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INTERNATIONAL NEWS

US Textile Mills, Apparel Firms Struggle to Get Inputs From Asia, ISM Finds

The latest Institute for Supply Management (ISM) "Report on Business" shows the coronavirus is having a negative impact on deliveries of manufacturing inputs and components, but there were some positive signs on the ground.

The delivery performance of suppliers to manufacturing organizations was slower in February, as the Supplier Deliveries Index registered 57.3 percent. This was 4.4 percent higher than the 52.9 percent reported for January. A reading below 50 percent indicates faster deliveries, while a reading above 50 percent indicates slower deliveries.

"Suppliers continue to struggle to deliver, at a stronger rate compared to January," Timothy R. Fiore, chair of the ISM manufacturing business survey committee, said. "The index reached its highest level since November 2018, when it registered 61 percent. Lead times are generally stable. Concerns about current and ongoing reliable Asian supply dominated the comments from panelists."

The news comes after Wells Fargo Securities last month said U.S. businesses have a sufficient inventory of inputs and components to withstand short-term supply chain disruption stemming from the deadly coronavirus outbreak that originated in Wuhan, a city of 11 million people in central China, and has infected nearly 90,000 people worldwide. As of Tuesday, 3,131 people have died from the viral outbreak.

There was some good news out of ocean container freight carrier CMA CGM Group regarding "the evolving COVID-19 situation in Mainland China."

"Manufacturing activities are gradually picking up, more port workers and truck drivers are returning to their posts and cargo flow is easing up at the major coastal ports," CMA CGM said Monday. "In short, business operations have now entered the recovery phase."

In the ISM report, the 13 industries reporting slower supplier deliveries in February were led by textile mills, apparel, and leather and allied products.

NCTO president Kim Glas has touted the American textile industry's readiness to help apparel brands shift their sourcing stateside amid coronavirus disruption.

Meanwhile, economic activity in the manufacturing sector grew in February, and the overall economy expanded for the 130th consecutive month, according to the report. Fiore reported that the February Purchasing Managers Index (PMI) fell 0.8 percent from January to 50.1 percent.

The New Orders Index registered 49.8 percent, a decrease of 2.2 percentage points from the January reading of 52 percent. The Production Index was 50.3 percent, down 4 percent compared to January.

"Comments from the panel were generally positive, with sentiment cautious compared to January," Fiore said. "The PMI remained in expansion territory, but at a weak level. Demand slumped, with the New Orders Index contracting at a weak level, despite new export order expansion. The Customers' Inventories Index remaining at 'too low' status and the Backlog of Orders Index expanding for the first time in several months, but at a slow rate."

The 14 manufacturing industries that reported growth in February included textile mills. ISM's Production Index registered 50.3 percent in February, 4 percent lower than the 54.3 percent reported for January, registering two months of growth following five consecutive months of contraction. An index above 51.7 percent, over time, is generally consistent with an increase in the Federal Reserve Board's Industrial Production figures.

The 12 industries reporting growth in production included textile mills, while industries reporting a decrease in production in February included apparel and leather and allied products.

The ISM Prices Index registered 45.9 percent in February, a decrease of 7.4 percent from the January reading of 53.3 percent, indicating raw materials prices decreased after increasing for two consecutive months. Textile mills were among the industries reporting paying increased prices for raw materials in February.

Source: sourcingjournal.com -Mar 03, 2020

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China: checkmate? to two decades fighting to be the queen of global sourcing

Dumping, currency war, infrastructure, and raw materials are some of the tools used since 2001 by the Asian giant to control global fashion sourcing.

The king, the queen, the rook, the bishops, and the knights. China has been everything for global textile sourcing in the last two decades, leaving the other countries as mere pawns on the global board.

With manufacturing activity in historical minimum, China is threatened by a checkmate, by an unexpected chessman: coronavirus. What was China's strategy to become fashion sourcing Kasparov and what moves can it make now to keep winning the game?

Covid-19, defined by some analysts as China's Chernobyl for its potential impact in the country's credibility, may affect in a very relevant way to companies that have in the country a key hub for its sourcing.

And they are the vast majority. Factories in standby, shortage and, hence, empty stores are the consequences on the table due to the crisis originated in a country that exports apparel worth 157 billion dollars every year.

Besides current effects, crisis could modify forever the global sourcing map, a movement accelerated of the tectonic plates that've been arranging towards its current position for over two decades.

Joan Canals, an expert with decades of experience in the textile industry in Europe and that has held several representative roles in international organizations, points out that the crisis "will force companies to reflect on what is the autonomy of their supplies." "Nobody thought that the chain could break in its origin," he adds.

"Coronavirus can be a precipitant of neo-reshoring," says Gabriel Farías, an expert in fashion sourcing based in Hong Kong, who adds that the crisis in China comes after several years in which the country has been handing over part of its domain of global fashion production.

China's domain in global sourcing hasn't always existed, but it's a consequence after two decades of strategic decisions. How has the country conquered the throne that now the virus puts in jeopardy? Dumping, currency wars, infrastructure, investments and raw materials are some of the tools used by the communist country to dominate the fashion industry.

The entry of China into the World Trade Organization (WTO) in 2001 was the turning point that settled and rearranged the global economic and trade order. Since then, the country has multiplied by nine its exports, going from 249,2 billion dollars to 2.5 trillion dollars.

China's entry into the WTO caught Western textile manufacturers off-guard, while there was still in force the Multifibre Agreement, that would allow for global trade barriers to be eliminated in 2005. But nobody expected that China, a country until then out of the market economy, would enter the game with a never witnessed industrial capacity and a determined strategy to clear out its rivals.

"For years, China armed itself for war," explains Salvador Maluquer, a historical leader of trade associations in Spain. "Industrial outsourcing was the trending word in 2005, when the majority of Spanish brands that had manufacturing infrastructure dismantled it to start sourcing from China. It was also then when international groups like Levi Strauss shut down their factories in Spain, that had been opened when Spain was itself a cheap sourcing hub.

Unions and business organizations criticized dumping in its different ways, that increased China's ability to produce at a lower cost. Logistics and quality were the two main handicaps of producing in China, that already then had become a strong policy of investment in infrastructure.

Currency war and control of raw materials have been the other two tools used by China to take on the domain of global sourcing. Beijing's Government started in 2011 a policy of increasing its State Reserve stocks of cotton: with this strategy, the country was trying to help local agricultures buying them cotton at an above-the-market price.

The king, the queen, the rook, the knight and the bishop. China has been everything for the global sourcing of textile in the last two decades, leaving the rest of the countries like pawns on a board.

With the production in March of this year, the most important raw material for the fashion industry on a global scale has reached its maximum level since 1995 after a three-month ascension.

The Chinese Government's measure left the industrial textile market to a certain extent, which boosted imports and, therefore, boosted international trade and kept prices up, although not exceeding the one hundred cents per pound barrier.

But at the end of 2013, China decided to set in motion a strategy. Before starting 2014, the executive of Pekin also conducted various auctions for its cotton stock to favor the local industrial textile. The sale of Chinese cotton stock boosted a change of tend in the evolution of the prices, that started to decline and activated a deflationary spiral.

Once it dominated the supply of global textile, China took new steps to strengthen its power in the world of fashion. With the country's progress also came wage costs increase, the country's own companies led the investment in other Asian markets such as Bangladesh, Vietnman , or Cambodia Li&Fung, std-1 Ningbo, Shanghái Silk, Zhejiang are some of champions of sourcing assembled by China, according to Farias. The expert also warns that the importance of having created the powerful satellite industry that is devoted.

China's last strategy (inconclusive in some parts) to dominate global fashion has been to create locate brands and vertical integration, with the construction of a vertical industry.

An example this is the creation of the Chinese giant Alibaba, that distributes globally online, the only rival of Amazon. "There a logistics steps m, after being the manufacturer you become the creator of the brand and distributor, starting by working in the internal market," indicates Farias.

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Source: themds.com - Mar 03, 2020

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Hong Kong Suffers Steep 21% Plunge in January Retail Sales

Already hit by a dismal selling environment driven by months of social unrest, Hong Kong's January retail sales plummeted 21.4 percent as coronavirus fears kept residents home.

Total retail sales in January were estimated at 37.8 billion Hong Kong dollars ($4.86 billion), while the volume of total retail sales–the number of units sold–fell by 23 percent.

"In interpreting the figures for January, it should be noted that retail sales tend to show greater volatility in the first two months of a year due to the timing of the Lunar New Year. Local consumer spending normally attains a seasonal high before the Festival," said the Census and Statistics Department for the Hong Kong Special Administrative Region, which tracks sales data disclosed in its Monthly Survey of Retail Sales (MRS).

Sales of jewelry, watches and clocks and valuable gifts saw their value take a hard hit in January, plunging 41.6 percent, according to the MRS report for January from the CSD. And while the luxury sales category experienced the sharpest decline, other sectors saw substantial setbacks as well. Apparel sales dropped 28.9 percent, while department store sales fell 27 percent and footwear and accessories sales were down 21.6 percent.

In the current season, the coronavirus outbreak in the Chinese city of Wuhan occurred just at the start of the Chinese New Year. To curtail its spread, certain cities were in lockdown and transportation in and around parts of China were limited. Hong Kong relies heavily on tourists from Mainland China, but trade has been constricted as border restrictions disrupted the movement of Chinese consumers into the city.

According to the latest visitor arrivals data from the Hong Kong Tourism Board, the number of people entering the city from all countries fell to 3.2 million from nearly 6.8 million in January 2019, representing a 52.7 percent drop. From the Mainland alone, 2.5 million visitors arrived in January 2020, a 54.2 percent decline from 5.5 million in the year-ago period.

Source: sourcingjournal.com - Mar 03, 2020

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China's Technical Textile industry grows up in 2019, profits down: Annual Economic Report

This is most updated information about Technical Textiles economy in China in 2019, with statistics from Jan-Dec 2019, collated in February 2020. The year of 2019 witnessed 235.93 billion Yuan in business income, 1.2 percentage growth, but its profit went down by 4.3 percent with averaged profit/business income rate at 5.9%, 0.3 percentage point down as opposed to that of the year before.

The risk of being infected has diverted the consumers' eyes away from the traditional luxuries to a new concept of de-luxe goods, masks and protective tissues and safety wears, etc., making the Technical Textile sector come into spotlight, far it more significant than fashion wear, at this moment .

China's technical textile industry plays an important role in mobilizing the member companies to resume production to respond to national call for synergizing all the efforts and resources to fight the coronavirus(COVID-19).

You might be interested in understanding this particular sector of the whole textile industry in China in the days gone by and in the days to come. Here is the brief of the new annual report:

Production

As driven by the rising demand for non-woven both at home and abroad, its total production reached 5.03 million tons, up by 9.9%, but the tyre cord fabric did not present such a promising picture as the withering automobiles industry delustered its supply chain, making the production of the cord fabric drop by 7.4% in growth rate to result in 623,000 tons in 2019.

Economic performance

The year of 2019 witnessed 235.93 billion Yuan in business income, 1.2 percentage growth, but its profit went down by 4.3 percent with averaged profit/business income rate at 5.9%, 0.3 percentage point down as opposed to that of the year before. If we look into the sector-specific performance, there is a diversified picture in the fact that the tents and canvas got an uptick in gross profit rate and profit rate respectively by 1.5% and 0.5%; Rope, cordages and cables plummeted by 18.2%, while the belts and tyre cord fabric by 9.7% in profit gains. Moreover, the other industrial textiles, such as techtextiles used in filter, geo-synthetics, safety protection, transportation and composite materials, curved up by 7.2% in profit rate based on its better gross profit rate at 16.1% level, taking a leading role in all the technical textile industry.

The non-woven sector finished with 2.9% growth in business income, and 3.8% drop in total profit and 0.4 percentage point down in profit rate last year.

International Trade

China shipped out $27.34 billion worth of technical textiles, marking 2.1% year-on-year growth as against 5.7% drop in importing goods worth $6.73 billion in this category. In the major markets, laminated fabrics or coated fabrics, non-woven and tents & canvas are ranked in the top three products in the export sheet, growing at 0.4%, 5.4% and 2.7% respectively in value terms. Of the top three, the non-woven was exported on a rise by 9.1%, amounting to 1.051 million tons in volume.

Prominently, the one-off sanitary-purposed textiles continued to remain dynamic, registering 16% and 18.8% higher level in export value and volume than that seen in the previous year. Conclusively, it was the volume that counts most in pushing forward the export growth in China's industrial textiles last year.

In view of the main destinations, United States is the largest market where $3.7 billion worth of technical textiles from China were shipped to, sliding down by 9.1%, as was handicapped by the trade altercations between the two countries.

On the other side of coin, the export to Vietnam outran Japan, up by 10.18%, making this neighbor country the second largest market while the shipment to Japan and South Korea stayed stable, somewhere it had been in value level in 2019 as compared with the year before.

It is interesting to see that the countries along "Belt and Road Initiative" territory are rising to be the important driver for China's technical textiles export, with $10.85 billion seen last year, at a growth rate of 7.1 percent, of which the non-woven ramped up to 16.7% in dollars and to 18.9% in weight.

Forecast

What is in store for 2020? It is estimated the total economic performance for the industrial textile sector will turn out to be good, at a moderate growth rate in important indicators like production, sales and export for the whole year, but the first half will see a downslide, to some extent, because the factories have not got a full-house operation as the on-going tightened measures to prevent and control coronavirus in some areas are still in effect, making it difficult for all the workers come back to production lines. Optimistically, we see the light at the end of the dark tunnel.

Source: fashionatingworld.com - Mar 03, 2020

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Global T-shirts market growing at six per cent

The global T-shirt market is growing at six per cent and is expected to register significant growth with rising disposable incomes and a rapidly shifting trend toward customized T-shirts. In addition, advances in technology have led to the introduction of advanced inkjet heads that are compatible with a variety of inks from different suppliers.

In addition, fine embroideries with a faster output rate have also been developed significantly. The industry has been aligning its research and development activities taking into account the dynamic nature of fashion trends demanding shorter production cycles and high-quality prints.

Cotton is the most common and preferred fabric for T-shirts. However, other materials such as linen, Lycra, polyester, rayon, and blends of two or three materials are also used for manufacturing T-shirts. T-shirts made from Lycra and polyester are generally used for athletic apparels, while cotton and linen T-shirts are preferred for daily casual wear.

Based on ink type, the T-shirts market is classified into dyes ink, sublimation ink, pigment ink and others. The emergence of advanced alternative techniques such as sublimation printing is a major driving factor for custom T-shirt printing and the dyes and inks involved in printing the T-shirts. Printing technology and advanced machines capable of creating flawless embroidery have also helped the overall T-shirt industry to flourish.

Source: fashionatingworld.com - Mar 03, 2020

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Vietnam exports to the US up 34 per cent

In the first nine months of 2019, Vietnam's exports to the US jumped by 34.8 per cent.

But the US no longer considers Vietnam a developing country. This means Vietnam will stop receiving some preferential treatment. Vietnam's developing country status with the WTO remains unchanged and it still enjoys the Generalized System of Preferences (GSP).

Vietnam, however, will have to be even more careful to deal with origin fraud and transshipment as this has been the source of US tariffs on Vietnam in the past.

The tariffs were imposed to prevent steel products that originated from China attempting to bypass anti-dumping rules. Overall, Vietnam-US trade will likely to continue to increase.

However, Vietnam will need to be more careful particularly for industries such as steel, footwear and agricultural products exports to the US, which have been growing. If it does not, the US is likely to impose countervailing duties on products that it deems to harm its domestic industries.

The US has recently slimmed down its list of developing and least developed countries. So the move is not directed specifically at Vietnam but includes several other countries.

The move will allow the US a reduced threshold for starting an investigation into which countries are harming US industries with subsidized exports.

Source: fashionatingworld.com - Mar 03, 2020

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Government to ease import procedures as manufacturers look beyond China for sources of raw materials

The government plans to ease licensing procedures for importing raw materials as the country's manufacturing industry begins to feel the impact of the disruption to the supply chain from China caused by the coronavirus outbreak.

Finance Minister Sri Mulyani Indrawati said in Jakarta on Monday that simplifying import procedures for raw materials would be one of the strategic measures taken to cope with the impact of the Covid-19 outbreak on the manufacturing sector.

The minister said 500 companies were being considered to receive special permits to allow them to import raw materials from sources other than China.

According to data from the state treasurer, the raw materials imported by the 500 companies accounted for 40 percent of the country's total raw material imports.

The coronavirus outbreak in China has hit global supply chains hard and has spurred countries to look for other sources of raw materials. The disruption to the supply of raw materials from China has also severely hurt Indonesian manufacturing companies, especially those involved in plastics, textiles and chemical production.

"The disruption to the supply of raw materials from China, especially for plastic, textile, footwear, steel and chemical products, has severely hurt local industries." Sri Mulyani said, adding that for many companies, between 20 to 50 percent of their raw materials were imported from China.

Source: thejakartapost.com - Mar 03, 2020

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Australian apparel space to shrink by 10 per cent: McKinsey

McKinsey analyst Thomas Rüdiger Smith has warned fashion brands to prepare for a 10 per cent reduction in apparel space over the next five to 10 years, as more customers shop online, retailers focus on smaller stores and some businesses go bust.

Speaking at an event organised by the Australian Fashion Council (AFC) to showcase emerging Australian designers in Melbourne on Wednesday, Rüdiger Smith described this as the "very bleak" analytical view of the landscape. "If you look where consumers are heading, they're heading online," he told Inside Retail.

"The only real industry we believe will need more space going forward is grocery, because grocery tends to grow with GDP. But a lot of the other sectors are challenged by the rise of omnichannel."

Smaller, more localised stores to rise

But that doesn't necessarily mean bricks-and-mortar stores are dead. Rüdiger Smith pointed to the US, where major retailers like Target and Nordstrom are seeing success with smaller stores with more localised ranges.

"If you have a store in Bondi, you don't need to have the full range of products. You need to have the ones relevant to the Bondi crowd. It's the same in Fitzroy," he said. At the same time, he believes retailers will start to close unprofitable stores in greater numbers.

A smaller offline apparel market means brands will need to rethink the way they reach their customers. Long term, Rüdiger Smith said brands need to become less reliant on being stocked in bricks-and-mortar stores and focus more on direct-to-consumer sales. The impact of the coronavirus makes this shift even more pressing, he said.

"Overall, it's going to be tough. What we're seeing in China is a massive slowdown. But L'Oreal reported a 25 per cent increase in their online sales for the month of January. People are at home shopping online. Less so for apparel – much more for essentials – but as it wears on, that will be more and more of a trend," he said.

Huge stores on their way out

Leila Naja Hibri, AFC's new CEO, agreed that huge stores are on their way out. "It's not about a three-storey Chanel store in Hong Kong airport, where you go in and get lost for hours," she said.

"Potentially, it's about a collection of 18 pieces that change every month. Potentially, it's about not having stock in-store. Why not have one item in every size [that customers can try on] and then send it to their house?"

Emerging designers may be best placed to thrive in this changing bricks-and-mortar landscape because many of them are already questioning traditional ways of selling.

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Source: insideretail.com.au- Mar 04, 2020

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Cambodia eases pressure on garments, shipping sectors

Cambodia's General Department of Customs and Excise (GDCE) last week issued guidance to help the ailing shipping and garment sectors with raw material supply from China drying up.

Officers were instructed to facilitate shipments for firms complying with rules and those in special economic zones (SEZs), and the green lane customs clearance system has been extended as well.

The measures follow Prime Minister Hun Sen's announcement that the government has drafted a plan to support businesses in the garment and tourism sectors as they grapple with the consequences of the European Union's partial withdrawal of the Everything But Arms (EBA) scheme and the novel coronavirus outbreak in China.

GDCE asked officers to work more efficiently, act with professionalism and cooperate closely with SEZs, ports and airports authorities and transportation companies, according to report in a Cambodian newspaper.

"We ask all customs officers to be more efficient in their work and speed up paperwork for the importation of raw material for garment factories. All the customs officers must follow the new guidelines with immediate effect," GDCE said.

The Chinese embassy in Cambodia said about 60 per cent of raw materials used in local garment and footwear factories come from China.

Ten factories in Cambodia have already run out of raw materials as suppliers in China close due to the virus outbreak, the government announced recently. In March, the country could see as many as 200 factories and enterprises running out of raw materials, affecting around 160,000 workers.

Source: fibre2fashion.com - Mar 04, 2020

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UK, EU start talks on post-Brexit ties

Negotiators from the United Kingdom and the European Union (EU) recently started talks in Brussels aimed at forging a future relationship. The discussions cover trade and trading standards, agriculture, security, transport, energy and fisheries and are being led by Frenchman Michel Barnier for the EU and UK governmental advisor David Frost.

The discussions are expected to wrap up by the end of this year, according to global newswires.

The UK's current transition period, during which it trades like an EU member with no tariffs or other barriers, ends on December 31. British Prime Minister Boris Johnson has ruled out extending it, though he has the option to do so.

Each side has accused the other of shifting away from goals set out in a non-binding political declaration struck late last year. While the UK is insisting on setting its own rules in the name of 'economic and political independence', the EU aims to secure a 'level-playing field' to prevent the former from undercutting costly European standards on labour, tax, environment and state subsidies.

Barnier has told the United Kingdom to fully respect the binding Brexit withdrawal treaty.

Both sides will witness economic trouble if no deal is reached, but the United Kingdom and Ireland, the EU member most dependent on trade with the UK, will especially feel the pain.

UN economists calculate the trade hit would see the United Kingdom annually lose export revenues of up to $32 billion in that case. The EU buys nearly half of all British exports.

Source: fibre2fashion.com - Mar 03, 2020

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The coronavirus lifts the ‘made in Mexico’: orders pick up amid crisis in China

Due to the outbreak of the virus, Mexican textile, the main hub in proximity to the United States, is starting to become a refuge to quickly cover an international demand.

Industrial activity recovers in Mexico due to the coronavirus. Mexican fashion and textile manufacturers report a slight increase in orders and quotes from US companies because of the increasing closure of factories in China, the main sourcing country for international fashion companies.

US retailers seek to quickly stock up in the face of the health crisis that threatens the spring-summer collections and puts the fall-winter season at risk, the biggest season of the year. Mexico, the main hub in the vicinity for the industry in the United States, begins to gain prominence on the sourcing map of international fashion. So far, the country has confirmed five cases of the virus.

China currently exports $157.8 billion in clothing each year. However, Mexico remains the third-largest fashion supplier in the United States behind China and Canada. According to information published by the National Chamber of the Mexican Textile Industry (Canaintex), in 2019, 60% of the country’s total textile exports went to the United States, where 91.8% accounted for clothing.

According to Jorge Plata, CEO of Argentum Textil, a company specialized in textile spinning and manufacturing and former president of the Mexican National Textile Industry Chamber, the interest of international companies is can already be noticed. The executive says that “they have received emails and calls from several customers who would like to resubmit their production in Mexico, specifically from distribution companies of denim, and sportswear, a sector that is going through a boom in the United States,” says Plata.

In contrast, Kaltex, a Mexican company specializing in the production of yarn, cloth, synthetic fibers, states that only 10% of its sales come from the United States. The company, which mainly sells T-shirts to the North American country, affirms that in the last months the number of orders from the North country has remained constant and that few North American companies have called for information about the productive capacity.

Grupo Miró, a company specialized in the distribution of knitted fabrics, says that although the volume of orders from the North American country has remained stable, there is an increase in calls for quotes and search for suppliers by potential North American customers.

According to Elisa Vega, head of product development of the group, “the increase in orders could be increasing in the short term, as many of its customers buy in Asia and especially in China,” says the executive. In fact, a few weeks ago the company was contacted by an American company that centralizes all the manufacturing of its pajamas in China, in search of quotes for its production.

But are Mexican manufacturers ready to respond to a demand previously met by China? According to Plata, the installed capacity in Mexico is enough, and there is “a constant increase in investment in technology and production capacity.” If the demand takes a significant boost, “local manufacturing and supply companies will have more freedom to choose which projects they choose, which would improve production effectiveness,” says the executive.

Specifically, the denim sector is very well structured in Mexico, with a high level of automation and significant growth in recent years. The main productive poles of the country are the State of Mexico, Guanajuato, Puebla, Jalisco and Yucatán. In the south, Mérida is gaining strength in the clothing sector.

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Source: themds.com- Mar 03, 2020

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Pakistan: Ginneries receive 2.1m less cotton bales

The ginning factories have received 2.1 million less cotton bales as compared to the last year while the present arrival of cotton bales is unlikely to meet the textile requirements this year, The News has learnt.

The textile sector needs more than six million bales to run the mills, but the crop is already short of 2.1 million bales. The latest shortfall in the cotton production is established in the Pakistan Cotton Ginners Association's report released on Tuesday.

According to the report, 8,565,376 cotton bales have been received by ginning factories across the country till March 1 while the last year the ginning factories had received 10,741,381 bales, showing a shortfall of 2.1 million bales.

The PCGA report said that the Punjab, which is one of the largest cotton growing provinces, faces a shortfall of 22.77pc in cotton arrival. The ginning factories in the province have received 5,091,397 bales till March 1 while the last year the province had received 6,592,318 bales, showing a shortfall of 1,500,921 bales.

The ginning factories in Sindh have received 3,473,979 bales while it had received 4,140,063 bales in the same corresponding period of last year. The province has shown 16.27pc decline in the cotton arrival. Eighteen Punjab districts have shown massive decline in the cotton production out of 21 cotton growing districts.

The Vehari district, which is the heart of cotton, witnesses 54.71pc decline in cotton production, Lodhran 45.19pc, Jhang 49.13pc, Toba Tek Singh 44.8pc, Faisalabad 42.61pc, Multan 37.19pc, Layyah 36.32pc, Bahawalpur 36.4pc, Muzaffargarh 35.51pc, Rajanpur 32.62pc, Khanewal, 31.5pc, Bhakkar 27.3pc, Dera Ghazi Khan 17.79pc, Mianwali 10.69pc, Rahimyar Khan 7.2pc and Sahiwal 3.55pc.

The cotton production has increased in only three districts, including Pakpattan 23.73pc and Okara 6.17pc. The cotton sowing has completely vanished in Kasur and Sargodha districts.

Similarly, nine Sindh districts have witnessed decline in cotton production out of 12 cotton growing districts. Nawabshah district has witnessed 44.7pc decline, Khairpur 24.45pc, Dadu 19.5pc, Sukkur 19.5pc, Naushero Feroz 16.80pc, Ghotki 9.73pc, Hyderabad 8.84pc, Sanghar 11.83pc and Jamshoro 8.72pc.

Total 8,552,667 pressed lint bales are prepared from the Phutti arrived at the ginning factories while the report mentions that 31 ginning factories remained functional in the country. The exporters have procured 58,666 bales. However, the Trading Corporation of Pakistan did not purchase a single bale from the ginners during the cotton crop season 2019/20, the PCGA report said.

Over the last five years, the cotton production has decreased from 13.86 million bales to 11.98 million bales, causing a loss of Rs 535 billion (almost 2 per cent of total GDP) to the economy.

Source: thenews.com.pk- Mar 03, 2020

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Decline in China's exports: Opportunity for Pakistan's textile sector

Coronavirus cases continue to climb as the world watches. Today, China's economic relevancy in international economic footprint is much larger than before.

According to UN Conference on Trade and Development by 2018, China is the exporter of 19% of total manufacturing goods traded globally, while in 2002-03, its share was 8%.

The world growth has become increasingly dependent on China's performance in the last two decades, on the contrast, China has become more independent of the world economy. There are limited supply chains that may stand across the globe without any dependence on China for sourcing.

Consequently, disruption in businesses due to the outbreak of Coronavirus is beginning to be felt globally. China, which is the hub of manufacturing and the epicenter of global production, has put a hold on its production activities. It is estimated that China's GDP growth will slow down to 5% this year.

Dun & Bradstreet, a leading global provider of business decisioning data and analytics, says that at least 51,000 (163 Fortune 1000) companies around the world have one or more direct or Tier 1 suppliers in the impacted region Wuhan, Hubei province, and at least five million companies (938 Fortune 1000) around the world have one or more Tier 2 suppliers in the impacted region.

Supply shortage of inputs that go into the manufacturing of a wide range of products will likely be the first indicator of the disruption. This would also translate into shortages of finished products, a steep fall in production but also contraction in product demand resulting in falling future product prices, hence, a global economic crunch.

In the last two weeks, international prices of major commodities have evidently declined except for gold which proves to be a safe investment tool in the time of uncertainty. Nevertheless, this is the time to capture market share because the trade value will endure once the falling international markets pick up again.

A huge vacuum has been created in global trade due to limited supply of manufactured goods, raw materials and intermediate goods from China which is also expected to create colossal domino effects. However, looking at the other side, this crisis-like situation has created business opportunities for developing countries like Pakistan, India, Bangladesh and Vietnam especially in the textile trade.

The viral outbreak comes at a difficult time for Pakistan and could make the economic slowdown even worse for the struggling economy. McKinsey & Company report “Coronavirus COVID-19 Crisis Response" analyzes the potential evolution of the macroeconomic situation if virus outbreak triggers for global economic recession. It says that this may lead to companies making irreversible decisions such as wholesale shifts in supply chain, distribution channels – supply chain broken, especially in certain sectors.

Impediments to the Pakistani manufacturing environment and capacity limitations make it difficult for Pakistan to quickly take advantage of the space in global trade, although Pakistani exports have increased recently in contrast to the downward trend in the several regional countries. Our 4.5 percent growth in exports during the first half of current fiscal year is an indicator of rising economic output, at a time when India's exports declined by 2.3 percent, Thailand's 2.5 percent, Sri Lanka's 3.6 percent, Indonesia's 5 percent, Malaysia's 6 percent and Bangladesh's 7 percent.

This calamity has also revealed cracks in the Asian economies. Chinese neighbors are inclined too heavily on China-centric supply chains even for their own domestic growth and production. Vietnam's textile sector is assessed to be adversely impacted the most due to its high dependence on Chinese supply chains for production, but its high growth rate of 7 percent provides an economic buffer.

Similarly, Bangladeshi textile sector is heavily dependent on China for textile inputs like cotton and Man-Made Fibers (MMF). A deeper analysis suggests that it will come down to India and Pakistan competing for shifting business from China, as both countries have entire textile supply chains operating in the county.

India is calling meetings on the highest level to draft a strategy to gear up their whole supply chain to take full advantage of this situation. Even though India's textile and apparel exports fell by 8 percent in the first eight months (April-November) of the current fiscal year, they are designing a revival policy.

Pakistan on similar footings must devise a plan to grab this opportunity and find alternate sources for raw-materials imported from China. Pakistani textile sector has both the potential and capability to enhance their exports and attract business orders diverting from China. This will require immediate government's support to enhance production capacity. Pakistani textile export books are already full to their capacity, easy financing facilities, competitive energy tariffs and urgent refunds of stuck exporter's credit with FBR and State Bank can expedite investment in capacity enhancement.

In the world textile trade China has 32% share amounting to USD 266 billion. China exports approximately US $ 145 billion of articles of apparel and clothing accessories to the world. While, Pakistan's share in world textile trade has declined to 1.6 percent from 3 percent.
Click here for more details

Source: brecorder.com- Mar 03, 2020

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Bangladesh: No economy should rely on one commodity

Bangladesh has been experiencing robust growth in global integration over recent years. The factors which have contributed to this include both domestic policy changes (in the forms of trade liberalisation, market-oriented reforms, removal of an anti-export bias and the pursuance of an export-oriented development strategy) and a demonstrated capacity to take advantage of emerging global market opportunities.

As Bangladesh graduates into a developing country with one of the highest GDP growth rates in the world at 7.9 percent (2018), the real challenge for the government is to maintain growth and tackle external shocks by taking up precautionary measurements, different development strategies and policies.

The main drivers for economic growth for Bangladesh are export and remittance. Export is the lifeline of the economy as the highest contributing sector to GDP. However, our economy enjoys a concentrated export basket in comparison to other Asian markets.

In recent times, roughly 84 percent of Bangladesh's total exports depend on the ready-made garments (RMG) sector. Fiscal and financial incentives and strengthening of institutional support services contributed significantly to the removal of an anti-export bias and provided a favourable environment for the growth of export-oriented industries. However, as the global market becomes increasingly competitive, searching the markets for other products should be given the highest priority.

Bangladesh faces strong competition from established producers in countries like China, Turkey, Vietnam, Myanmar and India, in addition to emerging manufacturing hubs in countries like Ethiopia and Cambodia. Diversifying exports beyond garments may be a solution to Bangladesh's employment problem. Broadening comparative advantage in the global export market has not only generated economic growth but also ensured structural transformations, as seen in many Asian developing economies like Taiwan, South Korea and China.

Bangladesh, like other developing economies, has made substantial progress as an exporter, but it has yet to diversify its export basket due to limited comparative advantage. There is a huge prospect for RMG exports to increase many folds given the expected growth of global apparel demand in the future. This however, raises some potential issues about the sustainability and volatility of export growth.

No economy should rely on one commodity. To sustain economic growth within the current global landscape, we need to improve competitiveness of various other promising sectors to diversify the export basket. According to the private industry and investment adviser to the Prime Minister, Salman F Rahman, exports of non-apparel items will see an increase if the government gives the same level of attention and incentives it provides to the garment sector. But before entering a new market or a new country, or exporting new products, it is important to analyse which of the export items enjoy a comparative advantage as well as the price offered, the levels of demand and consumption, and political stability.

Export concentration is the real issue for Bangladesh. For many decades before the emergence of RMG exports, jute and jute goods dominated the export sector, making up 70 percent in 1981. According to practitioners, in order to improve economic growth, they advised the development of non-traditional exports, which became the ultimate solution of export policy.

Increasing the portfolio for both product and market diversification is crucial. Nonetheless, export diversification has proven to be a challenging task for Bangladesh. In fact, export concentration of RMG has increased even further. Bangladesh's export base is four times more concentrated in a few individual product lines than the average of a developing country. China, India, Indonesia, Malaysia, Sri Lanka, Thailand and Vietnam are Asian competitors for Bangladesh, all of whom have more expanded export structures.

Many believe that non-RMG exports cannot grow because of policy support given to this specific sector. However, a strategy of export diversification is to be complemented by a policy of maximising overall exports instead of ceasing the policy assistance provided to the RMG sector.

In an optimistic scenario, if RMG exports expand at a rate of 10 percent per annum for the next 10 years or so and the non-RMG sector also moves at the same pace, Bangladesh's total exports in 2030 will be USD 100 billion. On the other hand, if RMG export growth is going to be five percent per annum, overall export performance is going to be less impressive.

Therefore, RMG will have to play a pivotal role in rapid export expansion. It is also important to identify whether promising opportunities exist for generating exports in new products within the RMG sector. Strategies need to be constructed for export expansion with diversification to alleviate the adverse consequences faced by exporters due to poor performances in institutions, poor infrastructure, lack of technological readiness, financial market developments, and so on.

If a country specialises in only one or two commodities, any external shock such as a sudden decline in either world demand or domestic supply, will have a huge effect on export revenue, and eventually on the balance of payments, which in turn could cause undesirable macroeconomic consequences. However, if the export basket contains various commodities, then the probability of suffering an adverse shock will be minimised, thus reducing the impact on export revenue and balance of payments. Export diversification will not only reduce export instability but also move the country to a higher growth trajectory.

The recent US-China trade war could have helped Bangladesh to expand its product diversification, yet we could not benefit from it due to various reasons—bulk investments on only five items, the Bangladesh taka being strong against US dollars and inefficiency in product development and marketing.

Bangladesh has grabbed a large share in RMG exports but according to experts, the government has to add more products to the country's export basket. Focusing on non-RMG sectors and expanding RMG product lines would ensure that not only export volume, but also the number of export items, increase.

Although the government has been providing cash incentive for different products to encourage traders to boost the export earnings of the country, this is inadequate to support local businesses in fighting global competitors.

Industries such as pharmaceuticals, leather, ICT, petroleum bi-products and chemical products are emerging as prospective sectors and have led to a surge in exports, but on a small scale. However, further local and foreign investment can improve the situation. Other prospective sectors that the government can tap for export potential include the plastic industry, flower industry, tourism sector, cement industry, manpower industry and so on.

As a least developed country, Bangladesh enjoys duty-free access to the European Union and some other countries. However, once Bangladesh gets established as a developing nation, it will lose this preferential market access.

To tackle the situation, diversification of the export basket is essential, as well as identify potential sectors for exports along with value addition to products. Enhancing efficiency, a skilled workforce and government support will ensure the sustainability of economic growth of the country, regardless of any external shocks.

Source: thedailystar.net- Mar 04, 2020

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NATIONAL NEWS

CCI sells cotton at discount

Stuck with expensive stocks, Cotton Corporation of India has started offering a discount on bulk purchases by yarn mills. The corporation is likely to suffer losses on the discounted sales.

After procuring cotton for a higher Minimum Support Price, the CCI has been saddled with around 70 lakh bales of cotton. As the prices started falling due to sluggish demand, especially from coronavirus-hit China, the CCI found it difficult to liquidate its stocks.

The CCI has now decided to sell nine lakh bales procured last year at discounts ranging from Rs 3,200 to Rs 5,000 per candy of 355 kg, depending upon the quality of the cotton.

The corporation was earlier quoting Rs 46,400 per candy for 30 mm cotton of fair average quality. But this has now been brought down closer to the current market price of around Rs.40,500.

“The CCI has been quoting higher prices than the market price and practically there was no off-take except the mandatory purchases by the public sector spinning mills.

The cotton industry has been pleading with the Ministry of Textiles to sell the cotton at market prices to have stability in the cotton market and protect the interests of the spinning mills and its downstream power loom and handloom sectors,’ said Ashwin Chandran, chairman, The Southern India Mills Association.

The discount will be available for bulk purchases starting from 500 bales going up to one lakh bales. The mills, which are largely small and medium-sized in nature, can procure only up to 10,000 bales at a time.

Usually, quantities as high as one lakh are bought by traders. But they might not buy this cotton, which is still priced slightly higher than the market rate.

The industry is also concerned about the quality of the cotton as the CCI has offered discount on what it procured in 2018-19. Being biodegradable, cotton tends to lose its strength and colour with time.

Source: asianage.com- Mar 03, 2020

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Textile processors in Tiruppur hit by hike in prices of dyes and chemicals

With China hit by COVID-19, the textile industry in Tiruppur has started feeling the impact. The textile processors in the knitwear town are facing a shortage of dyes and chemicals and the prices are said to be going up.

According to a press release from the Dyers Association of Tiruppur, the segment faces shortage of raw materials for production of reactive dyes and chemicals.

Most of the raw materials needed are purchased from China. There has been no export from that country for the last 40 days because of the virus. The manufacturers of the dyes and chemicals have the raw materials only for the needs of maximum one month. So there is a shortage of dyes and chemicals and prices of these are up by 10 % to 20 %.

The Association pointed out that only cash transactions are happening. It urged the processors to revise their rate cards accordingly. The dyers should carry out job works in the cash and carry system, collect dues, and have stocks of dyes and chemicals, the Association said.

Source: thehindu.com- Mar 04, 2020

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Weaving renewable energy into India's textile industry

India's textile and garment industry are one of the world's largest, contributing to 3.7 per cent of the global market. The use of decentralized renewable energy can modernize and accelerate this growth while improving livelihoods for millions.

Nasir, a hand loom weaver from Belgaum, Karnataka shifted from his manual machine to a solar powered loom. As a result, he was able to double his production output and save many labour-intensive hours that impacted his income and health. Nasir now has a steady supply-chain and local client base contributing to an increased income for him and his family.

“Sustainable energy and energy efficiency within the textile value chain has the potential to make the varied livelihoods aspirational while increasing productivity and incomes for under-served small and medium enterprises in rural areas,” says SELCO Foundation’s Huda Jaffer. SELCO Foundation is a non-profit based in Bangalore that strives to bring impact through sustainable energy innovations and enterprises.

India is looking to find durable and viable ways to meet its growing energy needs. While Saubhagya has made strides in expanding grid-connectivity, decentralized renewable energy (DRE) is positioning itself as a strong alternative, especially in areas where grid-supply is erratic and unreliable. For the textile industry in particular, efficient, clean and reliable energy can go a long way in accelerating growth in the industry, increasing its contribution to India’s GDP and supporting the livelihoods of millions.

Recent estimates show that the textile and garments industry alone employ nearly 45 million people across the country and contributes to 15 per cent of India’s export earnings. More importantly, a large number of fabrics and yarns are products of local artisans who have brought traditional styles and products to an increasingly global market. Consequently, MSMEs and large textile companies are looking to scale and advance production and export, while increasing investments. India's overall textile exports are expected to increase to $82.00 billion by 2021 from US$ 31.65 billion in 2019.

The Indian textile industry is extremely varied, from low-scale traditional textiles to capital intensive, larger mills. A significant concern for both is their growing energy needs. The supply chain of textiles and garments – from the production of fibres and yarn to fabrics, design, and distribution – is heavily dependent on electric equipment that rely on quality energy for efficient functioning.

According to a paper by A R Nagaraj, an expert in textile chemistry, the use of energy alone makes up around 15-20 per cent of the total production cost. At the same time, the country is experiencing an overhaul in its energy use – through a mass shift from fossil fuel as an energy source to renewables, like solar, wind and biogas.

However, the sector is still evolving and there are challenges. With more than 45 million people employed in the textile and garment industry, finding ways to stabilize and grow the industry is crucial for the country and its people. The textile sector in India is one of the oldest industries, dating back several centuries. As a result, generations of weavers and garment producers survive on the income and assurance of the industry, either as entrepreneurs or employees of companies. A major critique of the industry is that outdated machinery and models often impact productivity and profits of many.

“It doesn’t work to just add solar to an existing machine. It has to be designed with solar in mind. Only then will it be efficient and cost-effective,” says Kunal Vaid, Director of Resham Sutra, a social energy enterprise delivering sustainable energy solutions for rural livelihoods using innovative technology and renewable resources for silk production.

Resham Sutra’s range of affordable electric reeling machines – many of which are powered by solar energy and use 10 per cent of the power of a standard motorized machine – vastly improve working conditions for women reeling silk from cocoons. This proved to be a huge time and energy saver as traditionally, a process called thigh-reeling was employed – one which was physically demanding and considered undignified labour resulting in younger people opting out of the industry.

Like what we have seen from Resham Sutra, investing in newer models of equipment can help replace time-intensive manual work, saving labour-hours, increasing productivity and gaining market competitiveness. Sophisticated technology that ensures efficiency in time, energy and investment can future-proof the industries for generations to come.

This is where DRE can play a pivotal role - in driving modern and efficient systems for the industry while accelerating scale. Advancements in renewables, its access and flexibility to serve the most remote parts of India and the use of information technology to manage and monitor energy use and storage can drastically enhance the output and quality of textiles and garments in the country.

Another recent example where Banarasi sarees are being produced through the use of DRE machinery is testament to this. The Energy Resources Institute (TERI) supported Mohammad Gulzar from Mahmoodpur village in Varanasi to link his looms to decentralized solar-powered machines for energy and time-efficient production of sarees, while contributing to lower carbon emissions. The institute set up a hybrid solar charge controller that transfers power from solar panels to an inverter that is connected to Gulzar's saree. The surplus power gets stored in lithium batteries for back-up. As a result, Gulzar is able to use his loom without the regular delays caused by power cuts.

These powerful examples, and the gradual integration of DRE in the Indian market can push for quality, efficiency and increased output in India's textile industry. The first step to make this happen is to seriously drive efforts towards the application of DRE in every textile domain including powering of mills, looms, transport, and distribution systems.

If the domestic textile industry is to match the growing demand of the market and compete with other global players, scaling this approach now and fast is critical. Further, it has tremendous potential to rejuvenate the industry, propelling beautiful traditional designs while improving the country's income, offering millions the confidence to expand their trade and drive social and economic mobility. While the government has taken practical steps through its Solar Energy Scheme for Powerlooms, more collaborative efforts to integrate DRE in textile and garment sectors can truly drive success for the Indian industry.

Source: economictimes.com- Mar 03, 2020

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Fitch cuts India's growth forecast to 4.9% for FY20

Fitch Solutions yesterday announced lowering its gross domestic product (GDP) growth forecast for India for fiscal 2019-2020 to 4.9 per cent from 5.1 per cent earlier, citing weak domestic demand and supply chain disruptions due to the coronavirus outbreak. It expects GDP growth to hit 5.4 per cent in the next fiscal against a 5.9 per cent projection earlier.

The global rating agency, in its outlook for India, warned that the country's export manufacturing sector may be affected by disruption in the automotive and electronics supply chain from the ongoing COVID-19 outbreak in China, according to a news agency report.

The manufacturing sector, which constitutes 14 per cent of GDP growth, remained weak over the near term. The contraction in manufacturing eased slightly to 0.2 per cent in the third quarter, from 0.4 per cent in the second.

The development comes days after India's real GDP growth decelerated to 4.7 per cent in the third quarter ended December 31, 2019, due to weak consumption, a contraction in gross fixed capital formation and a smaller net exports contribution. While the gross fixed capital growth fell by 4.5 per cent, the government consumption growth slipped to 11.8 per cent from 13.2 per cent in the second quarter.

The government has also revised the GDP figures for first and second quarters of this fiscal to 5.6 and 5.1, respectively. It expects GDP growth during fiscal 2019-20 to be 5 per cent.

"A failure of the FY21 Union Budget to provide support to the industry will also bring little reprieve for a sluggish industry already coming under heavy pressure from a credit squeeze following the collapse of several key Non-Bank Financial Companies (NBFCs)," it said.

Fitch expects a slight pick-up in growth in the next fiscal, assuming that the virus spread would come down from June, which may lead to a broad-based improvement in economic activity.

"We expect manufacturing activity to come under further pressure from weak domestic demand and also supply chain disruptions due to the Covid-19 outbreak, which started in China. Weak manufacturing activity would also have a knock-on impact on slowing services growth," it said.

The agency expects manufacturing and services to pick up in the next fiscal.
Source: fibre2fashion.com- Mar 03, 2020

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Textile mills body SIMA hails CCI initiative on cotton bulk

The Southern India Mills Association (SIMA) on Tuesday thanked Union Textile Minister Smriti Irani for volume based bulk discounts offered by the Cotton Corporation of India for the stock of cotton season 2018-19 and protecting the interests of MSME spinnng mills.

Considering the free lifting period and quality claimed by corporation for its cotton, the prices would come closer to the market levels and the mills might commence procurement from CCI, SIMA Chairman Ashwin Chandran said in a statement here.

He said the intervention by Irani enabled the CCI to offer volume based discounts and protect the interests of MSME spinning mills by offering discounts from 500 bales with an upper limit of 10,000 bales for purchase of cotton pertaining to crop year 2018-19.

The discount ranged from Rs.3,200 to Rs.4,400 per candy of 355 kgs and CCI has quoted Rs.46,400 per candy for 30 mm cotton of fair average quality while the current market price was around Rs.40,500, he added. He expressed hope that CCI would soon offer its current year minimum support cotton at market prices at constant intervals till the end of the season and facilitate stability in cotton prices.

The SIMA chief appealed to the government to include cotton yarn under various export benefits such as interest subvention and refund of embedded blocked taxes and levies to make Indian cotton yarn, which attracts considerable tariff in all the export markets, globally competitive and thereby boost exports.

Cotton yarn export from the country has dropped around 30 per cent during 2019-20 when compared to the previous year, he said adding increased exports will stimulate demand for cotton. This would in turn help the government to reduce the losses on account of MSP as CCI was on track to procure upto 100 lakh bales of cotton during the current cotton season, he said.

The industry has been pleading with the Textiles ministry to sell the cotton at market prices to have stability in the cotton market and protect the interests of the spinning mills and its downstream powerloom and handloom sectors, Chandran said.

Source: outlookindia.com- Mar 03, 2020

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Garment manufacturers sourcing fabric locally: TAI

The outbreak of novel coronavirus (COVID-19) and the subsequent closure of production and ports in China is impacting businesses globally, and the Indian textile industry is not an exception. As a result, garment makers in India are approaching suppliers from Ahmedabad and Surat to source fabrics, thus creating additional business opportunity for them.

"China being the largest exporter as well as leading importer of all products—finished as well as raw material, the virus outbreak there has crippled the entire supply chain of the world. The impact was grave as it coincided with the Chinese New Year," Ashok Kumar, president, The Textile Association of India (TAI) said in an exclusive conversation with Fibre2Fashion.

In global textiles and clothing business, China has approximately 35-40 per cent share, which is huge, according to Kumar. "China is the largest supplier of finished goods, specially to the West and all advanced economies. China is also the largest supplier of textile raw materials like fibres, yarns, fabrics, and dyes, practically to all the garment manufacturing countries."

Talking about the impact on the Indian textile industry, Kumar said "We export a lot of cotton yarn and raw cotton to China. Our share of yarn export to China is around 40 per cent of total cotton yarn export. As shipment was stuck, and LC against the order was pending, traders anticipated a curtailed demand from China.

This resulted in the price dropping by nearly 5 per cent due to excess availability in domestic market. The domestic price of Ne 30s combed yarn dropped to ₹205 per kg from ₹215 per kg before the virus outbreak. Likewise, price of raw cotton fell to ₹38,500 per candy of 356 kg compared to ₹40,500 per candy earlier."

However, there are indications of improvement since last one week as shipments to various Chinese ports, except some ports that are in affected area, have started. "Prices have improved by 2-3 per cent in last few days," said Kumar.

The situation has also impacted India's garment sector, as most accessories are imported from China, which are in short supply now. In addition, "India imports synthetic yarn of around $450 million and synthetics fabrics of $360 million annually from China. India does not have domestic base to cater to this huge need arising due to operation pause in Chinese factories. So, Indian garment manufacturers need to look for other alternatives and the present situation may result in increase in finished goods' cost by 3-5 per cent," Kumar added.

Indian textile industry also imports majority of pigments and colours from China. According to Kumar, shortages are already being felt and it has resulted in increase in prices of dyes by approximately 10 per cent. "It may increase cost of processing for grey fabrics to finish fabrics," feels Kumar.

Fabrics, mainly synthetics, that garment exporters usually import from China, are also currently in short supply. "So, garment manufacturers are approaching local suppliers from Ahmedabad and Surat to source fabrics to ship their orders on time. There is an additional business opportunity here for domestic fabric manufacturers, but at an extra cost to garment manufacturers.

Another opportunity that looks promising is that some global orders of finished goods, i.e. for garments, are shifting from China to India as well as other countries. India is expected to be a preferred market for sourcing of apparel products by buyers from the US, Europe, UK and Canada. It is up to garment manufacturers to utilise the opportunity based on their capabilities and respond quickly. It may be a short-term gain but can be converted to long-term benefit by making the best use of prevailing opportunity.

"There are also many opportunities already arising for exporting raw materials like yarns, fabrics, and dyes to all garment manufacturing countries in Asia like Bangladesh, Sri Lanka, Vietnam, etc that are largely dependent on China for all their raw materials.

For example, Bangladesh depends on China for 50 per cent of its raw material requirement for garment manufacturing and exports, which is very big, whereas India has just 20 per cent share in its imports. So, as of now, there is a huge demand from Bangladesh for all kinds of raw material including yarns and fabrics."

According to a survey done on China manufacturing, during the first half of 2020, even if the current COVID-19 epidemic doesn’t further spread, China’s manufacturing business would be impacted by around 20 per cent during the first half. "Considering the manufacturing volume China has, 20 per cent is huge and no country in the world can immediately substitute the quantity. Hence, the demand would further go up," Kumar said.

However, there is a cause of worry too, according to Kumar. "Slowly, the manufacturing activity has already started in China. The country has more technology driven manufacturing and huge capacities for upstream manufacturing like fibres, yarns, etc, and they have already started catching up with their production capacities. Hence, fibre and yarn producers are worried that the over-production might be dumped in India at lower prices, once the epidemic is over."

Source: fibre2fashion.com- Mar 03, 2020

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GST – What is the way forward?

In the Indian federal tax system since 1935, the Constitution armed the Union and the states with a large number of taxes that they could levy. Capsizing a variety of taxes into a single GST has been a revolutionary step in simplifying the tax regime. The other central task in GST was to create a system wherein credit of tax paid on inputs is laid out as an unbroken chain, starting with the initial stage of production from raw materials to the final stage of supply to a consumer. This system, known by its acronym ITC (input tax credit), came with severe restrictions and punitive measures that traders have resented and so far not let these come into force. Moreover, the extent of revenue loss on account of the ITC system is astounding. The leap forward with respect of ITC has clearly missed its threshold and more needs to be done.

The ITC system envisions that a claimant would seek an ITC against the tax invoice issued by the supplier of that input, provided the supply has been received by the recipient. The claimant would be entitled to use the credit to pay the tax on his supplies and then file a report (titled GSTR 3 in GST laws) of all supplies made by him and the various input credit availed by him. This is the basic procedure followed in any ITC system. The GST law has placed a clutch of other regulatory controls to check tax evasion under which input suppliers must file details of supplies made by them in a report (GSTR 1) and the input recipient must file details of inputs received by him in a report

(GSTR 2). To assist the recipient in preparing GSTR 2, the Goods and Services Tax Network (GSTN) system creates an auto-populated report GSTR 2A of all inputs supplied to the input user. The GSTR 1, GSTR 2 and GSTR 2A are appurtenances to conduct invoice matching of details furnished by the input suppliers with details filed by the recipient. The invoice matching system, as it is called, is meant to prevent ITC misuse.

The trade has resisted the adoption of the reporting system that supports invoice matching. Traders followed the basic minimum procedure of using ITC and filing a comprehensive report similar to GSTR 3 titled GSTR 3B. Recently, the GST Council has put a restriction on traders that they can claim only 10% of the ITC claim till the input supplier files details of the supply of the input (GSTR 1 return). The measure has shored up revenue collection in the short run and is, on the face of it, designed to herd the trade into the thorny field of GST tax compliance with its invoice matching system and harsh penal clauses.

Many traders have been dealt unjustly due to GST provisions. The law presumes that if a recipient is in possession of an invoice whose maker cannot be traced, then the supply was fake and no tax was paid. In many cases it may be so, but the law should not presumptively burden a person with tax recovery and interest. Moreover, the law gives powers to pre-emptively block credit of the recipient if there is suspicion of mala fide on part of invoice-maker and supplier. The system procedure of invoice matching asks GST registrants to acquire and generate data of high quality so that data from two different sources will match. This requirement will be very hard to meet as it has been proven in most countries where it has been introduced.

The draconian laws on ITC were passed against the background of heavy infusion of fake invoices. The GST system was built over several tax systems of the Union and the states. In the old systems, there were a large number of registrations where poor people acting at the behest of fraud operators lent their names for registrations of shell companies. The real operators remained invisible. Such companies issued invoices to show supplies that were never made, and indicate payment of taxes that were never deposited with the government. These registrants later migrated to the GSTN portal to play their game in the new regime at the national level; new ones may well have been added in the GST regime. They hid their operations in a labyrinth of phoney transactions made within their own fraudsters group, till they sold an invoice to a willing GST supplier who bought the invoice without the supply. The registrant who purchased the invoice took credit of the amount of tax indicated on this invoice, which had not been deposited in the government coffers. This has knocked the base out of the input credit system.

The extent of the subterranean explosion caused by fake invoices can be gauged by government statistics. The government answered on 2-7-2019 to a parliamentary question saying that GST officers have booked 535 cases of fake invoices involving a total fraudulent claim of Rs 2,565 crore of ITC and arrested 40 persons so far in the current financial year. In 2018-19, 1,620 cases of fake invoices were registered involving fraudulent ITC claim of Rs 11,251 crore under GST and 154 persons were arrested. In September 2019, central tax officers carried out searches and detected evasion of Rs 470 crore, in which the modus operandi of fake GST invoices was used to claim export refunds. People aware of the percentage of evasion that agencies are able to unearth estimate the loss of revenue due to fake invoices at more than 5% of total GST revenue collected.

The damage to the fabric of public finance is not limited to GST revenues. Purchase of fake invoice by a fraudulent recipient is accompanied by bank transfer of full value of the invoice to the fraud operator, who returns 96% of the proceeds in cash. This leads to income-tax escapement. Further, it enables the fake invoice buyer to show higher inventory on paper than he holds, which inflates his entitlement for bank loans.

The government's response has mainly been in creating capacity for gathering actionable intelligence through data analytics and reinforcing it with harsh deterrent laws. The GSTN provides the environment for intelligence collection.

So far, however, there is no agreement in the GST Council on evolving a standard operating procedure for intelligence sharing and coordinated action against fraud between the Centre and the states. The Directorate General of GST Intelligence (DGGI) under the Central Board of Indirect Taxes and Customs (CBIC) is the only central agency for enforcement of GST laws, yet it is not recognised as a nodal agency by the State GST departments to play a role similar to that of the CBI and the NIA in countering serious GST fraud.

A pure enforcement strategy for checking revenue loss doesn't appreciate that the cost of operating a fraudulent firm and the chances of detention of actual fraudsters are both very low. Besides the taxpayers who will be most severely affected, at least monetarily, are those who may not have had an active role in the fraud. The impact of enforcement agencies on the full magnitude of the fraud is often disproportionately small to the manpower employed. This was evident in the case of gold smuggling, which could be tamed only with a change in gold import policy.

The policy measure that may provide an answer to both the needs of better enforcement and trade facilitation is a re-look at the data use policy. The data in tax payment modules has not been harnessed into reporting and verification systems though bank data is being used by many apps.

This module can help generate a tax payment index number for each invoice that would distinguish a genuine invoice from a fake one, on a real-time basis; we could call this the 'Tax Document Index Number' (TDIN). The input receiver would then receive the inputs with an invoice indicating TDIN and the system would immediately validate the invoice and inform whether tax has actually been paid on it. The system may require some refinements such as creating an e-wallet, because today traders do not pay taxes at the time of issuing invoices.

The verification of data in central excise records with bank scrolls was a practice of the civil accounts department in the past, but a manual operation became impossible with an explosion in the number of transactions. This system would get reintroduced in the electronic environment with the generation of TDIN and strengthen revenue accounting as well as control over faked invoices.

Such a strict control over input credit use would severely reduce the administrative needs for such legal provisions, as the recovery of ITC with interest in case no mens rea has been discovered on account of the taxpayer, or the need to pre-emptively block credits.

The best outcome of this system would be the scrapping of the invoice matching system that has failed in most countries and, currently, the vast majority of our traders are not ready for the rigours that the system demands of them.

The government should place highest priority on the suppression of fake invoices and liberalising GST procedures to facilitate trade and let the GSTN operate at full throttle. For this, they must immediately strengthen DGGI and seek the cooperation of the states for enforcement action.

In the long run, what would give the highest dividend to revenue and traders is the introduction of the TDIN validation system and removal of many vexatious penal provisions in the GST law.

Source: financialexpress.com- Mar 04, 2020

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Assemble in India: Move may revive exports, but widen skills gap

Our exports are shrinking—merchandise exports fell for the sixth straight month by 1.7% in January, as compared to the same month last year. While sliding petroleum prices could be partly blamed, the bottom line is that our core export segments have failed to compete in global markets. Manufacturing in India has stagnated at 15-16% of GDP, while some major Asian countries are at 35-40%.

We have the lowest manufacturing share in gross exports in the whole of Asia; India is no longer the fastest growing economy in the region, and it lags behind Bangladesh, Vietnam and Cambodia in terms of growth performance. Weakening of exports is an ominous sign for India's already deteriorating GDP growth, which is estimated to decelerate to an 11-year low of 5% in 2019-20.

When the production process is getting fragmented globally, the idea to boost production alone does not go very far in alleviating exports. Nor does it help the 'Make in India' cause of the government. Our forthcoming research, part of the 'IDFC-ICRIER Project on Global Competitiveness of Indian Economy', shows that India's exports are becoming import-oriented as the foreign content in exports increased sharply from 15.9% in 2003-04 to 27.2% in 2013-14. This indicates Indian industries are increasingly getting involved in global value chains (GVCs). GVCs have been a significant development in international trade since the 1990s as these offer an efficient path of transition from exporting largely commodities to basic manufacturing products.
One of the best examples is Bangladesh, which has used the GVC phenomenon to expand its exports of ready-made garments. The Economic Survey 2019-20 brought some degree of optimism by devoting an entire chapter, suggesting ways to integrate Indian firms into GVCs.

It proposed a scheme to integrate ‘Assemble in India’ with ‘Make in India’. Finance minister Nirmala Sitharaman in her Budget speech echoed this by announcing that the government will soon be coming out with a policy to encourage manufacturing of network products by promoting ‘Assemble in India’ as a ground for ‘Make in India’.

The Economic Survey predicts that by integrating ‘Assemble in India for the World’ into ‘Make in India’, we can create 4 crore well-paid jobs by 2025 and 8 crore by 2030. While the plan is good, the road to ‘well-paid’ jobs is not that easy. The estimate of creating 8 crore jobs by 2030 is based on the premise that India can increase its world export share of network products from 0.6% currently to 6% by 2030, assuming it can mimic China’s export performance during the first decade of the latter’s export market entry in network products—a rather strong assumption to begin with—but if these estimates are believed to be true, then the country is heading towards a widening skills gap.

As the accompanying graphic shows, a chunk of jobs created by India’s export of network products has been for workers with above secondary education, which is in sharp contrast to the corresponding share in case of overall manufacturing exports.

With the advent of transnational companies that largely control the production process of network products, the requirement for high-educated workers is only going to rise at the cost of uneducated and less educated.

Greater integration into GVCs for network products would require India to close the quality gap faced among its peers, requiring its manufacturers to leapfrog to newer technologies. As per a study by the World Economic Forum in 2018, the adoption of Industry 4.0 may impact low-skilled employees because of their vulnerability to automation. There would be winners and losers in the process, where the workers who are less educated are likely to remain excluded.

Therefore, while integrating into GVCs seems the way forward, one must be mindful of the distributional consequences on the jobs so created. Past experiences show that employment and wage gains through GVC integration have been largely biased towards more skilled workers, which contrasts with predictions of trade theory. The best example is that of China itself, where electronics GVC resulted in huge skill bias in favour of the high-skilled, thus contributing to greater inequality.

Replicating China's export performance will be difficult unless India overcomes existing structural bottlenecks. 'Assemble in India', which is intended to support exports by network industries, can be inefficient if the nation's skills do not match the requirements of the industry.

Before we invite MNEs to begin assembling network products in India, we need policies to ensure that the gains from trade will be shared evenly. To reduce workers' exposure to the risk of offshoring, the government must invest in skill development. Education and training can also help firms increasingly and efficiently fragment their production processes globally.

Source: financialexpress.com- Mar 04, 2020

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Sitharaman meets PM to discuss measures to support industries

Finance minister Nirmala Sitharaman on Tuesday met Prime Minister Narendra Modi to discuss measures to support the industry and tackle disruption from the Covid-19 epidemic.

"The meeting was held to discuss ways to support industries such as pharma that will be impacted by the outbreak of the disease," a government official said.

Besides, as part of a long-term strategy, the government is devising ways in which India can be self-sufficient in raw materials by setting up manufacturing units in the country.

"The industry should make the best use of this opportunity so that some manufacturing can shift from China to India," the official said.

Last week, Sitharaman told reporters that the finance ministry is closely monitoring the impact of the epidemic on the Indian economy. Mint had reported that top finance ministry officials met on 29 February to assess feedback from different arms of the government handling aviation, pharmaceuticals, chemicals, textiles, information technology and heavy industries on ways to deal with the epidemic.

Modi tweeted on Tuesday, “Had an extensive review regarding preparedness on the Covid-19 Novel Coronavirus. Different ministries & states are working together, from screening people arriving in India to providing prompt medical attention."

The epidemic spreading to a large number of countries has added to economic uncertainties and disruption in global trade. The development comes at a time when the Indian economy grew at its slowest pace in more than six years at 4.7% in the December quarter.

On Monday, Organisation for Economic Cooperation and Development (OECD) slashed India’s growth forecast for 2020-21 by 1.1 percentage points to 5.1%, warning that the impact of the Covid-19 outbreak on business confidence, financial markets and the travel sector, including disruption to supply chains, could shave 50 bps off global growth in 2020.

Since it was first reported in late December in China, the number of people infected has now topped 92,000 globally, and while more than 80,000 of these are in China, infections in other countries, especially Italy, Iran, South Korea and Japan, have seen an alarming rise.

While there have been no deaths in India at the moment, currently, three individuals are undergoing treatment for the virus and three cases earlier detected in Kerala have recovered. Covid-19, commonly referred to as the novel coronavirus, has been spreading fast and claiming more lives and has impacted the financial markets.

Earlier in the day, the central bank said it is monitoring global and domestic developments around Covid-19 closely and is ready to take appropriate actions.

Source: livemint.com- Mar 03, 2020

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What is the impact of Coronavirus on Indian Economy?

Coronavirus outbreak was first reported in Wuhan, China on 31 December, 2019. Before reading in detail about the impact, first, let us study about coronavirus. Coronavirus (CoV) is a large family of viruses that causes illness. It ranges from the common cold to more severe diseases like Middle East Respiratory Syndrome (MERS-CoV) and Severe Acute Respiratory

Syndrome (SARS-CoV). The novel coronavirus is a new strain of virus that has not been identified in human so far.

WHO is working closely with global experts, governments, and other health organisations to provide advice to the countries about precautionary and preventive measures. We can't ignore the fact that the outbreak of COVID-19 in China is expected to have a significant impact on the economy globally including economic slowdown, trade, supply chain disruption, commodities, and logistics.

The GDP of China is expected to decelerate by 1-1.25 percentage points over 2020 because of less production. In China, various cities and provinces are in lockdown mode. China accounts for approximately 19.71% of global GDP at purchasing power parity and obviously it will impact the economy globally. Therefore, it is estimated that the global GDP will suffer an impact of around – 0.5%.

In terms of trade, China is the world's largest exporter and second-largest importer. It accounts for 13% of world exports and 11% of world imports. The lockdown will affect around 500 million people in the country that will deeply impact its consumption of goods.

Impact of Coronavirus on the Indian Economy

Up to a large extent, it will impact the Indian industry. In imports, the dependence of India on China is huge. Of the top 20 products (at the two-digit of HS Code) that India imports from the world, China accounts for a significant share in most of them.

Click here for more details

Source: jagranjosh.com- Mar 03, 2020

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