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NEWS CLIPPINGS

INTERNATIONAL NEWS

Global economy could shrink by almost 1% in 2020 due to COVID-19 pandemic: UN

The global economy could shrink by up to one per cent in 2020 due to the coronavirus pandemic, a reversal from the previous forecast of 2.5 per cent growth, the UN has said, warning that it may contract even further if restrictions on the economic activities are extended without adequate fiscal responses.

The analysis by the UN Department of Economic and Social Affairs (DESA) said the COVID-19 pandemic is disrupting global supply chains and international trade. With nearly 100 countries closing national borders during the past month, the movement of people and tourism flows have come to a screeching halt.

"Millions of workers in these countries are facing the bleak prospect of losing their jobs. Governments are considering and rolling out large stimulus packages to avert a sharp downturn of their economies which could potentially plunge the global economy into a deep recession. In the worst-case scenario, the world economy could contract by 0.9 per cent in 2020," the DESA said, adding that the world economy had contracted by 1.7 per cent during the global financial crisis in 2009.

It added that the contraction could be even higher if governments fail to provide income support and help boost consumer spending. The analysis noted that before the outbreak of the COVID-19, world output was expected to expand at a modest pace of 2.5 per cent in 2020, as reported in the World Economic Situation and Prospects 2020.

Taking into account rapidly changing economic conditions, the UN DESA's World Economic Forecasting Model has estimated best and worst-case scenarios for global growth in 2020. In the best-case scenario — with moderate declines in private consumption, investment and exports and offsetting increases in government spending in the G-7 countries and China — global growth would fall to 1.2 per cent in 2020.

"In the worst-case scenario, the global output would contract by 0.9 per cent — instead of growing by 2.5 per cent — in 2020," it said, adding that the scenario is based on demand-side shocks of different magnitudes to China, Japan, South Korea, the US and the EU, as well as an oil price decline of 50 per cent against our baseline of USD 61 per barrel. The severity of the economic impact will largely depend on two factors – the duration of restrictions on the movement of people and economic activities in major economies; and the actual size and efficacy of fiscal responses to the crisis.

"A well-designed fiscal stimulus package, prioritising health spending to contain the spread of the virus and providing income support to households most affected by the pandemic would help to minimise the likelihood of a deep economic recession," it said. According to the forecast, lockdowns in Europe and North America are hitting the service sector hard, particularly industries that involve physical interactions such as retail trade, leisure and hospitality, recreation and transportation services. Collectively, such industries account for more than a quarter of all jobs in these economies.

The DESA said as businesses lose revenue, unemployment is likely to increase sharply, transforming a supply-side shock to a wider demand-side shock for the economy. Against this backdrop, the UN-DESA is joining a chorus of voices across the UN system calling for well-designed fiscal stimulus packages which prioritize health spending and support households most affected by the pandemic.

"Urgent and bold policy measures are needed, not only to contain the pandemic and save lives, but also to protect the most vulnerable in our societies from economic ruin and to sustain economic growth and financial stability," Under-Secretary-General for Economic and Social Affairs Liu Zhenmin said. The analysis also warns that the adverse effects of prolonged economic restrictions in developed economies will soon spill over to developing countries via trade and investment channels. A sharp decline in consumer spending in the European Union and the United States will reduce imports of consumer goods from developing countries.

"Developing countries, particularly those dependent on tourism and commodity exports, face heightened economic risks. Global manufacturing production could contract significantly, and the plummeting number of travellers is likely to hurt the tourism sector in small island developing States, which employs millions of low-skilled workers," it said.

Meanwhile, the decline in commodity-related revenues and a reversal of capital flows are increasing the likelihood of debt distress for many nations. Governments may be forced to curtail public expenditure at a time when they need to ramp up spending to contain the pandemic and support consumption and investment.

UN Chief Economist and Assistant Secretary-General for Economic Development Elliot Harris said the collective goal must be a resilient recovery which puts the planet back on a sustainable track. "We must not lose sight how it is affecting the most vulnerable population and what that means for sustainable development," he said.

The alarms raised by UN-DESA echo another report, released on March 31, in which UN experts issued a broad appeal for a "large-scale, coordinated, comprehensive multilateral response" amounting to at least 10 per cent of global gross domestic product (GDP). According to estimates by the Johns Hopkins University, confirmed coronavirus cases across the world now stand at over 932,600 and over 42,000 deaths.

Source: financialexpress.com- Apr 02, 2020

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USA: Tariff Relief Should Be Part of Washington's COVID-19 Relief Measures

Last week's news that Congress passed, and the president signed into law, a $2.2 trillion stimulus and relief package was welcome news. As the country battles health and economic crises created by the COVID-19 pandemic, it is critical that we sustain massive efforts to protect our population and help our businesses, and the workers they employ, to weather these unprecedented challenges.

Indeed, many textile, apparel, footwear, and fashion companies have embraced what we are calling a "Rosie The Riveter" moment for a new generation of Americans.

Companies from across the country have quickly repurposed their U.S. and foreign factories, their supply chains, and their warehouses to make and deliver crucial masks, gowns, gloves, and other items of personal protective equipment (PPE). Some companies are making the products themselves, both at home and abroad.

Others are using their sourcing, customs, and shipping expertise to quickly deliver PPE to hospitals that don't have the wherewithal or knowledge to do this themselves. Still others have donated warehouse space to local hospitals to manage their suddenly expanded logistical requirements or needs for extra space to house patients.

A dynamic U.S. global value chain that normally employs 4 million Americans is quickly becoming a U.S. global safety chain that is helping America fight back against this pandemic.

But with much of the economy shuttered, we must make sure we don't leave any tools in the toolbox so these companies, that are now on the front lines of both crises, can survive.

Here are two common-sense trade actions the Trump Administration can take today.

First, it should suspend the collection of all tariffs over the next 90 days and be prepared to extend it for an additional 90 days if three months is not enough. The Administration has already delayed the income tax deadline until July 15 and many other dates and deadlines have been delayed as well. Suspending collection of new tariffs, including any tariffs paid in the past few weeks, would allow companies to have access to this cash—hundreds of millions of dollars each week—at a crucial time when they are trying to keep employees on payrolls.

With help from the stimulus package still a week away at best, it cannot be overstated how important this cash flow relief would be right now. Moreover, suspending the collection of these tariffs, even though they will ultimately be paid, would temporarily relieve tariffs we are still charging on many of these PPEs.

Second, the Administration should refund all of the Section 301 tariffs it has collected in the past two years. Since July, American companies have paid more than $48 billion in tariffs on goods they imported from China.

The Administration has rightly rededicated this process to the swift refund of Section 301 tariffs still being charged on medical materials, inputs, and equipment. This is an important step to help fight the health crisis, but the Administration should also implement—automatically—the next logical step of refunding all the tariffs to help fight the economic crisis too. With a

Phase One deal done with China, and no talks realistically planned for the foreseeable future, this will have no impact on the negotiating table.

But it's not just up to the Administration, which only enjoys tariff authority already delegated by Congress. Article I, Section 8 of the Constitution expressly gives Congress ultimate authority over tariff policy. With work now beginning on the next stimulus package—and with members of Congress from both chambers and both parties eyeing tariff cuts as a way to help our distressed economy—Congress should seriously look at whether more tariff reductions can be undertaken.

As Americans, we all have a responsibility to "flatten the curve" over the next four weeks. We must also ensure the implementation of smart policies—including those that eliminate tariff costs—to help us "flatten the economic dip" as well. Let's make sure our elected leaders in Washington understand the imperatives of swift action now.

Source: sourcingjournal.com- Apr 02, 2020

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Coronavirus pandemic tears holes in Asia's garment industry

PHNOM PENH -- Chul Sreymom, a seamstress at the Sangwoo factory near Phnom Penh, has been putting together clothes for some of the world's biggest fashion brands for as long as she has been working. But this week she watched as 60 of her colleagues were sent home as Sangwoo's work dries up -- and now the breadwinner for elderly parents fears she will be next.

"I don't know what else I can do," the 40-year-old told the Nikkei Asian Review. "Working in a garment factory is what I have done all my life." She is among millions in Asia's low-wage apparel export industry whose livelihoods are jeopardized by the coronavirus pandemic.

Four months after its emergence in the Chinese city of Wuhan, the novel coronavirus has triggered an unprecedented crisis for Asia's apparel exporters who, thanks to the rapid globalization of the past decade, employ millions of workers and help underpin some of the world's most fragile economies.

The trouble began in February with fabric supply shortages as the virus hit China's $250 billion textile sector. But just as China restarted production -- giving garment factories hope of getting operations back on track -- demand collapsed as lockdowns around the globe forced retailers to shut their doors and populations to prioritize staples.

The crisis is hitting as the industry was already facing the prospect of globalization going into reverse as consumer concerns grow over labor standards and Western fashion brands consider relying more on shorter supply chains closer to home.

"We have zero cash flow and buyers are not upholding their end of the contractual obligations," said Ken Loo, secretary general of the Garment Manufacturing Association in Cambodia.

"How many companies do you think can survive long with zero cash flow? Even the most successful airlines in the world have announced they may go bankrupt without government assistance. That's what we are facing." It is a similarly grim story across the region, where thousands of factories have been partially or fully closed.

"All orders are cancelled," said Mostafiz Uddin, a factory owner in Bangladesh, where reports estimate some $3 billion worth of contracts have been paused or scrapped and more than 1 million workers have been fired or furloughed.

In Indonesia, more than 3 million work in the sector. "Demand is declining sharply," said Jemmy Kartiwa chairman of a textile association there. In Vietnam, a textile industry body estimated their sector could take a $467 million hit. In Myanmar, where at least 20 factories halted amid the fabric shortage and more suspensions are expected, it's now a matter of survival, said Khin Maung Aye, chairman and founder of a 10,000-worker jacket and shirt factory in Yangon.

"If you survive now, you will be back again," he told Nikkei, adding job losses were inevitable. Survival, however, is far from guaranteed for manufacturers operating on thin margins and often pay-on-delivery terms. Some brands including H&M and Zara-owner Inditex, committed to pay in full for existing orders. In a statement, H&M said the "extreme situation" had necessitated a pause on new orders. "Our long-term commitment to suppliers remains intact," the company said.

Others brands, however, have triggered "force majeure" clauses. A cancelation letter seen by Nikkei, purportedly from Europe's C&A to suppliers, asserted the "extraordinary situation" had "materially changed ... if not destroyed" the preconditions of the orders.

"Consequently, parties can no longer be reasonably expected to uphold and/or perform the affected agreements," the letter stated. C&A has been contacted for comment. Edward Hertzman, publisher of the textile industry publication the Sourcing Journal, said such unilateral cancellation or re-writing of contracts raised potential legal issues and left factories and their creditors highly exposed.

“There’s a domino effect that's really very scary,” Hertzman said. “It's just not about the stores closing and how quickly they reopen. There's a lot of damage that's gonna be done that’s going to be hard to repair." Workers' advocates are already condemning such moves. Human Rights Watch urged brands not to "forsake the factory workers". Clean Clothes Campaign outreach coordinator Christie Miedema said brands had a responsibility to those working in the sector.

"They've profited from this cheap labor for decades without paying for any social security," she told Nikkei. "That profit needs to be paid back now, because there is no social security in place for many of these countries and there's nothing that workers can fall back on."

There is also growing concern over the spread of coronavirus locally. Bangladesh and Vietnam have already implemented lockdowns, while in Cambodia, 91 garment factories have suspended work, with 61,500 workers affected. Those still able to work fear contracting the virus, say union leaders.

Economically, the coronavirus crisis far exceeds anything the garment industry has faced before, in part because no one knows how long it will last. Pointing out it was the "weakest rate of growth since the Second World War," Gareth Leather, senior economist in Capital's emerging Asia team, said textile producing countries are especially vulnerable.

"In the U.K., some of the big shopping companies [are] worried about their own survival. They're not worried so much about the survival of people much further down the chain," he said. "It's going to kick these economies really hard, especially considering how dependent they are in this sector."

For Cambodia, the pandemic dealt a second blow to its $10 billion apparel sector, which employs more than 800,000, after the EU in February decided to partially suspend its duty-free access to the bloc over human rights concerns. With its tourism industry battered, the country's GDP growth could drop from 7% last year to 1% in a worst-case scenario, the World Bank predicted in its most recent economic forecast.

Vietnam's baseline 2020 growth is predicted to dip from 7% to 4.9%, Myanmar's to shrink from 6.3% to 3% and Indonesia's to fall from 5% to 2%. The heavy dependence of these economies on the garment industry stems from the accelerated pace of globalization since the global finance crisis, according to Sheng Lu, an associate professor at the University of Delaware's department of fashion and apparel studies.

"While Cambodia, Vietnam, Myanmar, Indonesia and Bangladesh were small players in world apparel trade back in the 2009 global financial crisis, they all hire hundreds of thousands of garment workers today," he said. "The stakes have never been so high."

Lu, who has analyzed the impact of Covid-19 on apparel trade in three scenarios, said China, as the world's biggest textile producer, would be hardest hit as U.S. and EU buyers cancel large-volume orders. He predicted Vietnam, with a more diversified export market, had some flexibility and was in a "better position". Bangladesh, however, as a leading supplier to both Europe and America, would be "significantly hit." Reports have estimated the country could lose up to $6 billion in apparel export revenue. Job losses will hit hard across the board, Lu said, estimating a 10% drop in exports would translate to at least a 4-9% drop in employment.

"In developing countries such as Bangladesh and Cambodia, the apparel sector remains the single largest job creator for the local economy, especially for women."

Research released this week by Penn State's Center for Global Workers' Rights, cites a survey of 316 suppliers in Bangladesh, a country with some 4.1 million garment workers. Surveyed between March 21 and 25, more than half of respondents reported the bulk of their orders had been cancelled. Buyers largely refused to cover production costs and already-purchased raw materials, the study found.

Almost 60% of factories surveyed report having to shutdown most or all of their operations, while more than 70% of furloughed workers were sent home without pay. "Workers don't have food if they don't have money," said Nazma Akter president of the Sommilito Garments Sramik Federation in Bangladesh, which has more than 100,000 members. "Bangladesh has 160 million people. It's a small country with a high density of population. ... If we don't protect workers, it will be a disaster."

Bangladesh Prime Minister Sheikh Hasina recently announced a $588 million package for the $40 billion export sector, of which garments account for 84 percent. She asked companies to put the money towards paying workers.

In Cambodia, the government has announced tax holidays for struggling factories and proposed a 60% of wage subsidy scheme for furloughed workers, with 20% paid by the government and 40% by factories. A spokesman for Cambodia's Ministry of Economy and Finance said more measures were in the pipeline. "We need just a bit more time," he said.

However, doubts have already emerged about whether even the measures already announced are feasible given the existential threat to suppliers. Leather of Capital Economics warns that governments in developing countries simply do not have the financial strength to bailout industry.

How quickly apparel industries can recover firstly depends on when the virus is brought under control, with progress likely to vary from country to country. If demand improves, Lu said the world apparel trade volume could "bounce back fairly quickly." "For example, affected by the 2008 global financial crisis, the value of world apparel exports dropped by 12.8% in 2009. However, the growth rate quickly rebounded to 11.5% the following year," he said.

But importers and garment factories alike will likely have to deal with labor shortages, raw material price increases and a lack of production capacity, he said. Hertzman, of the Sourcing Journal, went even further, saying the sector is facing a "reckoning".

"Whether you go upstream to the tier one or tier two factories or you go all the way down to the retailers and wholesalers, this industry is going to be one of the most impacted because even in a bull market, with a strong economy and fundamentals, it was still struggling."

"The landscape is never going to look the same."

Source: asia.nikkei.com- Apr 02, 2020

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China's ports brace for second hit as virus spread wipes out exports

China's ports and shipping firms are bracing for a second wave of supply chain disruptions that may be deeper and more prolonged than during the country's coronavirus lockdown as the global spread of the virus chokes off international demand.

With Beijing reporting only sporadic domestic transmission of the coronavirus since March, workers have been allowed to return to posts, factories are restarting and ports are rushing to clear a backlog of cargoes.

But with virus outbreaks now overwhelming healthcare systems and shutting logistics channels in other major economies, exporters and industry analysts warn that global demand for products made and shipped out of China looks set to plunge.

"We expect the near-term impact on trade growth in coming quarters likely to be the worst ever, as economies stall and external demand faces imminent collapse on large scale quarantine measures across major economies," said Rahul Kapoor, vice president at IHS Markit.

China's container processing volumes fell 10.6% in the first two months of 2020 compared to the year before, while exports dropped 17.2%.

And while volumes rebounded in March as manufacturing and logistics operations rebooted, exporters fear that outbound shipments may be in for an even steeper slump in the months ahead.

"There is widespread concern among ports and shipping companies that the coronavirus overseas will hamper demand and in return take a toll on production in China," said secretary general at China Ports & Harbours Association Ding Li.

The export slump could drag on throughout 2020, said Julian Evans-Pritchard, senior China Economist at Capital Economics, estimating China's second-quarter exports could contract as much as 30% year-on-

EXPORT ORDERS TO PLUMMET

Some closely-tracked cargo metrics are already showing the impact of slowing demand in key centers.

Container vessel utilization rates from Shanghai to north America and Europe were at 85% last week, down by 10 percentage points from a week earlier, data tracked by Shanghai Shipping Exchange showed.

Freight rates also dipped, with European routes down 3.1% weekly as of March 27 to $764 per twenty foot equivalent unit (TEU), and routes to the U.S. West Coast down 2.2% at $1,515 per TEU.

Ding added it may take time for cargo-handling data to show the full extent of the global demand contraction as many ports are still clearing backlogs.

Daily container handling volumes at China’s biggest port in Shanghai last week hit 110,000 TEU, about 90% of pre-virus levels, and other ports are also trying to rush through shipments to overseas clients before more stringent movement restrictions kick in.

“It’s even more nerve-wracking now than in February when we had orders but were not able to complete them. (Now) I don’t have plans or orders at all for April,” said a steel exporter.

That demand outlook uncertainty is also weighing on material markets, with the price of manufacturing-grade hot-rolled coil steel SHHCcv1 - used in automobiles and appliances - falling to four-month lows this week.

Textile and clothing manufacturers are also feeling the effects of a drop in international demand.

“Many exporters were notified by clients of order cancellations for the next two months ... leading to increasing pressure on upstream firms’ supply chain,” said a statement from the China National Textile and Apparel Council (CNTAC) last week.

A CNTAC survey showed that 37% of 242 companies reported export order cancellations last week, while the number of firms reporting export orders at less than 50% of pre-virus levels rose by 11.4 percentage points to 26.4%.

China's port association expects container handling volumes in China to fall 5% to 10% in the second quarter from a year ago, while imports of industrial materials such as coal and ores are also expected to slow alongside falling domestic production.

"Our solo goal for this year is to keep the operation alive … and only hope that exports order will resume after July," said a Shandong-based exporter of agriculture products.

Source: reuters.com- Apr 02, 2020

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Germany's Biggest Department Store Files for Insolvency, Victim of COVID-19 Collapse

Galeria Karstadt Kaufhof, Germany's biggest department store retailer, filed for administrative insolvency, the equivalent of bankruptcy proceedings in the U.S.

The filing on Wednesday follows the bankruptcy petition of Laura Ashley in the U.K. last month, both victims of the catastrophic coronavirus pandemic.

Galeria's stores, where consumers can shop brands including Adidas, Calvin Klein Jeans, Ralph Lauren and Scotch & Soda, have been shuttered since March 18 as retailers closed their doors to help curtail the spread of the global health crisis, as mandated by the German government. That prompted HDE, a German retail association, to call for state aid and tax relief to help businesses impacted by the mandate.

The closures and lost sales are "destroying thousands of independent companies and millions of jobs," Josef Sanktjohanser, HDE president, told Reuters last month. The shutdowns, the retail trade group said, would lead to a daily loss of sales of 1.15 billion euros ($1.25 billion), or 7 billion euros ($7.60 billion) per week.

According to the Financial Times, Galeria was losing 80 million euros ($86.9 million) in sales each week and plans to restructure its operations. The company had already furloughed many of its workers.

Though Germany has confirmed approximately 85,000 coronavirus cases, its comparatively low death toll of 1,104 has attracted considerable attention from countries battling back spiraling outbreaks.

However, science experts advising the German government believe the country must increase the number of daily COVID-19 tests from 50,000 to 200,000 if it wants to forestall the kind of devastating epidemics that have ravaged Italy, China and the U.S.

Galeria Kaufhof, once a subsidiary of Metro AG, was acquired by Hudson's Bay Co. in September 2015. It merged with Karstadt, a competitor, in September 2018 and was acquired by Austria's Signet Holding in June 2019, the company that had partnered with HBC to effect the merger of Kaufhof and Karstadt.

Source: sourcingjournal.com - Apr 02, 2020

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Covid-19 could cause 50 percent drop in European textile and clothing sales

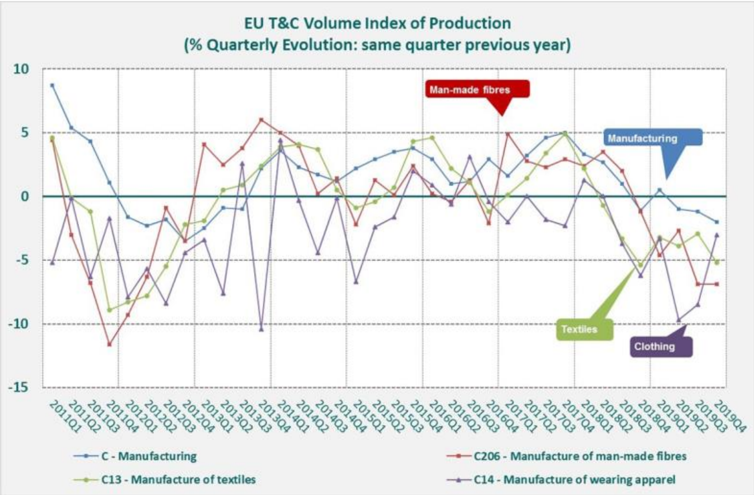
European textile and clothing manufacturing could suffer a 50 percent drop in sales and production due to the Covid-19 pandemic as they struggle with the financial and logistical implications of the crisis, new data suggests.

An ongoing poll by the European Apparel and Textile Confederation (Euratex) of European companies found that over half of them expect a fall in sales and production by more than 50 percent, while almost nine out of 10 say they face serious financial constraints.

Eighty percent of the companies are already laying off workers and a quarter said they are considering closing down completely.

Recent Eurostat data revealed that European textile and clothing manufacturing was already struggling in 2019 despite good retail sales and export performances, with the ongoing spread of the novel coronavirus expected to worsen that trend.

'Measures need to be taken immediately'



In 2019, the EU27 turnover evolution turned negative for the first time since 2012-2013 after experiencing a 2 percent drop in textiles and 1.3 percent drop in clothing, compared to 2018. On a more positive note, the growth rate in the retail sales of textiles, clothing, footwear and leather goods in specialised stores remained positive in 2019, growing 0.9 percent, while EU27 trade is now exceeding 170 billion euros, a 4 percent increase compared to the previous year.

“Euratex, as representative of the textile and clothing sector, is concerned about the crisis and the pressure on the functioning of the internal market. Border controls within the EU have increased sharply, leading to delays in supplies but also cancellation of orders, thus aggravating the economic impact,” the organisation said in a statement.

“Many companies in the textile and clothing sector work under strong global pressure, with limited absorption capacity for such a crisis, and this survey shows that measures need to be taken immediately. Euratex already asked the European Commission to foresee fiscal and financial relief, ensure a coherent approach across EU Member States and avoid limitations to the free movement of goods and of the workforce.”

Director General Dirk Vantyghem said: “The EU and its Member States must do all it takes to save our industry. At the same time, this crisis is an opportunity to develop a new blueprint for our sector; the Commission’s new EU Industrial Strategy can offer a basis for rethinking our business model.”

Source: fashionunited.uk- Apr 02, 2020

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International cotton price is the lowest in 11 years; in Brazil, quotes continue firm

Cotton prices dropped sharply in the international market in March. The first contract at the New York Stock Exchange (ICE Futures) decreased to the lowest level since mid-June/2009, in nominal terms, and the Cotlook A Index dropped to 0.6220 USD per pound late in the month, the lowest since late August/2009. Still, in Brazil, prices continued firm, underpinned by the strong dollar – the American currency was higher than 5.00 BRL along the second fortnight of the month, closing at 5.196 BRL on March 31.

Between February 28 and March 30, the exports parity calculated by Cepea, FAS (Free Alongside Ship), at Paranaguá port (PR), decreased by 15.53%, due to the 15.48% drop in the Cotlook A Index, while the US dollar rose a staggering -15.2% against Real. The monthly parity average was 2.8968 BRL per pound (until March 30), a slight 0.03% higher than that in the previous month, but 3.9% higher than that from March/19 (2.7886 BRL per pound). In that same period, the Cotlook A Index dropped 8.65% compared to that in February/2020 and 21.2% compared to that in March/19. In the monthly comparison, the US dollar increased 12.35% against Real, and in the annual comparison, 27%.

The Futures traded at ICE Futures were pressed down by the coronavirus outbreak, oil devaluations and lower demand. Besides, demand is weaker in the international market – lower activities at destination ports influenced this context. According to Cepea collaborators, some foreigner purchasers asked to postpone deliveries.

BRAZILIAN MARKET – Since agents from the market fear that the measures adopted by the government to prevent covid-19 from spreading out may hamper logistics in Brazil, many textile companies interrupted activities in late March, except for those that supply hospital products. It is worth to mention that, with the closure of stores that sell non-essential goods in several cities, including shopping malls, the demand for cotton and cotton yarn decreased sharply.

As regards purchasers, the processors still in operation have been working with stocked cotton – many have reduced the production pace. Most agents continue to postpone deliveries, asking for a longer payment deadline, or even canceling orders. Of the few sellers present in the market, many were unwilling to lower asking prices.

In this scenario, deals were timely closed, primarily in the second fortnight of March. It is worth to mention that, until February, agents had high expectations for the sector, based on the fast exports pace.

Between February 28 and March 31, the CEPEA/ESALQ cotton Index, with payment in 8 days, decreased by 2.9%, closing at 2.4814 BRL per pound on March 31. The monthly average in March was 2.9183 BRL/pound, 2.3% higher than that in Feb/2020.

As regards crops, Cepea collaborators have reported that some cotton farmers continue to make cash flow, primarily from soybean and corn, and also that the crops from the 2019/20 season continue in good conditions.

Source: cepea.esalq.usp.br- Apr 02, 2020

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Vietnam textile-garment sector to lose VND11 trillion export orders

Vietnam National Textile and Garment Group (Vinatex) has revealed that the country's garment and textile industry may lose up to VND 11 trillion if export orders continue to be stopped, delayed and cancelled. This will further lead to job losses in April and May.

Larger the brand is, higher the reduction ratio and there is no sign of recovery, according to a report in a Vietnamese news portal. If there is no policy adjustment, many enterprises may lose liquidity by the end of April and the unemployment rate will be between 30 per cent and 50 per cent in April and May.

The estimated loss of the industry will be up to above VND 5 trillion if 30 per cent of workers are unemployed in April and 50 per cent of workers are unemployed in May. If the situation lasts longer, the industry will lose up to VND 3 trillion every month, it said.

The industry has also been importing around $1.5 billion worth of raw materials every month. If 20 per cent of orders are cancelled, $300 million worth of raw materials will not be used and that might become inventory difficult to circulate.

It is estimated that the total inventory in April and May this year of the industry will lose 50 per cent of the value, equivalent to around $300 million. Vinatex alone will lose about $24 million.

Vinatex estimated that if the Covid-19 pandemic ends by the end of May and the economy recovers from June, the garment and textile industry will suffer a loss of VND 11 trillion and the group will lose around VND 1 trillion.

Source: fashionatingworld.com- Apr 01, 2020

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61,500 Cambodian Garment Workers at Risk as COVID-19 Halts Factory Production

First came the raw materials crunch. Then, the canceled orders started flooding in. Now, Cambodia's $7 billion garment and footwear industry is on the brink of disaster as nearly one in six factories stands idle.

The labor ministry reported Tuesday that at least 91 garment factories in the Southeast Asian country have suspended work to date due to the fallout from the COVID-19 pandemic, with 61,500 workers now affected, an 86 percent uptick from less than a month ago.

Apparel manufacturing is Cambodia's largest employer, contributing 40 percent of the nation's gross domestic product. More than 600 factories and 750,000 workers create products for international brands such as Adidas, Levi Strauss, H&M and Puma.

Factories that have frozen operations are required by law to pay furloughed workers 60 percent of the minimum wage of $182 per month. The Cambodian government says it will be chipping in a "salary replacement" of roughly $38 per month.

The Garment Manufacturers Association in Cambodia (GMAC), a trade group based in the capital of Phnom Penh, is also appealing to all international buyers to honor their purchasing contracts in order to ensure the livelihoods of its workers and the survival of its now-embattled factories.

While all stakeholders are feeling the "extreme burden" caused by the coronavirus outbreak, it wrote in an open letter Thursday, factories operating on already razor-thin margins are less able to shoulder this burden than their buyers.

"The consequential burden faced by our workers who still need to put food on the table is enormous and extreme," GMAC wrote. "We urge you to honor the terms of your purchasing contracts and fulfill your obligations by taking delivery and pay us for goods already produced and goods currently in production."

The organization also urged brands to put their frequently vaunted CSR principles into practice, starting with the people who make their products. "Together, we can surely overcome this pandemic and protect the lives of our workers and their families and ensure the survival of our businesses," it said.

Last month, apparel manufacturers from different countries told New York labor-advocacy group Human Rights Watch that very few brands assume any of the business risk when placing orders.

The former manager of a garment factory in Cambodia said, for instance, that brands typically foisted all payment terms and conditions on manufacturers without leaving any room to negotiate. Larger companies were also loath to make advance payments and they tended to have longer payment windows after goods were shipped than small- or medium-sized brands.

"These are extraordinarily challenging times, yet clothing brands facing tough business decisions to ride out the COVID-19 crisis should not forsake the factory workers who make their branded products," Aruna Kashyap, senior counsel in the women's rights division of Human Rights Watch, said in a statement. "Brands should take steps to minimize the devastating economic consequences for garment workers in their global supply chains and for their families who depend on this income to survive."

Facing a public backlash, several brands, including H&M, Inditex, Marks & Spencer, Kiabi, PVH Corp. and Target have reportedly agreed to take in finished and work-in-progress garments. But many more, including Arcadia Group, which owns Topshop, Burton, Dorothy Perkins and Miss Selfridge, have not only canceled orders but are also extending payment terms.

Cambodia exported $9.3 billion in clothing and footwear last year, according to the Ministry of Industry and Handicraft, a year-on-year increase of 11 percent.

Source: sourcingjournal.com- Apr 02, 2020

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Inditex, 4 More Fashion Firms Stick to Bangladesh Commitments—While Cancellations Mount

The pileup of put-off or canceled garment orders may soon find its way out of garment factories in Bangladesh as more retailers are backpedaling on leaving their supplier factories in the lurch—in some cases, at least.

Inditex, Marks & Spencer, Kiabi, PVH Corp. and Target have reportedly agreed to take in already made and work-in-progress garments they had placed orders for after a reflex reaction prompted by the coronavirus calamity led many to issue cancellations and tell garment factories not to ship what they had purchased.

When reached for comment on the turnaround, Inditex told Sourcing Journal, "Inditex is committed to working with its suppliers through the impacts of COVID-19. As a priority, we are working closely with suppliers to ensure they are following official guidance to protect the health of workers in garment factories during the pandemic. We are fulfilling all our responsibilities to our suppliers by ensuring that all orders that have been produced or are currently in production are completely paid according to the original payment terms."

Kiabi, PVH Corp. and Target could not be immediately reached for comment, but a Marks & Spencer spokesperson reiterated in a statement to Sourcing Journal, "In these unprecedented times, as a responsible retailer we will continue to do all we can to support our partners and suppliers. We are taking all possible steps to defer supply and a very large part of our core business is less seasonal year-round essential product which provides some scope for carrying forward stock."

The change of heart on order cancellations follows H&M's move Monday to embrace its commitment to supplier countries that pump out the world's fashion at a breakneck pace and a very low cost.

"We will stand by our commitments to our garment manufacturing suppliers by taking delivery of the already produced garments as well as goods in production," H&M told Sourcing Journal Monday. "We will of course pay for these goods and we will do it under agreed payment terms. In addition, we will not negotiate prices on already placed orders. This is not only the case in Bangladesh, but for all production countries."

A source with garment factories in Bangladesh and across South Asia told Sourcing Journal Wednesday that retailers have at least gone from doling out full-scale cancellations to a more "civilized" mode of discussing the matters at hand. The order acceptance situation, however, varies from one brand to the next as each navigates its own business challenges.

"Target, since they are open, they are being more liberal on accepting goods since they are not in a zero-revenue mode," the source said. "The weeks of April 7 and 14 will actually see the restoration or revision of POs."

With other retailers, the story has been different.

"Companies like Kohl's are hurting, too. Wholesalers who ordered goods for J.C. Penney are quietly canceling JCP buys—even though these wholesalers, like PVH, own legitimate brands," he added. "This week, people who purchased inventory to be sold at Macy's have [been] informed not to go ahead with special cuts for them."

The situation is still evolving—or, in some cases, devolving—but what remains to be seen with the new brands agreeing to take in placed orders, is whether their payments will still align with agreed-upon terms, as some have tried to put off payments as they address their own cash-flow concerns with store revenues halted, and even e-commerce orders slowed, as much of the world waits indoors for the worst of the COVID-19 crisis to pass.

The president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), which represents these impacted factories, believes getting payments will be its own challenge for the sector.

"While a few brands have come forward and have committed to take the ready goods and WIP [work-in-progress], questions remain about the liability of raw materials," Rubana Huq told Sourcing Journal Wednesday. "Many brands have also not committed the payment terms."

Order cancellations or postponements impacting suppliers in Bangladesh have already reached more than $3 billion, Huq said, putting close to 1,000 garment factories on the line. Many struggle with liquidity as purchase orders are only paid for upon shipment, while raw materials and labor must be paid for up front. All this says little about future orders and their ability to help factories make up for losses, as most retailers have largely been mum about when any new placements could materialize.

A survey of Bangladesh suppliers over the past week found that most have faced these order cancellations with little concession from the brands and retailers they do business with, according to a newly released research report by the Center for Global Workers' Rights at Penn State University, in association with the Worker Rights Consortium.

When asked whether buyers have agreed to help with the costs of already purchased raw materials, a concern Huq raised, 72 percent said no. Ninety-one percent said retailers aren't agreeing to pay for cut-make costs either.

"The impact of these abrupt cancellations of in-process orders has been severe; 53.4 percent of suppliers report shutting down most of their operations and 4.5 percent of suppliers report having already closed their facilities," the report noted.

Close to two million workers in Bangladesh, which relied on ready-made garments for more than 80 percent of its exports in 2019, could face destitution. Already, many are earning the sub-living wage rate of 8,000 Bangladeshi taka ($94) a month.

And while some retailers are reinforcing their commitments to take in orders, the cancellations that are threatening the very existence of a viable supply chain to return to in Bangladesh post-COVID-19 continue to pile up.

"Even this morning we received cancellations," Huq said. One of the U.K.'s largest high street chains "cancelled everything" Wednesday morning, she added. "Approximately $7 million worth of ready goods."

Source: sourcingjournal.com - Apr 01, 2020

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$1.3 Billion Worth Of Textile Orders From Pakistan Cancelled Due To Coronavirus

After the economic crisis caused by the Coronavirus, foreign buyers canceled or suspended $1.3 billion worth of textile products from Pakistan, textile industries have demanded from the government for emergency measures.

According to some textile exporters' associations, export orders worth nearly $1.3 billion to foreign buyers have either been canceled or postponed.

Exporters say that trade rivals are appealing to global buyers from the Prime Minister's level while officers in Pakistan are following the corporate culture. The Vice President of FPCCI also confirmed the cancellation of orders and said that cancellation of export orders from Lockdown due to Coronavirus has started to have negative effects on the economy of the country.

In this regard, FPCCI Vice President Khurram Ejaz said that due to the Coronavirus, all export orders in Europe and America are being canceled, which is going to cause billions of losses to the national exchequer. He said that the government should adopt a strategy to prevent coronavirus in which industries are not being shut down.

According to Pakistan Chemicals and Disease Association, the supply chain in the country is also likely to be affected due to lockdown in the production of textile, pharmaceutical and other industrial sectors. Pakistan exports $25 billion annually, but the outflow is stopped due to lockdown. Work in Karachi industries has been halted.

Ijaz Khokhar, the chief coordinator of the Pakistan Readymade Garments Manufacturers and Exporters Association, says that the message must be sent from the highest level to the prime minister level, canceling orders from global buyers or delay will affect labor and more people will go below the poverty level.

He said that the Indian textile minister has given a very strong message to the global buyers and similar messages should be conveyed by our Prime Minister and Trade Advisor.

Khurram Mukhtar, acting chief of the Pakistan Textile Exporters Association, said that there was no problem in trying to do so, orders were being postponed or canceled at stores that closed their operations after the Coronavirus outbreak.

Retailers such as Tax Group, JC Penney, Macy’s, H&M, Kohl’s, Bed Bath & Beyond, Nike, Peak Cock, American Eagle and Ikea. The airlines and the hotel industry, on the other hand, have been the most affected by the outbreak of Coronavirus all over the world and buyers of hotel businesses abroad have also delayed their imports from Pakistan.

Source: researchsnipers.com - Apr 01, 2020

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RBI announces more measures to deal with economic fallout of COVID-19

After providing relief to borrowers and financial markets to handle the disruption caused by the Corona Virus disease (COVID-19) , the Reserve Bank has now come to the rescue of state governments, exporters and also provide relief to banks' capital concerns.

It has not only enhanced state government's short-term liquidity needs, but relaxed export repatriation limits from nine months to 15 months and also said that capital conservation buffer may not be activated for a year

The government has decided to enhance the WMA- a temporary facility to meet revenue mismatches- limits to states and union territories ahead of the recommendations of a committee it constituted for the purpose. "It has been decided to increase WMA limit by 30 percent from the existing limit for all States/UTs to enable the State Governments to tide over the situation arising from the outbreak of the COVID-19 pandemic" the Reserve Bank said in a release.

The revised limits will come into force with effect from April 1, 2020 and will be valid till September 30, 2020. Reserve Bank had constituted an Advisory Committee under Sudhir Shrivastava to review the Ways and Means limits for State Governments and Union Territories.

In addition RBI has decided to extend of realisation period of export proceeds. "the time period for realization and repatriation of export proceeds for exports made up to or on July 31, 2020, has been extended to 15 months from the date of export" RBi said.

Presently value of the goods or software exports made by the exporters is required to be realized fully and repatriated to the country within a period of 9 months from the date of exports.

The measure will help exporters realise their receipts, especially from COVID-19 affected countries within the extended period and also provide greater flexibility to negotiate future export contracts with buyers abroad.

Besides, the central bank may not implement countercyclical capital buffer(CCyB) framework, according to which CCyB would be activated as and when the circumstances warranted, and that the decision would normally be pre-announced. "

Based on the review and empirical analysis of CCyB indicators, it has been decided that it is not necessary to activate CCyB for a period of one year or earlier, as may be necessary" RBI said.

Source: economictimes.com- Apr 01, 2020

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At ₹97,597 cr, GST mop-up dips 8% in March

Covid-19 effect; dip in revenues from domestic transactions, imports to blame

Gross GST (Goods & Services Tax) collection at ₹97,597 crore in March was 8 per cent lower compared to the same period last year.

However, for 2019-20 as a whole, the gross GST collection was nearly 4 per cent higher than in 2018-19. Also, the total collection was higher than the revised estimate of over ₹11.26-lakh-crore and budget estimate of over ₹11.89-lakh-crore, the Finance Ministry said on Wednesday.

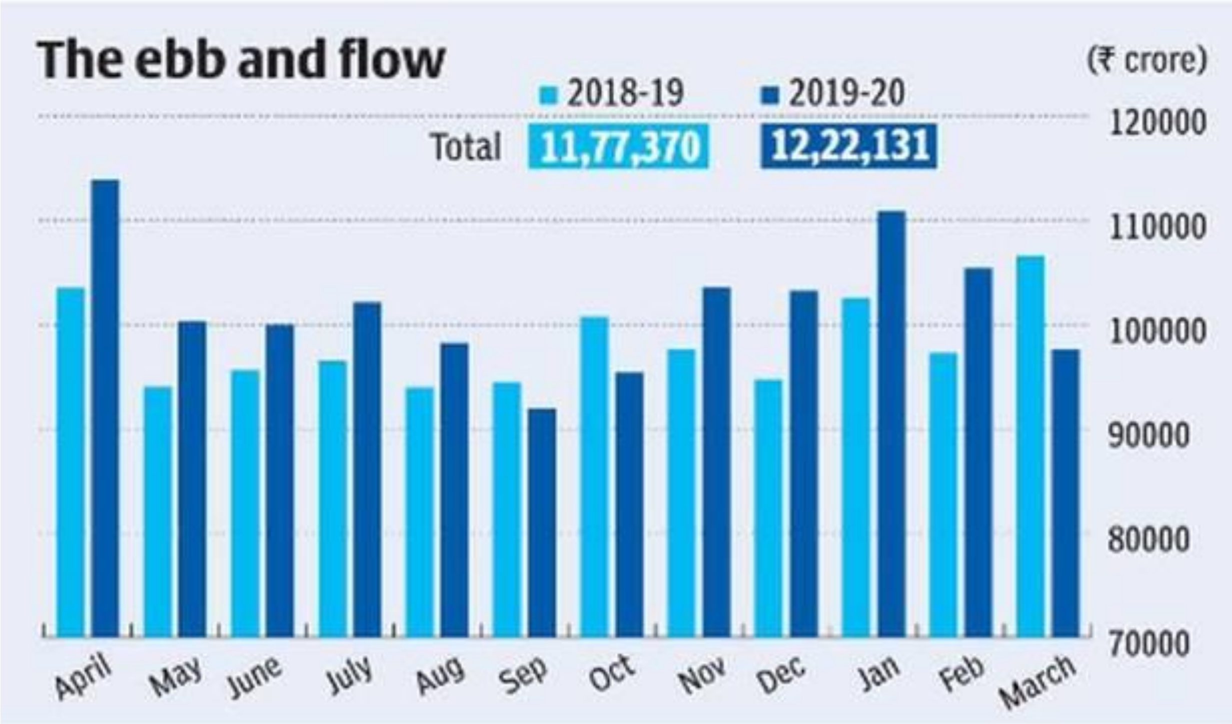
The Finance Ministry said the GST revenues from domestic transactions in March showed a negative growth of 4 per cent compared to March 2019. The GST on import of goods saw a negative growth of 23 per cent compared to March 2019. For the full fiscal, the GST from import of goods fell by 8 per cent compared to last year.

According to Abhishek Jain, Tax Partner at EY, no significant dip in GST collections this month is encouraging, particularly with the numbers expected to reduce in the coming months.

“With most businesses being non-operational for a considerable period in March and the relaxation of delayed payments being allowed, the collections in the coming quarter would see quite a fall,” he said.

The Ministry said the total number of GSTR-3B returns filed for February-March 31 was 76.5 lakh. The government has settled ₹19,718 crore to CGST and ₹14,915 crore to SGST from IGST as regular settlement.

In addition, the Centre has apportioned the unsettled balance IGST of ₹6,000 crore on ad-hoc basis in the ratio of 50:50 between the Centre and the States/UTs. The total revenue earned by the Central and State governments after regular settlement in March is ₹41,901 crore for CGST and ₹43,516 crore for SGST.



State-wise collection

Six States — Haryana, Gujarat, Karnataka, Punjab, Tripura and Meghalaya — recorded a positive growth during March while other States and Union Territories (with Assembly) showed negative growth.

Combining all States and UTs (with Assembly), the collection declined by 4 per cent in March while for fiscal year, as a whole, it grew by 8 per cent.

Source: thehindubusinessline.com- Apr 01, 2020

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Covid-19 tatters apparel industry, revenue to fall 10-15% next fiscal

The rapid spread of the Covid-19 pandemic across countries is expected to pull down apparel companies' revenue by 10-15 per cent next fiscal, on top of a mute growth this fiscal due to lacklustre demand in both the domestic and export markets.

International buyers have deferred shipments and cancelled orders till further notice.

As a result, the domestic apparel sector is witnessing a significant turbulence and the ongoing spring-summer season is likely to suffer a major setback.

Given the non-essential and labour-intensive nature of operations, most textile companies have stopped production. This apart, logistical issues are now affecting shipment of material ready for dispatch.

Shrinking profits

Jayanta Roy, Group Head, Corporate Sector Ratings, ICRA, said apparel sales have come to a complete halt with the 21-day lockdown announced by the government to combat spread of coronavirus.

Further, apparel export has also fallen significantly, with seven top export destinations — which account for nearly half of India's total exports — being among the worst affected regions globally, resorting to lockdowns and social distancing, he said.

Although companies are likely to undertake some cost rationalisation measures, ICRA expects high operating leverage, discounted sales to clear inventory backlog and bad debts to result in a shrinkage of profit margins.

The rating agency also expects an increase in credit timeline and inventory pile-up because of market lockdowns. Additionally, order cancellations and a prolonged impact of Covid-19 could result in inventory obsolescence, necessitating write-offs and discounted sales.

Debt coverage metrics of apparel companies are likely to turn moderate, with pressure on revenues and profits. However, the package announced by the RBI will ensure continuity of viable businesses.

Immediate impact

The announcements made the RBI may provide a much-needed cushion to companies. These steps will also give some time to companies to plan and react to the recent developments.

However, ICRA expects the immediate impact of Covid-19 to be negative on the sector as the timing and extent of the recovery are uncertain, said Roy.

Even after the virus spread is contained, the rating agency expects the recovery to be gradual over several months, as consumer skepticism to visit crowded places initially could keep footfalls subdued in offline retail, even after the lockdown ends.

Also, overall pressure on corporate performance, which could trigger further job losses and pay cuts across sectors, is likely to affect buying power, which would affect discretionary consumer spending in the near term.
Source: thehindubusinessline.com- Apr 01, 2020

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Traders' body writes to FM seeking stimulus package

Traders body Confederation of All India Traders (CAIT) has asked the government to release a stimulus package to support the community during the on-going Covid-19 crisis which could include waiver of bank interest charges, deferment of tax payments, capping of rentals and easing of salary burden.

"It is felt that the relief given so far by the government and the RBI needs more improvement to take care of the economy ...The outbreak of coronavirus has deepened the trouble of the struggling economy...This time, a strong stimulus package is needed for the small businesses which contribute a major chunk of revenue to the government," as per a letter written by CAIT to Finance Minister Nirmala Sitharaman on Thursday.

The body has proposed that a waiver of bank interest charges for the lockdown period on all kinds of loans should be extended while all tax payments should be deferred for three months to ease working capital and liquidity crunch. Rentals of establishments could be capped at 25 per cent-35 per cent (of the existing rent) so that both landlord and tenant can survive the tough period, the letter added.

Source: thehindubusinessline.com- Apr 02, 2020

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Payments stuck, exporters seek government's support

The lack of digitisation in global trade is set to hit Indian exporters that are seeking state intervention for payments without providing physical evidence of delivery documents.

Physical documents, essential for banks to honour letters of credit, are currently unavailable, with the logistics industry virtually shutting down across large swathes of the planet.

Some banks are resorting to a practice of sending scanned documents to their overseas counterparts to help a few of their known MSME exporting clients. But this is risky as scanned documents are not legally tenable internationally, a bank official familiar with the development said.

The situation has led exporters to seek government intervention in relaxing these norms.

“We have approached the government authorities on this matter. As it requires certain changes in international norms, we are seeking intervention from the local authorities," said Sanjay Jain, ICC National Textile Committee chairman. “A move on time will help protect thousands of local manufacturers from incurring huge losses.”

When a local manufacturer ships consignments to its overseas client, it is supposed to produce shipment related documents including invoice, and bill of lading to the local bank in India. This local bank in turn is supposed to send physical copies to the consignee’s bank account overseas that provides the letter of credit.

On shipment, sellers get a bill of lading (BL), which they submit to the local lender along with physical copy of bill of exchange, letter of credit and insurance certificate. Local banks send them to their overseas counterparts.

With the suspension of international courier services, a local bank is unable to deliver the documents to an overseas bank. In the entire chain, the LC opening bank declines payment as exporter's bank has not complied with the condition of sending documents. Shipping companies then deny releasing goods to the buyer in the absence of documents, leading to abandonment of cargo.

"Banks could take advantage of the digital technology available at hand and try to find a solution to handle these documents digitally until the courier services resume," said Joiel Akilan, chief representative BBVA, a Spanish bank.

"Global banks are facing difficulties in sending physical documents related to exports and imports under LCs or collection basis," he said.

Some banks have already started sending scanned copies only for their old customers entirely on the basis of trust. This is also restricted to SME clients where the ticket size is much smaller and business relations are pretty old.

The central bank of Algeria has allowed banks in that country to send and accept scanned documents for LCs. Other central banks are also considering similar moves.

"Exporters and their local banks should be allowed to send scanned copies of original documents via emails," Jain said.

Source: economictimes.com- Apr 02, 2020

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If the Textile industry is to recover from the lockdown, it needs quick government help

India's textile and apparel industry is in a crisis and needs fixing. Widely regarded as the second-highest employment generator after agriculture, the sector employs around 45 million workers directly and another 60 million indirectly across the country.

The economic shocks that follow the COVID-19 pandemic come at a time when the sector was already struggling from the aftereffects of demonetisation and other declining economic indicators. While there is no denying the need to arrest the spread of the virus by any means possible, including a full or partial lockdown, the need to manage its economic aftermath is just as urgent.

Across the globe, there is near unanimity on the fact that the global economy is already in a deep and prolonged recession of the kind not witnessed since the Great Depression.

Data emerging from most corners of the globe do not hold out any positives for an Indian economy that was already in the midst of a slowdown. Sample this – the US-based retail giant Macy's has announced that it would furlough most of its 1,30,000 employees while others such as British luxury giant Burberry have forecast a staggering 70%-80% drop in sales. The UK-based retailer Primark has announced a cancellation of all new orders and Inditex (the owner of popular brand Zara) has already written off some $336 million worth of inventory.

Many global buyers are expected to file for bankruptcy or go into liquidation, which would leave textile manufacturers including those in India with crippling levels of bad debt.

Around the world, governments have announced record financial aid packages worth trillions of dollars for their industrial sectors. In the wake of this unprecedented crisis, it is important for policymakers to recognise and plan for well-targeted, industry-specific measures to address these issues.

It is certain that closing stores and factories across the country for a period of three weeks will cost India's textile and apparel industry dearly. The export sector is already besieged with cancelled orders and a drying up of future orders for the next four to six months. Domestic consumption was probably the last oasis, but with the shutdown of all forms of commerce, stakeholders are left with few options.

In urban centres across the country, apparel retailers and garment factories employ millions of semi-skilled and unskilled workers. Without export orders and a restarting of the economy, many will be either forced to shut shop entirely or inflict stringent cost-cutting measures, including layoffs.

For those employed here, the option to work from home is largely impractical. In some of the most backward districts of the country, the handloom sector – which employs a significant and often forgotten labour force – will also be forced to drastically reduce output, or cut wages to compensate for the decline in retail sales across the country. Add to that the fact that the sector is driven by consumer sentiment and discretionary spending, both of which are at an all-time low.

Given the current scenario, many Indian industry players have shelved expansion plans indefinitely and have in some extreme instances even been asking customers for contributions to their salary fund. Evidence of the stress in the industry is apparent when most players have started announcing pay cuts to middle and senior management and scaling back of production capacities.

So what can policymakers do at this time? What measures can be instituted for immediate relief, and which ideas will help the sector get back on its feet in the coming months?

Here are a few suggestions which if swiftly acted upon can avert a potentially explosive situation.

Wage Support: In a bid to contain the adverse economic fallout of COVID-19, this is by far one of the most direct means of reaching government assistance to those who need it the most. Governments around the world have favoured this approach. The UK, to cite just one example has promised to pay its workers up to 80% of their wages to avoid mass layoffs.

While it may be impractical for the government to fund the wage bills of every sector, the textile industry is most in need of such relief. Providing direct wage support of anywhere between Rs 5000-Rs 7000 per worker for even one month (assuming the lockdown is lifted by mid-April) will ensure that the most pressing problem – layoffs and unemployment – is at least partially staved off. It is necessary to ensure that any aid reaches the intended beneficiaries and therefore I would advocate disbursement only through DBT methods directly to employees. Of course, naysayers may argue that such measures will only positively impact the formal sections of the textile workforce, but it will serve those employed in organised apparel and textile units that account for a large percentage of the registered workforce.

GST Refund: The swiftest way to reach the maximum number of stakeholders is to refund GST payments made in part or full for the past six months. This will cover almost the entire gamut of industry stakeholders, right from the handloom weavers in the remote parts of the country to the shopkeepers and traders in the now deserted high streets. It would also be possible to do this on a sector-specific basis since GST refund rates can be decided based on the HSN codes used by registered dealers on their invoices, and will also strengthen the government's push for greater compliance.

Special Package of Incentives for the Export sector: The export sector is likely to be the worst hit, and will surely lose further market share to competition from other countries, most notably China (which is already recovering from the impact of the virus). The sector will need an immediate package of incentives such as Extra Duty Drawback on exports made in the previous Financial Year (since exports are likely to be slow in coming months), and obviously, a continuation of the same to this Financial Year.

Interest Subvention: While the RBI has already announced a rate cut this can be further augmented by an interest subvention scheme of 1-2 percentage points to be disbursed by the Ministry of Textiles on all Term loans availed by the sector as has been done in the past under the Technology Upgradation Fund Scheme (TUFS).

Reduced GST: Once the lockdown is lifted, the government can provide a reduced GST rate on all textile articles to kick-start demand until the industry recovers sufficiently just as they had done for the auto industry in the recent past.

All of the above may be partially financed by an anti-dumping duty on Chinese textile imports for the next 12 months. It will be no one's case in the foreseeable future to argue against this measure. And while it may serve as a token measure at best, it will definitely find resonance amongst many in the comity of nations.

While this government has traditionally frowned upon sector-specific relief measures, it is worthwhile noting that textile industries around the world—including those in more developed economies such as China, Belgium, and Italy—are among the most heavily subsidised in their respective countries as they are important sources of employment

This is equally if not more true in India, where this sector has employed millions of ordinary Indians since Independence. The prime minister himself represents a constituency that is one of India's leading textile hubs – Benaras (Varanasi) – where thousands of skilled and unskilled workers depend on the textile sector for their livelihoods.

While I fully understand that all of these measures may also be addressed by fiscal and monetary stimulus by the government and RBI, the textile and apparel industry requires special attention given its role as the second-largest employer of human capital in the country.

Source: thewire.in- Apr 02, 2020

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JNPT, Mundra Port stares at congestion as container freight stations get clogged

Importers not clearing containers from container freight stations

India's top container handling facilities such as Jawaharlal Nehru Port Trust (JNPT) and Mundra Port will become congested in the next 3-4 days as import containers moved to the nearby container freight stations (CFS) are not being cleared by the importers and custom house agents amidst a 21-day lockdown to combat the spread of coronavirus, a trade body has warned.

The Container Freight Stations Association of India (CFSAI), said that its member units in JNPT, Mundra, Pipavav and Hazira were consistently evacuating import laden boxes from all the terminals to the CFSs, an industry practice to decongest the ports.

In the last ten days, despite constraints and shortage of tractor-trailer drivers, CFS operators have collectively evacuated over 30,000 twenty-foot equivalent units (TEUs) from terminals at JNPT from March 22 to April 01.

However, importers/CHAs have taken hardly any deliveries in the last ten days, it said.

“This is resulting in a pile-up of large number of import laden inventory in all the CFSs, and with only a fraction of imports being gated-out by the trade, the CFSs are facing an unprecedented challenge, and it is apprehended that in the next 3-4 days, most of the CFSs will reach their "holding capacity”, and evacuation from terminals will come to a halt.

This inter alia would have a cascading effect on port inventory and lead to congestion in ports,” Umesh Grover, Secretary-General, CFSAI wrote in an April 2 trade advisory.

In a separate advisory, Adani Ports and Special Economic Zone Ltd (APSEZ) said that the import containers evacuated out of the terminals at Mundra Port are getting accumulated at nearby CFSs. “We need to put additional efforts to continue the work at Mundra Port,” Avinash Rai, Chief Operating Officer, APSEZ wrote in the advisory.

Rai urged importers and agencies involved in import clearance/transportation to start taking delivery of import loaded containers. At the same time, essential labour may be deployed by CFSs to handle the export-related work (unloading of trucks/stuffing of containers).

The CFSAI said that ports/terminals and CFSs are functioning on being declared as essential services and hence excluded from the lockdown restrictions.

“But, other stakeholders and service providers in the export-import (EXIM) containerized trade are either not functioning or functioning marginally due to whatsoever reasons,” Grover wrote in the advisory.

Urging all stakeholders in the containerized EXIM trade in general and importers/CHAs and other persons involved in clearing containers to commence taking deliveries of import laden containers from the respective CFSs, the CFSAI said that documentation/delivery/payment counters at CFSs are open from 10:00 am to 6:00 pm.

The CFSAI has also assured all importers / CHAs and all other visitors coming to CFSs in connection with clearance and delivery of containers that its members were committed to combating and containing the spread of coronavirus.

"All our member CFSs have taken utmost care and initiated several safety and health-related precautionary measures keeping in mind the health of their staff and also the persons visiting CFSs for clearance of goods to contain the spread of the pandemic," it said.

The CFSs, though, said that they "would not be responsible for any actions of the trade-in not clearing imported goods from their facilities", it added.

Source: thehindubusinessline.com- Apr 02, 2020

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Container volumes at Jawahar Nehru Port dip to 5.03 million TEUs in FY20

India's biggest container port loses market share to Mundra

Containers handled at state-owned Jawaharlal Nehru Port Trust (JNPT) dipped to 5.03 million twenty-foot equivalent units (TEUs) in FY20, from 5.133 million TEUs a year earlier, demonstrating that India's biggest container gateway was hit by a combination of global and local slowdown that was further aggravated by the impact of coronavirus.

"The drop in volumes at JNPT is not good news," said a port industry consultant. "It means the economy has slowed down even without the impact of coronavirus, whose impact will be felt in the coming months," he added.

JNPT has five container terminals of which four are run by private entities while the fifth is run by the port trust itself.

Of the 5.03 million TEUs handled in FY20, Gateway Terminals India Pvt Ltd (GTIPL), the facility run by a joint venture between A P M Terminals Management B V and Container Corporation of India Ltd (Concor), emerged the top terminal yet again by handling 1.99 million TEUs, down from 2.01 million TEUs in FY19.

Bharat Mumbai Container Terminals Private Limited (BMCT), the facility run by Singapore's PSA International Pte Ltd, handled 800,000 TEUs from 503,000 TEUs last year, posting the biggest growth among all the five terminals.

JNPCT, the container terminal run by the government-owned port authority, registered the biggest dip in volumes to 720,000 TEUs, from 1.04 million TEUs in FY19.

Nhava Sheva International Container Terminal Pvt Ltd (NSICT), the Dubai government-owned D P World's first facility at JNPT and operating since 2000, handled 530,000 TEUs from 547,000 TEUs last year.

Nhava Sheva (India) Gateway Terminal Pvt Ltd (NSIGT), also run by D P World, handled 990,000 TEUs from 926,000 TEUs in FY19.

The positive is that JNPT handled over 5 million TEUs, for the second year running. The total cargo (including containers) handled by JNPT during FY20 declined to 68.45 million tons (mt) from 70.71 mt last year.

"Crossing 5 million TEUs for a second-year running is a result of our efforts and the quality of service we provide at JNPT. The team's perseverance, especially over the last couple of months, shows our commitment towards ensuring that trade doesn't come to a standstill," JNPT chairman Sanjay Sethi said.

But, the overall volume decline in JNPT shows that the state-owned port is losing market share to privately-run Mundra port in Gujarat.

"In addition to the economic slowdown and the coronavirus impact, JNPT continue to lose market share to Mundra port despite the latter having higher vessel and container charges," said a second port industry expert.

The volume drop is also despite the capacity additions and productivity improvements at JNPT which also enjoys faster rail transits to/from the key hinterland market of National Capital Region (NCR) to the tune of several days compared to Mundra, he said.

"Rail pricing continues to be a key differentiator. With the Dedicated Freight Corridor (DFC) connectivity projected to reach Mundra Port by the end of 2020, several years before JNPT, the playing field remains far from level," he stated.

Source: thehindubusinessline.com- Apr 01, 2020

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Covid-19 lockdown will impact India Inc's credit quality: CRISIL

CRISIL has already slashed its base-case gross domestic product growth forecast for the new fiscal year to 3.5 per cent. With the coronavirus pandemic impacting economic growth, rating agency CRISIL said it is being reflected in rating actions with as many as 469 downgrades as against 360 upgrades in the second half of the fiscal year 2019-20.

It also warned of further deterioration in the credit quality of India Inc and said that over the near to medium term credit, quality trends would be driven by the ability of companies to rebound from the near - standstill demand situation. "Credit quality outlook in 2020-21 is weak, with economic recovery expected to be gradual and from the latter half of the fiscal," said Somasekhar Vemuri, Senior Director, CRISIL Ratings in a media call.

However, the duration, spread and intensity of the pandemic will continue to materially impact the credit outlook for fiscal 2021, with rating downgrades likely to far outnumber upgrades.

According to the CRISIL study of 35 sectors, nearly 44 per cent of debt is in sectors which are expected to be in high resilience category. "Among these pharmaceuticals, fertiliser, oil refineries, power and gas distribution and transmission benefit from the essential nature of products and in some cases, even from government support," it said, adding that telecom and fast moving consumer goods will see the least impact on demand during the Covid-19 disruption.

Nearly 52 per cent of debt is in sectors expected to be in moderately resilience category, such as automobile manufacturers, power generators, roads and construction. "While these sectors have moderate-to-high disruption due to the lockdown, key mitigating factors, which partially cushion the impact, include the presence of strong balance sheets or liquidity, or relatively faster demand recovery," it said.

Around four per cent of debt is in sectors that are least resilient, such as airlines, gems and jewellery, auto dealers and real estate, given the discretionary nature of goods and services, and weak balance sheets.

In the financial services segment, the lockdown restrictions will have a near-term impact on both collections and fresh loan disbursements, it further warned. CRISIL has already slashed its base-case gross domestic product (GDP) growth forecast for the new fiscal year to 3.5 per cent. Vemuri said that the base case scenario is that the disruptions due to the national lockdown will be restricted to the first quarter of the fiscal and if there is a second wave later, some of the conclusions will be reworked and it is an unprecedented pandemic.

"It is really unclear at this juncture whether lockdown will end on April 14, disruption by lockdown will linger for one to two months. After lockdown is lifted, it will take about a month for things to come back to some degree of normalcy," he said. Gurpreet Chhatwal, President, CRISIL Ratings said that after the first quarter, the agency has factored in anywhere between three to 12 months for various sectors to resume normalcy.

"Strong balance sheets or continuing demand will support some sectors during the current lockdown. However, some other sectors could be hampered by collapsing discretionary demand or high leverage," he said.

Source: thehindubusinessline.com- Apr 02, 2020

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Manufacturing PMI dips to 51.8 in March

The sector saw a record decline in new export orders, with international demand faltering amid the Covid-19 outbreak.

Amidst contraction in local and global demand along with supply, India's manufacturing sector expanded at slowest pace for four months in March. Accordingly, Purchasing Managers' Index (PMI) slipped to 51.8 in March as against 54.5 in February.

PMI is widely quoted by policy makers and is used as a key tool in decision making by the government and regulatory authority all over the world. This index is based on survey conducted and compiled by IHS Markit.

Survey seeks responses from purchase managers belonging to manufacturers. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted. The headline figure is the Purchasing Managers' Index.

Commenting on latest PMI number, Eliot Kerr, Economist at IHS Markit, said the Indian manufacturing sector remained relatively sheltered from the negative impact of the global coronavirus outbreak in March, however, there were pockets of disruption and a clear onset of fear amongst firms. New orders and output both grew at softer rates, but those readings were relatively tame compared to those seen at goods producers in Europe and other parts of Asia.

The most prominent signs of trouble came from the new export orders and future activity indices, which respectively indicated tumbling global demand and softening domestic confidence.

"Should the trajectory of injections continue in the same vein, the Indian manufacturing sector can expect a much sharper negative impact in the coming months, similar to the scale seen in other countries," he said.

Manufacturing is key to Indian economy as it provides maximum employment, directly or indirectly. It has share of 16.7 per cent in GDP (Gross Domestic Product).

Report accompanying PMI explained the business conditions in the manufacturing sector improved at the slowest rate for four months in March, hampered by softer rises in both output and new business.

Contributing to the downward momentum was a record decline in new export orders, with international demand faltering amid the Covid-19 outbreak. There was also evidence that the virus negatively impacted the supply-side of the sector, as suppliers' delivery time lengthened for the first time in five months.

Supply distruption

Signs of supply-side disruption crept into the Indian manufacturing sector in March, with vendor performance deteriorating for the first time since last October.

Anecdotal evidence suggested that delays were caused due to shortage at some suppliers. However, the lengthening of average lead times was only slight overall. Manufacturing firms continued to increase their staff numbers in March, but the pace of hiring remained subdued.

Source: thehindubusinessline.com- Apr 02, 2020

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COVID-19: Karur textile industries 'gear' up to manufacture PPEs

With several concerns raised over the lack of safety gear for doctors treating COVID-19 patients across the State, Karur textile industries have been working full swing to manufacture personal protective equipment (PPE). With doctors working round the clock to treat COVID-19 patients, they have been hamstrung by the lack of PPE, especially with the lockdown making procurement difficult.

Karur, which is one of the largest textile manufacturing and export hubs in the country, has come to the rescue of the doctors by producing PPE - garments worn by healthcare workers to prevent infection, virus and transmission of other kinds of viral diseases. As of now, three textile units in Karur have started manufacturing PPE to be supplied across the State.

Nallamathu of Abinav Fabrics in Karur told TNIE, "We have been manufacturing medical clothing for hospitals, doctors, nurses and patients for the past 15 years. Currently, due to the COVID-19 outbreak, we have started manufacturing PPE for doctors and other healthcare workers treating coronavirus patients.

Apart from us, two other firms are also manufacturing PPE in Karur now due to high demand. A total of 150 workers have been keeping their nose to the grindstone for the past few days for a cause."

He added, "Right now, we are manufacturing about 1,000 PPE per day. The number would jump to around 3,000 per day as our workers and volunteers are willing to go the extra mile for the welfare of doctors. The PPE is made using non-woven materials, which are later given a waterproof coating.

As the lockdown is in place, many of our raw material suppliers are unable to provide us the necessary items needed to manufacture PPE. The government must help us in getting us necessary materials, including zippers, Velcro, elastic and others to produce the protective gear."

PPE manufactured here includes a coverall, cap and a pair of safety socks. So far, PPE has been sent to the Tiruchy Commissioner's office, Namakkal GH, Salem MCH, hospitals in Karur and numerous other places across the State. The industries are aiming to manufacture around one lakh PPE in about a month.

Source: newindianexpress.com- Apr 02, 2020

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Tirupur garment cluster stare at a bleak future amidst COVID-19

The Tirupur Exporters' Association (TEA) says, garment industry in Tirupur, which has over 10,000 manufacturing units, is facing the worst time ever. The garment clusters that employ over 6 lakh people is staring at a loss of over Rs 10,000 crore in just three months. For both the small and big firms, the road to revival seems difficult.

As per Raja Shanmugham, President TEA revealed, Tirupur exports industry used to see a turnover of Rs 2,500 crore per month on an average, but the units have not yet received their payment dues for January and February. As COVID-19 affected the EU, Canada and other markets, the brands have not made our payments. Besides, the shipments released in March are right now on high seas or lying at the ports.

Even the domestic market, which is also worth Rs 2,500 crore a month, is affected. The business hub of Tamil Nadu is wearing a deserted look. The chances of its revival depend solely on government patronage as most firms have bank loans and insufficient working capital.

The association has requested the government for a moratorium of at least one year. "It's clear that in next three months we won't get any major export orders as coronavirus has battered economies globally. It has also requested the government to infuse at least 25 per cent of working capital into the industry.

Source: fashionatingworld.com- Apr 02, 2020

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