Pakistan: Trade officers to work on export order cancellations

Textile exporters are not impressed with the commerce ministry's offer to use the offices of Pakistan's trade officers posted in embassies to help dissuade foreign buyers from cancelling their orders.

The offer was made by Commerce Secretary Ahmed Nawaz Sukhera in a tweet on Monday. In response to that, trade officers from Pakistani missions in New York and The Hague tweeted their phone numbers and email addresses, inviting exporters to get in touch.

According to some associations of textile exporters, close to \$1.3 billion worth of orders from foreign buyers have either been cancelled or postponed.

They argue that governments of their competitor countries have issued appeals to these foreign buyers from the highest levels, such as the prime minister and feel that trade officers in the embassies wield little to no clout to be able to change the minds of giant corporations.

Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) Chief Coordinator Ijaz A Khokhar says the message needs to be sent from the highest level, perhaps even the prime minister.

He said in India and Bangladesh appeals have been made to world buyers for not cancelling or deferring orders because it will affect the workers and would send more people below the poverty line. “The Indian textile minister posted a very strong message for the world buyers, such messages should go from our prime minister and commerce adviser,” commented Khokhar.

Regaining these orders is not an easy job, he points out, and the office of a commercial councillor does not possess the requisite clout.

Patron-in-Chief of Pakistan Textile Exporters Association Khurram Mukhtar told Dawn that “there is no harm in making efforts in this regard”.

Order deferment or cancellation is happening in those stores which have closed down their operations in the wake of coronavirus outbreak, Mukhtar said. They include retailers like Inditex group, JCPenney, Macys, H&M, Kohls, Bed bath and beyond, Nike, Peacock, American eagle and IKEA.

In addition, buyers from the hoteling business have also deferred their imports from Pakistan. Airlines and the hotel industry are the prime victims of the coronavirus outbreak across the world.

Source: dawn.com - Mar 31, 2020

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Bangladeshi garment export faces \$6 bn hit as world retailers cancel orders

Bangladeshi garment export faces \$6 bn hit as world retailers cancel orders

Garment exports accounted for \$34.12 billion, or 84% of the country's overall exports of \$40.53 billion, in the fiscal year ended June 30, 2019.

Bangladesh, the second-largest apparel producer after China, is set to lose roughly \$6 billion in export revenue this financial year amid cancellations from some of the world's largest brands and retailers, two major industry bodies said on Tuesday.

The two groups, which represent the vast majority of the readymade garment and knitwear manufacturers in the country, said cancellations were increasing daily amid coronavirus-driven lockdowns globally, and these risked jeopardizing millions of jobs in the poor South Asian nation.

Low wages have helped Bangladesh build its garment industry, with some 4,000 factories employing 4 million workers.

Garment exports accounted for \$34.12 billion, or 84% of the country's overall exports of \$40.53 billion, in the fiscal year ended June 30, 2019.

"We've lost more than \$3 billion due to the crisis. All our orders until July have been cancelled or suspended," Mohammad Hatem, vice president of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA), said.

"Suspended orders will eventually get cancelled. All these orders were placed for summer and it takes three months to get these delivered. If they are not taking supplies now they will not take it when the summer is over," said Hatem, adding buyers had adopted a wait and watch policy, and are refraining from placing new orders. "Many factories will be closed if this persists," he added.

One industry source, who asked not to be named as the order books are confidential, said Gap, Zara, and Primark were among the brands that had cancelled orders.

Gap and Zara did not immediately respond to emails seeking comment. Primark confirmed the step.

All Primark stores across the world are closed and the brand has been losing sales of \$807.82 million a month, Primark said in a statement.

"We have large quantities of existing stock in our stores, our depots and in transit, that is paid for", the statement said. "If we had not taken this action, we would be taking delivery of stock that we simply could not sell".

Readymade garment makers face a similar hit, warned Rubana Huq, the president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

Huq said some 1,048 factories that were part of BGMEA had reported that orders for over 900 million garments worth \$2.9 billion had already been cancelled or were being held up.

Huq said the order cancellations could affect some 2 million workers in the readymade garments segment.

Prime Minister Sheikh Hasina recently unveiled a \$588 million package for the country's crucial export sector, asking companies to put the money towards paying workers.

"This is not enough. The government should come up with more stimulus to save the country's biggest export sector," said Rezwan Selim, a director of BGMEA.

Siddiqur Rahman, a top exporter who supplies H&M, and Walmart among others, said the situation was dire.

"We're facing an unprecedented time," he said. "No one knows how long this is going to take. We're trying hard not to shut down our factories. But how long can we hold out?"

Source: business-standard.com - Apr 01, 2020

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Pakistan: Cotton slumps to near 11-year low

ICE cotton futures tumbled to a nearly 11-year low on Monday as fears of easing demand, heightened by extension of US social distancing measures until the end of April, gripped a market already reeling from the economic fallout of the coronavirus outbreak.

Cotton contract for May fell 1.37 cent, or 2.67 %, at 49.96 cents per lb by 1:06 p.m. EDT (1706 GMT).

The contract hit a low since April 2009 at 48.80 cents per lb, earlier in the session.

"Cotton is down today on talk of big-time demand destruction... The demand loss is filtering all the way back in the chain, so cotton is very much affected," said Jack Scoville, vice president at Chicago-based Price Futures Group.

"We will be lower this week but we are probably doing a lot of it now."

"The stimulus is not going to immediately affect (positively) purchases of discretionary, semi-durable goods, which is mostly what cotton/textile goods are," said Louis Rose, director of research and analytics at Tennessee-based Rose Commodity Group. He added that the market could test the 40 cents level.

Cotton speculators increased their net short position by 1,252 contracts to 22,250 in the week to March 24, data from the US Commodity Futures Trading Commission showed.

Total futures market volume fell by 3,489 to 25,178 lots. Data showed total open interest gained 903 to 193,519 contracts in the previous session.

Source: breccorder.com - Apr 01, 2020

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NATIONAL NEWS

Foreign trade policy extended by a year to help exporters tide over Covid-19 crisis

Validity of all export incentive schemes, too, extended

The Centre has decided to extend the existing foreign trade policy (FTP) by a year to March 31, 2021, to ensure continuity of existing schemes for exporters and importers as they struggle to cope with business disruption due to the Covid-19 crisis.

“The existing FTP 2015-20, which is valid up to March 31, 2020, is extended up to March 31 2021. Various other changes are also made — extending the date of exemption by one year and extending validity of DFIA and EPCG authorisations for import purposes,” said a notification issued by the Directorate General of Foreign Trade (DGFT) on Tuesday.

This means that all existing incentive schemes, including the popular Merchandise Exports from India Scheme (MEIS) and the Export Promotion Capital Goods (EPCG) scheme, will get an extension of one year and not lapse.

“Initially, the government was looking at a six-month extension of the FTP. But after due discussions, it was decided that since the Covid-19 situation was still unfolding and it would also take time for the economy to be back in shape once the crisis is over, the extension should be for one year,” a government official told BusinessLine.

Exporters had been demanding for the extension of the FTP as they argued that they had no appetite for new schemes and policies with their production halted, consignments stuck at ports and payments delayed.

In a video conference held by Commerce and Industry Minister Piyush Goyal to get inputs on the current situation, export organisations also made a case for extension of all applicable deadlines and validities.

One big relief for exporters is the continuation of MEIS, which earns them cashable scrips against exports of identified items, and the EPCG scheme, under which capital goods for production of export goods can be imported duty-free.

WTO dispute

Although the World Trade Organization has ruled that both the schemes should be replaced as such sops are against multilateral rules, the Centre is now likely to take all the required time in doing so. MEIS will be gradually phased out and replaced with the new Remission of Duties and Taxes on Exported Products (RoDTEP) scheme, as per a Cabinet discussion, but rates will be fixed after due consultations with stakeholders.

India's goods exports declined 1.5 per cent to \$ 292.91 billion in April-February 2020 compared with year. Exports increased marginally in February 2020, but are expected to dip sharply this month because of the breakdown in production, supply and payments.

Source: thehindubusinessline.com- Mar 31, 2020

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Domestic apparel industry could take a hit of Rs 1 lakh crore due to lockdown: CMAI survey

Deeply concerned by the economic impact due to the lock down in the country caused by COVID-19 the Clothing Manufacturers Association of India (CMAI) conducted a survey amongst its members to get a sense of how the members were facing up to the current circumstances and how they were forecasting the period after lock-down is lifted.

An analysis of the first 1500 responses, indicates the significant crisis is brewing in the domestic garment industry. Only a comprehensive support package from government can cushion the potential collapse of the Industry.

Several important measures have been announced by the Government, but it is clear that the industry, especially its MSME members which constitute 90% of the industry, needs more support. Wage subsidy and working capital support for the long working capital cycle is the need of the hour.

1500 plus CMAI Members with sales of about Rs. 60,000 crores and employing 400,000 plus people, have reported that there could be more than 40% drop in demand after the lockdown.

Based on this, CMAI which has close to 4000 members primarily in the Domestic Branded Apparel Manufacturing, believes that the Domestic Apparel Industry could take a hit of almost Rs 1 lakh crore due to the lock down and the expected significant slow down in economic growth once the lock down is lifted.

The estimated drop in sales would mean that almost 50 lacs jobs in the Apparel Industry are at risk. With a global slow down, and the cascading effect on other sectors of the Textile Industry, almost 1 crores job may be lost in Textiles & Apparels alone.

80% of the members who participated in the survey have indicated that they will need to down-size their organisation immediately.

A minimum 30% reduction in employee count and about 20% reduction in salaries for all continuing employees is the action that CMAI Members are likely to take to ensure survival after the lock down is lifted.

90% of the members expect 30-40% increase inventory due to Zero sales during the lock down. Further 100% of members are worried of collection from trade post the lock down. 25% of the collections may become bad-debts and members expected a minimum 90 days additional delay in collections.

The choking of working capital, will lead to a delay in reviving factories and thus 75% of the members expect normalcy in the market only in FY 2021-22.

20% of the members, have indicated that they may consider closing down their business, as they will not have the required additional resources to pay for costs during lock down and the inevitable slowdown in the economy.

CMAI, has appealed to Hon Prime Minister, Ministry of Textile, Government of India, Finance Ministry, Government of India and various State Government to provide support to the Domestic Apparel Manufacturers to overcome the impact of lock-down and reduce the potential job loss.

Source: economictimes.com- Mar 31, 2020

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Centre to extend IGST, compensation cess exemptions under export schemes till March 2021

ECGC extends timelines, reduces fees to help exporters cope with lockdown

Offering some relief to exporters struggling to cope with the effects of the lockdown, the Centre has decided to extend the IGST (Integrated Goods and Service Tax) and compensation cess exemptions for goods procurement under two popular export promotion schemes by a year, till March 31, 2021.

The Export Credit Guarantee Corporation of India (ECGC), the government-owned company providing insurance cover to exporters, is also adopting measures to aid exporters such as extending the time limit for returns, extension requests, default notifications and filing claims, apart from reducing fees, a government official told BusinessLine.

“We understand that exporters are not in a position right now to adhere to timelines or pay additional taxes. The Centre is trying to give them as much policy flexibility as possible to ease the pains of the lockdown,” the official said. Exporters have been hit hard this month with the pandemic disrupting their production, shipments, orders and payments.

Following the Centre’s latest decision, exemptions on payment of IGST and compensation cess for goods procurement under the Export Promotion Capital Goods (EPCG) scheme and Advance Authorisation scheme have been extended by a year to March 31, 2021.

Extended deadline

Also, the ECGC has extended the deadline for all returns, extension requests and default notifications till May 31, 2020, as per a communication from the insurance company to stakeholders.

The time for filing claim, reply to claim queries and representations has been extended to June 30, 2020. The specific shipment policy expiring in March 2020 has also been extended to June 30, 2020.

Moreover, the ECGC has reduced by 50 per cent its policy proposal fee for policies due to be renewed or issued between March 1 and June 30, 2020.

Discretion has also been extended to exporters, within RBI guidelines, to extend the due date for payment by buyers for shipments accepted earlier and to decide about the release, re-import or abandonment of shipments that reached their destination but have not been cleared by overseas buyers, said the note.

Source: thehindubusinessline.com- Mar 31, 2020

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Govt asks ports, shipping lines to waive demurrage, ground rent on non-containerised EXIM cargo

The shipping ministry has directed the dozen state-owned ports on Tuesday to waive demurrage, ground rent beyond allowed free period, penal anchorage/berth hire charges and any other performance related penalties that may be levied on port related activities for the reasons attributable to lockdown measures from March 22 to April 14.

To ensure that the benefits extended by these ports are passed on to the end customer and to maintain proper supply chain at the Indian seaports, shipping companies or carriers (and their agents) have been advised by the director general of shipping not to charge, levy or recover any demurrage, ground rent beyond allowed free period, storage charge in the port, additional anchorage charge, berth hire charge or vessel demurrage or any performance related penalties on cargo owners/consignees of non-containerized cargo (bulk, break-bulk and liquid cargo) whether less than container load (LCL) or not for the period from March 22 to April 14, (both days inclusive), due to delay in evacuation of cargo caused by reasons attributable to lockdown measures.

The above exemption/remission shall be over and above free time arrangement that is currently agreed and availed as part of any negotiated contractual terms, DG Shipping Amitabh Kumar wrote in a March 31 order.

During this period the shipping companies or carriers (and their agents) are also advised not to impose any new or additional charge. This decision is a one-time measure to factor-in the present situation arising out of the COVID-19 pandemic, he said.

The DG Shipping had earlier advised container carriers not to levy container detention charges on import and export shipments.

Source: thehindubusinessline.com- Mar 31, 2020

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Exports head towards contraction as orders from US, Europe vanish

After sudden growth in February, exports are fast heading towards a lengthy period of contraction as buyers cancel major shipments in foreign-exchange (forex) earning sectors, fear exporters.

“We expect contraction in March. With major economies continuing to see sharp rise in cases, the cumulative fall in demand would spill over into April, causing a bigger contraction,” Ajay Sahai, director general of the Federation of Indian Export Organisations, said.

A string of order cancellations by major clients in the US and Europe — two major centres of the coronavirus outbreak — is expected to massively hit sectors like engineering goods and apparel. More than 40 per cent of India’s engineering exports land up in both markets, while Indian apparel is already under threat from cheaper Bangladeshi and Vietnamese alternatives in their primary export destination of Europe.

“This industry needs immediate relief in terms of faster clearance of banking and packing credit, late realisation of export bills, and raising of advance limit to 25 per cent without any collateral to ease working capital constraints,” A Sakthivel, chairman, Apparel Export Promotion Council, said. Also, there should be no penalty on advance forex booking and deferment of equated monthly instalments by six months to start with, he added.

Exports had caught a rare breather in February, rising after six months, leading to hopes of a recovery period beginning soon. However, policymakers are not convinced as yet. “Last month, exports gained over a low base. Also, global oil prices suddenly spiked, allowing India to pull in more receipts from the sale of refined petroleum,” a senior government trade expert said.

Case in point, relatively higher oil prices allowed India to bring in \$3.4 billion, a jump of more than 10 per cent in February, after January's 7 per cent fall. Since then, a tough price war between Saudi Arabia and Russia has seen prices tumbling to their lowest levels in 18 years. The price of a Brent crude barrel hovered at \$26 as of Monday.

Lockdown blues

CORONA LANDS A BLOW ON TRADE

Amount (\$ billion)



Total exports in FY20 so far	Total imports in FY20 so far	Cumulative trade deficit so far in FY19
292.9	436.06	143.11

Source: Ministry of Commerce & Industry

Exports have also been rocked by chronic labour shortage, arising from a massive exodus of workers from the urban industrial zones to the rural hinterland. "This issue continues as people are afraid of not being able to survive for the entire duration of the lockdown. More importantly, smaller businesses making up the majority of the sector continue to be harassed by local authority and police despite the commerce department saying exports are a priority sector," a senior functionary of the Clothing Manufacturers Association of India, said.

While a final notification from the home department regarding which businesses can remain open has assured the sector and the government has confirmed logistics chains would continue, these small businesses remain worried. Coupled with a lack of liquidity with export credits having contracted by about 23 per cent in 2019 (January-December) even before the coronavirus outbreak, factory units look set to make major losses.

"While the moratorium on all loan repayments for three months and 75 basis points cut in interest rates would help exporters, the sector has been the worst hit by the recent outbreak and the moratorium should be extended at least to six months to one year, since the global economy is set to be slipping into a recession," Ravi Sehgal, chairman of the Engineering Export Promotion Council, said.

He added that under such painful circumstances, there remains no point in counting the possible gains to export as the US dollar rises against the rupee. The Indian currency closed at 75.46 to the US dollar on Monday, 10 days after crossing the psychological 75-mark.

Policy delay

As a result, total exports again run the risk of missing the government's internal target of \$350 billion. India's total outbound trade tally stood at \$331 billion in 2018-19. It was the first time that exports remained above \$300 billion for two consecutive years.

On the other hand, government is gearing up to announce the extension of the current five-year foreign trade policy by at least six months, multiple sources said. Commerce and Industry Minister Piyush Goyal is expected to announce the same on Tuesday morning at a meeting with exporters and sectoral councils. The updated foreign trade policy 2020-2025 was expected to go live from April 1.

This will also give the government enough time to thrash out the rates for the new remission of duties or taxes on export products scheme, set to replace the current merchandise exports from India scheme.

Source: business-standard.com- Mar 30, 2020

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Textile companies seek bailout to cover forex hedging

Losses in forex contracts could run into crores of rupees for the exporters that had used anticipated dollar receivables to enter into contracts with banks.

Mumbai: India's \$108-billion textiles industry, which helps the likes of Gap and Macy's stock their store shelves, is seeking a bailout package on their foreign exchange liabilities after the lockdown prompted cancellation of orders that were to fetch payments in dollars.

Losses in forex contracts could run into crores of rupees for the exporters that had used anticipated dollar receivables to enter into contracts with banks.

To cover the hedging liabilities, the industry is seeking benefits similar to the moratorium extended to borrowers, who now have a three-month grace period on repayments.

“Export assignments are either getting cancelled or delayed, bringing financial troubles for local manufacturers,” said Sanjay Jain, ICC National Textile Committee chairman. “We have approached the government and the central bank seeking relief measures. Otherwise, it will trigger job losses. We cannot blame banks, which will abide by the guidelines laid out for currency covers.”

Textile exporters book forward contracts against overseas receivables to protect their cost or to earn premiums. On shipment, they provide documents to banks booking the contracts. Due to cancellation and delays, they are unable to provide the bill of lading and other documents.

If exporters are not able to ship, they do not receive the money from overseas buyers. In such cases, they have to unwind those forwards deals booked up to six months in advance at a loss of 2-4 rupees/unit of dollar, dealers said.

“Textile exporters should be given some flexibility to manage their dollar delivery in the form of some extensions so they do not have immediate cash flow problems considering (that the lockdown is) no fault of theirs,” said Abhishek Goenka, CEO, IFA Global.

If an exporter booked a contract at 72 and in the absence of dollars delivery in March when the rate is 76, he may have to book a loss at 76 despite the fact that his bookings were based on confirmed orders.

“If the rupee maintains its bearish bias due to dollar shortage and heads another 4-5% south, it could accelerate problems for them,” Goenka said.

The rupee lost about a percentage point Monday to close at 75.59 per dollar, reflecting the weakness in equities and bonds.

The local unit was at 74.85 last Friday. India’s textiles industry provides direct employment to about 50 million people, and indirect jobs to another 60 million people.

Source: economictimes.com- Mar 31, 2020

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India's position in global trading order at risk

The Budget announcement for verifying origin of imported goods could do more harm than good, as it may deter trade partners from engaging with India entirely

The Union Budget for 2020 reversed liberalisation of the customs tariff regime by increasing customs duties across the board. The most significant change, however, was not a mere rejig of rates, but a potential challenge to India's standing in the global supply chain.

Global trade relies on a simple but vital document — the 'Certificate of Origin' (COO). A COO is akin to a birth certificate for exported goods. Free Trade Agreements (FTAs) grant the benefit of reduced rates of customs duties to the importing country — provided the value addition in the country of origin/exporting country is reasonable (around 35-40 per cent generally). These benefits are extended in trade and diplomatic policy by identifying goods based on COOs. A popular example is the 'Generalised System of Preferences' provided by developed countries to least developed countries.

This system relies on trust, as verification is performed by an external agency in another country. Unfortunately, the system is also vulnerable to manipulation. 'Origin fraud' involves the outsourcing of certain minor processes, such as assembly, or even mere transshipment, to obtain a certificate of origin and claim duty benefits.

Verification mechanism

According to publicly available information, India has witnessed a few prominent cases of origin fraud recently:

Import of stainless steel from Indonesia grew from 8,000 tonnes in March 2018 to 67,000 tonnes in March 2019, coinciding with the imposition of anti-dumping duty on Chinese steel products

Import of ready-made garments from Bangladesh grew from \$672 million in 2016-17 to \$1.04 billion in 2018-19. Indian producers allege that such imports at preferential rates do not adhere to the value addition norms in the South Asian FTA.

India imported 1,90,000 tonnes of palm oil duty free from Nepal. It is alleged that no manufacturing capacity for palm oil exists in Nepal, but this was merely a transshipment from Malaysia. Such imports would otherwise have incurred 44.5 per cent customs duty.

Consequently, the Finance Minister has proposed a verification mechanism in the Union Budget for ascertaining origin of goods “to ensure FTAs are aligned to the conscious direction of our policy”. However, resolving the issue may not be as simple as it seems.

Previously, the government would tackle origin fraud through data exchange and enforcement with the exporting countries’ government authorities. In contrast, under the verification system, the importer will have the onus to prove the origin of preferentially imported products and provide detailed information for such imports. Verification is premised on the low threshold of ‘reasonable belief’ of the assessing officer, creating a risk of undue use.

Possible consequences

Commercially, the importer will have to verify the origin of imported goods in the exporting country on his own account. This involves sourcing production data and bill of material from the exporter. The exporter may be unwilling or not be at liberty to provide such sensitive data. Would small-scale importers particularly have the capacity or leverage to undertake such verification?

Owing to the degree of effort involved, importers may decide to forego preferential benefits in the FTAs entirely. Import would be made on payment of duty; this will add to the cost, since customs duties are not creditable.

If importers decide to forego procurement, FTAs become non-operational for Indian importers. The verification mechanism may act as a non-tariff barrier operationally.

India cannot obtain benefits for exports through FTAs while curbing market access to other countries. Other countries may retaliate with their own verification scheme for Indian exports or litigate before the WTO. Considering India’s export schemes are already under scrutiny, this could heighten trade tensions.

Importers are likely to experience a lot of questioning and scrutiny when imports are made from FTA countries, reducing the ease of doing business.

Publicly available trade data shows that imports into India under the FTAs are small in comparison to total imports, comprising only \$32.22 billion out of \$617 billion for FY20 (i.e. around 5.2 per cent). Customs duty collections have risen an impressive 20 per cent to a total of ₹1,55,904 crore in FY20, irrespective of the above trends. Whether drastic measures at this stage are needed, demands introspection.

India's foreign reserves have risen on account of access to global markets by Indian exporters. As the centre of global trade in the world shifts from the US, deeper trade ties are particularly promising for Asian economies. A holistic alternative to protectionism lies in greater inter-governmental cooperation to counter cases of fraud.

Source: thehindubusinessline.com- Mar 31, 2020

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Govt softens COVID-19 blow on exporters: Trade policy sops to stay till FY21 end

The commerce ministry on Tuesday extended the validity of the current foreign trade policy (FTP) for 2015-20 by another year to FY21 end. The move is aimed at softening the blow to exporters already grappling with a massive cancellation of orders in the wake of the COVID-19 pandemic, a senior official told FE.

The extension will enable exporters to continue to get incentives under existing programmes — including the Merchandise Exports From India Scheme (MEIS), interest equalisation scheme and transport subsidy scheme (for farm exports) — for one more year. However, a decision on extending the Services Exports Promotion Scheme is yet to be made, the ministry said.

The pandemic has also forced the government to review its FTP architecture for the next five years, given the country now needs fresh policy responses to counter the damaging impact on both internal and external trade even after it recedes.

The decision to extend FTP validity comes after commerce and industry minister Piyush Goyal held a meeting via video conference, the second time since March 27, with various export bodies to address issues faced by them. Already, exporters that FE spoke to say roughly over a quarter of their orders have been cancelled for reasons, including their inability to source supplies due to a lockdown and the buyers' reluctance to get delivery at a later date.

Exporters had received benefits worth Rs 40,000 crore under the MEIS in FY19. Similarly, under the interest equalisation scheme, they are estimated to have received Rs 2,868 crore in FY20. This scheme usually allows manufacturing and merchant exporters an interest subsidy of 3% on pre-and-post-shipment rupee credit for exports of 416 products (tariff lines).

Exporters have already warned of a crash in outbound shipments in FY21, as global supply chain has been hit hard, cargo movement has been affected, shipping lines altered and warehouse capacity stretched following the Covid-19 outbreak. Up to February this fiscal, overall goods exports contracted by 1.5% year-on-year to \$293 billion. Analysts now say goods exports this fiscal may drop to \$315 billion or less, against \$330 billion in the previous year.

After his meeting with Goyal, Federation of Indian Export Organisation president Sharad Kumar Saraf said the authorities should bear half the wage cost of labourers from funds available with the Employees' State Insurance Corporation (ESIC) or Employee Provident Fund Organisation to ease the burden on exporters.

He suggested that the government allow manufacturing companies engaged in exports to operate with at least half the manpower despite lockdown, after adhering to safety and social distancing norms. Police and other authorities at the local level must be sensitised to ensure logistics-related issues are sorted out expeditiously, he added.

Ravi Sehgal, chairman of the engineering exporters' body EEPC, said, on an average, 25-30% of export orders have been cancelled in recent weeks and 'freight forwarding' rates have jumped 3-4 times in recent weeks. He suggested that the remittance period be extended for exporters from 9 months to 15 months.

Indian Oilseeds and Produce Export Promotion Council chairman Khuswant Jain said exporters are unable to physically courier LC (letter of credit) documents lodged with Indian banks to LC issuing overseas bank due to the suspension of such courier services. This is obstructing the exports. “In many cases, the cargo is loaded but shipment is not taking place due to the absence of certain documentation.”

Source: financialexpress.com- Apr 01, 2020

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Covid-19 impact: Tax and duty relief likely in package for industry

India is close to finalising a second economic relief package that may include tax concessions for industry sectors hit hard by the disruption due to Covid-19, particularly micro, small and medium enterprises (MSMEs), services and exports.

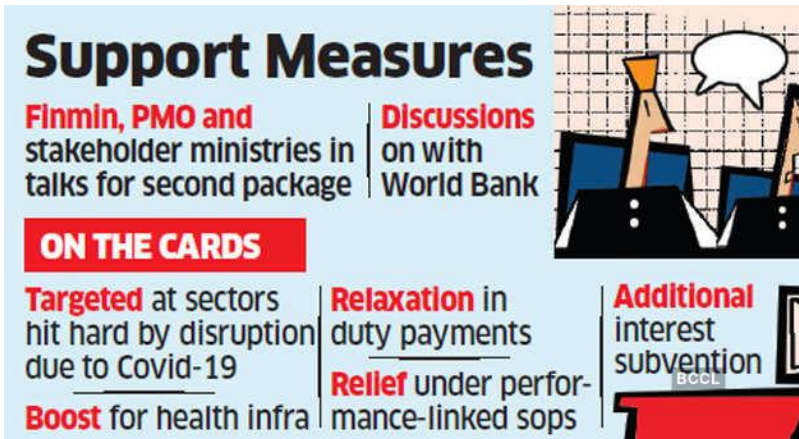
The government has also initiated talks with the World Bank for an unprecedented package from the multilateral lender to speed up the creation of healthcare infrastructure that’s urgently needed besides support for some key economic sectors to tackle Covid-19’s impact. “It is being worked out ... it will be announced shortly,” said a government official.

Some of the steps that are being considered include a moratorium on select tax payments for some sectors, reduction in import and export duties, relaxation in payment of dues and fees and additional interest subvention for exports.

Some Conditions may be Eased

Conditions are also likely to be eased for performance-linked incentives for exports, said another government official.

Exports, retail, consumer durables and most service sectors — aviation, hospitality, food, travel and tourism among others — have been hit by the 21-day lockdown that began on March 25.



Support Measures

Finmin, PMO and stakeholder ministries in talks for second package | **Discussions on with World Bank**

ON THE CARDS

Targeted at sectors hit hard by disruption due to Covid-19 | **Relaxation** in duty payments | **Additional** interest subvention

Boost for health infra | **Relief** under performance-linked sops

“This would be a targeted package for sectors most impacted... Discussions are going on between finance ministry and stakeholder ministries as also the Prime Minister’s Office,” said the official cited above.

Finance minister Nirmala Sitharaman had announced a package worth Rs 1.7 lakh crore targeted at the poor and marginalised sections of society last week. The focus was on getting food and cash handouts to the needy and those who have no income to support themselves.

The Reserve Bank of India (RBI) had unveiled several measures on Friday, including a repo rate cut of 75 basis points, a reduction of 100 basis points in the cash reserve ratio to free up liquidity and a three-month moratorium on loan repayments.

The second economic relief package is aimed at making sure that the sectors worst hit by the lockdown are able to rebound quickly once the country reopens.

Industry has called for a fiscal stimulus worth 1% of country’s GDP amounting to Rs 2 lakh crore to counter the economic impact of the Covid-19 outbreak. It has also sought the removal of long-term capital gains tax apart from incentives for the export sector.

Most agencies have cut India’s growth forecast for FY21. Standard & Poor’s on Monday pared its growth estimate to 3.5% in the wake of the lockdown from 5.2% forecast earlier.

Source: economictimes.com- Mar 31, 2020

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Covid-19 pandemic: Labour-driven export sectors run for cover

The country's labour-intensive export sectors such as leather, textiles, gems and jewellery, carpets and handicrafts have borne the brunt of the Covid-19 pandemic with orders getting cancelled, shipments delayed indefinitely, payments missed and consignments stuck at ports.

According to sectoral estimates, about ₹7,600 crore of leather export orders have been cancelled, ₹2,000 crore carpet orders are stuck and handicraft sector losses are seen at ₹8,000 crore.

“Around 30% of orders of labour-intensive sectors have got cancelled,” said Ajay Sahai, director general of the Federation of Indian Export Organisations (FIEO). The issues are set to be discussed at a meeting that commerce and industry minister Piyush Goyal will hold with the various export promotion councils on Tuesday.

India's exports contracted 1.5% to \$292.9 billion in the 11 months to February 2020. The decline is likely to be much sharper going ahead.

Cancellation of Trade Fairs

Export orders worth \$1 billion were cancelled in the past 10 days and many customers have stopped payments, said Council for Leather Exports chairman Aqeel Ahmed Panaruna.

“Customers are not paying invoices and all new orders are cancelled. Our American clients are not taking products that are ready for them,” Panaruna said. India's Rs 12,000 crore carpet industry is also in distress with orders worth Rs 2,000 crore stuck and besides it's running short of workers due to the lockdown.

“We do 40% of our business in the January-March period. The lockdown will have long-term consequences,” said Siddh Nath Singh, chairman, Carpet Export Promotion Council. The handloom, handicraft, carpet and cottage sectors employ around two million people. India's gems and jewellery exports fell 19% in February and are estimated to decline 12% in FY20 to \$35.85 billion on year, according to the Gem & Jewellery Export Promotion Council (GJEPC).

Stressed Shipments

₹7,600 crore leather export orders scrapped

Handicraft sector expects **₹8,000 crore** hit

₹2,000 cr carpet orders stuck

Gems & jewellery exports **may decline 12%** on year



“In February, when the deadly virus spread in China, Hong Kong and Far East, gems and jewellery exports had plunged by 19.37% in comparison to February 2019,” said Colin Shah, vice chairman, GJEPC, and a leading diamond exporter. “But the situation worsened in March when it spread to Europe and the US.”

Cancellation of key trade fairs in the US, Hong Kong and Jaipur also impacted the jewellery business.

According to a Delhi-based exporter of garments, around 70% of orders have been postponed or cancelled and since this is a season-dependent sector, apparel meant for export will likely go waste.

The handicraft industry fears closure of 60-80% of units in three months if the situation doesn't improve as buyers are not paying, have cancelled orders already under production or are taking advantage of the situation by negotiating for discounts. “An initial estimate of the impact that the handicraft sector may suffer in wake of the existing crisis is approximately Rs 8,000-10,000 crore,” said Export Promotion Council for Handicrafts (EPCH) director general Rakesh Kumar.

Exporters have sought an increase in pre and post-shipment credit duration to 180 days from 90 days now, besides getting international couriers to function, as sending documents has become a challenge given that all flights have been halted.

“It is suggested that banks should be advised not to levy any charges on the exporters while cancelling forward contracts in those cases where the export orders are cancelled by the overseas buyers,” textile exporters have written to Goyal. Cancellation of forward contracts involves costs that the banks get from exporters.

Exporters want the government to provide freight subsidies for goods that are brought back to the country, compensation in some form if items have to be abandoned or if discounts have to be given to buyers. They have also asked for a delay in declaring loans as non-performing assets for a year owing to the lack of business coupled with fixed costs.

Source: economictimes.com- Mar 31, 2020

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COVID-19: Indian exports to China, Hongkong to decline by 41%

Weighed by the impact of COVID-19 outbreak, India's exports to China and Hong Kong together slumped 41 per cent in February while imports declined more than 10 per cent. However, a sudden jump in exports to United States and United Arab Emirates during the month led to India's overall exports turning positive for the first time in seven months.

Official trade data reviewed by Mint showed India's exports to China dropped 13.7 per cent in February to \$1.1 billion while shipments to Hong Kong declined 62.4 per cent to \$681 million.

Similarly, imports from China due to supply chain disruptions fell 13.3 per cent to \$4.4 billion while imports from Hong Kong which was less affected by COVID-19 outbreak picked up 3.7 per cent to \$1.1 billion.

Retail sales in China fell by 14 per cent in January and 21 per cent in February combined. International agencies have significantly reduced their growth estimates for China with the rating agency S&P estimating an unprecedented 10 per cent contraction in China's economy in January-March quarter while 2020 calendar year growth projection for the world's second largest economy has been slashed to 2.9 per cent from 4.8 per cent for 2020.

According to Crisil if the pandemic is not contained soon, China's demand for cotton, iron ore, and petroleum products from India is likely to suffer.

Imports related to pharmaceuticals, automobiles, consumer durable, electronics and telecom/ smartphone equipment could also bear the brunt, hurting these sectors domestically.

Source: fashionatingworld.com- Mar 31, 2020

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Cargill helping smoothen inter-State supply chain disruptions

Even though the Centre, State governments and local authorities are trying their best to ensure the continuity of supplies, including food, following the Covid-19 outbreak, there are still some challenges around transportation, particularly regarding inter-State movement of raw materials, ingredients, packaging material and finished goods, Simon George, Cargill India President, said on Monday.

The global economy could take a while to recover, even after the coronavirus has run its course, as the focus would be on winning back consumer confidence. This could take anywhere between 12 and 18 months, he said.

The Cargill India chief said the firm worked with government authorities last week to smoothen supply chain disruptions and hoped that things would become even better this week.

This needs immediate attention to ensure that factories operate smoothly and logistics operations are not hampered, he added. Across the country, Cargill has 12 manufacturing locations for producing food and non-food items.

“We are working hard to keep our operations running, as we supply essential commodities like edible oil, wheat flour, feed for dairy, poultry and aqua farmers in India, which are critical to feed people and animals,” said George.

Food service demand down

According to him, the situation is rapidly changing as the pandemic unfolds. “We are witnessing a surge in consumer demand which we are trying to supply to. People want to ensure food safety in this time of crisis and rightly so,” he said.

On the other hand, food service demand is significantly down. If there is a deflation, it will certainly create a pipeline risk and would increase carrying cost. Most importantly, it would create risk aversion on the part of players to carry required inventory to the service market.

Besides, Cargill has halted many non-essential operations. Production of bio-industrial solutions, native starch used by the paper and textile industry as well as liquid glucose, majority of which goes into confectionery products, has been stopped temporarily.

Another business of Cargill that has taken a hit is poultry feed. “It is very unfortunate that poultry farmers and the entire poultry supply chain is facing this unprecedented decline due to a rumour that has no scientific rationale (rumour that chicken/egg consumption can spread Covid-19),” George said.

Source: thehindubusinessline.com- Mar 31, 2020

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GHCL Expands Supima range

For OEM and private label suppliers, the choice of fabric grades can be just as critical as they are for branded sellers. It’s why GHCL, the important bedding supplier out of India, is expanding its relationship with Supima this year.

Working with Revman International, GHCL, which many people know as Grace Home, is supplying the sheeting for Revman’s new USA Pima program which is debuting online now.

The new collection features 300-count sheet sets in four colors using 100% American grown Supima cotton.

Like Revman’s president Rich Roman, GHCL says the choice of cotton was a natural. “The fact is that it really is the best quality cotton in the world with a minimal impact on the environment,” said GHCL president Manu Kapur. “The strength, softness, comfort, color retention and pilling resistance of this cotton ensures that it is sought after by brands and retailers.”

For GHCL, this is a continuation of its long-standing relationship with Supima, Kapur says. “We’ve been working with Supima for over eight years now. Our first major program using Supima cotton was the 700-thread-count Threshold program for Target. We have also been manufacturing the 600-thread-count Simply Vera program for Kohl’s.”

That GHCL-Revman relationship also goes back many years. “We have been consistently supplying sheets to Revman for over a decade now,” says Kapur “and our involvement with this program stems directly from this relationship.”

GHCL is one of the largest sheeting suppliers in India as well as having business units in other industries, he said. “GHCL as a group was set up over three decades back and is involved in the business of chemicals, textiles and consumer products.

“Within textiles, we manufacture bed linen and are totally integrated in our operations, with state-of-the-art spinning, weaving, processing and cut & sew facilities,” he said.

Kapur says a big advantage of using a premium cotton like Supima is that it addresses the big changes taking place in consumer buying patterns as shoppers seek more sustainable, traceable and generally eco-friendly products.

“I absolutely agree, though I feel the change is not as big as is warranted, given all that is happening around us in terms of the ecological degradation and the threat to our planet.

“We work conscientiously and consistently around our ‘4 Pillar Strategy: Sustainability, Traceability, Innovation and Giving Back to Society’,” Kapur said. “Accordingly we have been working on setting up brands such as Rekoop and Cirkularity that center around the circular economy and focus on ‘recycling, reduction and reuse’.”

Source: hometextilestoday.com- Mar 31, 2020

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