TEXPROCIL NEWS CLIPPINGS

An ISO 9001:2015 CERTIFIED COMPANY

The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 49 of 2020 March 06, 2020

US 73.73| EUR 82.86 | GBP 95.96| JPY 0.70

NEWS CLIPPINGS

INTERNATIONAL NEWS

Global growth to 'dip below' 2019 rate: IMF chief

All hopes for a stronger growth this year have been crushed due to the novel coronavirus outbreak, which will hold 2020 global output gains to their slowest pace since the 2008-2009 financial crisis, according to Kristalina Georgieva, managing director of the International Monetary Fund, which expects 2020 world growth to be below 2019's 2.9 per cent.

"...But how far it will fall and how long the impact will be is still difficult to predict," Georgieva told a news briefing yesterday. She declined to say whether the public health crisis could push the world into a recession.

IMF will issue revised forecasts in the coming weeks, she said. Trade wars pushed global growth last year to the lowest rate since a 0.7 per cent contraction in 2009.

The change in projection would represent a more than 0.4-percentage-point drop from the 3.3 per cent growth IMF had estimated for 2020 in January as US-China trade tensions eased. The IMF is making available $50 billion in emergency funding to help poor and middle-income countries with weak health systems respond to the epidemic, she said.

About $10 billion of that can be accessed by the poorest countries at zero interest for up to 10 years, while many middle-income countries have access to a pool of about $40 billion at low interest for up to five years.

But larger emerging-market countries such as Brazil, China, and India are ineligible for such assistance, as are countries where the IMF has declared debt to be unsustainable, including Argentina.

Meanwhile, the World Bank said a day before it was providing $12 billion in immediate funds to help developing countries improve their health services, disease surveillance, access to medical supplies and working capital for businesses.

Less than two weeks ago, the IMF told G20 finance leaders in Saudi Arabia that the virus could shave 0.1 percentage point off its January global growth forecast, a milder scenario based on expectations the coronavirus would be largely contained within China.

That view changed over the past week as the virus spread rapidly outside China to more than 70 countries, Georgieva said.

The shift has vastly increased uncertainty and caused demand worldwide to weaken, hitting trade and tourism hard and slashing demand for oil and other commodities as individuals and businesses take precautionary measures to avoid infection.

In China, even as the spread of the virus has slowed, growth will be below the IMF's most recent forecast for 5.6 per cent in 2020, Georgieva was quoted as saying by global newswires.

Still, IMF was encouraged by the restart of some production in China, which is now at about 60 per cent recovered and aiming to reach 90 per cent in coming weeks, she added.

Source: fibre2fashion.com -Mar 05, 2020

HOME

****

Coronavirus threatens Central America textile industry

In Central America, where 200 million pounds of yarn thread and fabric are imported monthly to produce apparel, manufacturers are facing US$300 million worth of feedstock delays, said Alejandro Ceballos, president of top trade lobby Vestex in Guatemala.

The coronavirus outbreak is causing supply-chain disruptions across Latin America, where factories exporting apparel to the U.S. are facing significant feedstock delays from China and scrambling to find alternative sources, WWD reports.

So far, some brands and sourcing partners consulted claimed merchandise deliveries are not facing delays. Now the factories are scrambling to find alternative supplies

“Chinese yarn factories are seeing dispatch delays and if they continue, we don’t have enough local production to make up for it,” said Ceballos, adding that of US$500 million of apparel exported monthly from the CAFTA-DR free-trade block, 40 percent uses yarn that comes from Asia. “We could have a big problem.”

Ceballos said manufacturers in the region tying Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica and the Dominican Republic into a free-trade corridor with the U.S. are not yet delaying apparel deliveries to big U.S. brands such as Nike, Under Armour, Walmart or Macy's, but that if the situation continues for another two months, they may need to do so.

Central America buys much of its fabric from Hangzhou in China, ordering from the likes of Cangnan Weixiang, Spinning Factory and Dongguan Xinchao Textile Co., which are having trouble shipping products due to logistic disruptions stemming from the virus.

Ceballos said Central America also buys yarn from U.S. suppliers and other firms in Guatemala, El Salvador and Honduras, but capacity is insufficient to meet China's capacity.

If shortages increase, "we could bring fabric from other countries, but they would not meet rules of origin [for free-trade status] and would be very expensive. China's thread and texturized yarn is half the price" of alternatives found elsewhere, he noted.

Source: qcostarica.com - Mar 05, 2020

HOME

****

Sri Lankan apparel exporters face raw material shortages

Apparel exporters in Sri Lanka are impacted by disruptions of imported raw materials from China. Buyers are slashing orders as the novel Coronavirus (COVID-19) spreads into Europe, which is Sri Lanka's largest export market. Factories in Sri Lanka are to be closed for a period of two to three weeks, while some are planning to prolong it until the raw materials arrive.

Ships are unable to carry cargo from Chinese ports because there is no cargo to be carried and several trading have been cut from shipping lines from Chinese ports.

The outbreak in China has hit India's manufacturing and exports of medicines, electronics, textiles and chemicals. India sources about 70 per cent of active pharmaceutical ingredients and close to 90 per cent of certain mobile phone parts from China. Indian businesses are calling for cuts in import duties on antibiotic drugs, mobile parts and other items to help cope with the fallout from the coronavirus outbreak which has disrupted supplies from China. Credit with a backstop facility of guarantee may be offered for companies which have the capability to start immediate production of items that can feed into domestic consumption.

Source: fashionatingworld.com - Mar 05, 2020

HOME

****

The UN quantifies the impact of the coronavirus on the fashion industry: 1.5 billion dollars

The UN quantifies the impact of coronavirus on fashion. The estimates of the United Nations Organization (UN) warn that the crisis will have an impact of 1.5 million dollars for textiles and clothing. In the global calculation of the industry, the organization foresees an impact on exports of 50 billion dollars.

“It is clear that the global effects will be significant, and even if Covid-19 is retained within China, it will continue to have an impact due to the weight of the Asian country in the global value chains of world production,” Pamela Coke explained Wednesday. -Hamilton, director of international trade, at the UN conference on Trade and Development.

According to the organization, the region most affected by the coronavirus crisis will be Europe, where the impact is estimated at 15.6 billion. In the United States and Japan, the epidemic will have an impact of 5.8 billion and 5.2 billion, respectively.

The European textile industry is one of the most affected, according to the UN, with losses of 538 million dollars. It is followed by the textile industries of Vietnam, Turkey and Hong Kong, which have already lost $207 million, $164 million and $107 million, respectively.

The UN has also stressed that the crisis will be more noticeable in Italy, France and Spain, where the sector “is still very integrated with Chinese suppliers,” according to Alessandro Nicita, the organization’s international economist.

The economist added that if the spread of the virus outbreak cannot be contained, it could be “a disaster for the world economy” and could trigger a global recession, according to WWD.

Source: themds.com - Mar 05, 2020

HOME

****

China - What do You Want in Africa?

For the past decade or so, Chinese corporations have been pouring massive so-called investments into sub-Saharan Africa, especially in the mining sector. Chinese multinationals are fast establishing a foothold on the continent, which happens to be an ideal space from where they can take advantage of its mineral wealth and massive growth opportunities.

Most African leaders are welcoming this financial influx, and some have even begun to view China as a more reliable business partner than western countries. But not everyone is convinced of the economic superpower's 'good' intentions. Some even worry that China is in the process of trying to colonise the continent.

Why Africa?

Africa is known as the final frontier of the emerging markets. It is not only home to seven of the 10 fastest-growing economies; the continent is also experiencing massive population growth which means that a large chunk of the global population will eventually be African. Thriving African markets, and those doing business there, will be well placed.

Challenges like malaria deaths and child mortality rates are plummeting as rapidly increasing literacy rates and internet access are opening massive pools of previously obscured talent.

Governance is improving and democracy is burgeoning. Not to mention the incredible options for investment in countries like Mozambique, Nigeria, Ethiopia, and South Africa. The Chinese seem to have copped on to this and are now tapping into all of this potential with seemingly limitless support.

China: 'It's a Mutually Beneficial Relationship'

Chinese corporations continue to assert that the financial aid it's pumping into the continent is done with no strings attached and that their relationship with Africa is symbiotic. While local economies are supported by Chinese companies buying large quantities of metals and minerals, these companies are also drastically undercutting local manufacturing prices. This forces African countries to import finished goods from China.

A lot of these goods are poorly manufactured, but because Africa can’t match the cut-rate prices, the continent has become dependent on these products. Sadly, the Nigerian textile industry has been brought to its knees because of an incursion of cut-priced textile products from China.

And that’s not all there is to it - upon closer inspection, it becomes clear it’s not all about above-the-board business with China, their lack of transparency in business dealings is questionable at best, and they’ve been meddling with things that have absolutely nothing to do with them.
An Undercurrent of Political Factors at Play

China has even gone so far as to interfere with African politics. Recently, a peace deal was made between Guinea and Beny Steinmetz, an Israeli mining magnate, after long and contentious court proceedings relating to the Simandou iron-ore project. After years of sitting on the rights to the deposit, China failed to develop anything.

Like many other business dealings by Chinese corporations in Africa, there is a marked lack of transparency in deals and bidding processes - and this deal was no different. In fact, it is still not clear whether the rights were lawfully obtained by the Chinese through political interference.

This lack of transparency has resulted in the African continent feeling ambivalent about the involvement of the Chinese in its mining sector and other industries. One has to wonder what the motivation behind this lack of clarity and political meddling could be, if not an attempt at some new way of colonising the continent.

Source: africanexponent.com - Mar 05, 2020

HOME

****

Indonesia merits special treatment in global trade: INDEF

Indonesian economists feel their country still deserves special treatment in global trade despite the United States recently taking the country off its list of developing countries. They urged the government to defend its developing nation status so that Indonesia continues to benefit from the World Trade Organisation's (WTO) special differential treatment (SDT).

Based on its gross national income (GNI) per capita and parameters of social development, among other factors, Indonesia should still be considered a developing country, economists at the Institute for Development of Economics and Finance (INDEF) said.

Indonesia's GNI is only around $3,800 per capita, much lower than that of the United States, INDEF economist Tauhid Ahmad said in a press conference in Jakarta recently.

According to the World Bank's parameter, high-income economies are those with a GNI per capita of $12,376. Indonesia with a GNI per capita of $3,840 in 2018 is considered a lower-middle-income economy, the category for countries with a GNI per capita between $1,026 and $3,995.

Based on several social development parameters, Indonesia had more characteristics of a developing country than a developed one, INDEF senior economist Aviliani said.

In the United Nations Development Programme's Human Development Report 2018, Indonesia ranked 111th with a human development index (HDI) score of 0.707, or 96 ranks below the United States, which ranked 15th with an HDI of 0.920.

Aside from the aforementioned parameter, Aviliani explained, numerous other characteristics justified Indonesia defending its developing country status. The majority of Indonesia's population still works in agriculture with traditional farming equipment, and high levels of unemployment were indicators of a developing country, he said.

The United States Trade Representative (USTR) rolled out a new policy in February and removed several countries from the list of developing and least-developed countries, including Indonesia.

INDEF researcher Ahmad Heri Firdaus said with the new US policy, Indonesia's exported goods would be subject to higher import taxes, which could increase the price of the goods in the international market, according to a report in an Indonesian newspaper.

According to a simulation he ran with the Global Trade Analysis Project (GTAP), assuming that import tax would rise to 5 percent from the current position, Indonesia's main export products to the United States would suffer a loss of up to 2.5 per cent.
Several commodities would be affected. For example, textile product exports would decrease by 1.56 per cent and components for electric machines were projected to decrease by 1.2 per cent.

Source: fibre2fashion. com - Mar 06, 2020

HOME

****

Coronavirus: the crisis in China tenses sourcing in Bangladesh on the brink of the monsoon

"This is like and airport, if the airport has slots for 8 a.m. until 11 pm at night and is obliges a plane to land at 6 a.m. or at two at dawn, it is landing at non-commercial hours." This is how a senior executive in the sector sums up the paralysis of textile production in China as a result of the coronavirus outbreak and the role of Bangladesh in the current circumstances.

Even more so, the coronavirus crisis is tensing the supply chain in Bangladesh when the country is at the brink of the monsoon season, a time at which occupational accidents tend to surge.

The paralysis of textile production in China since last January has caused large fashion groups, most of them European, to start looking at nearby markets, such as Turkey or Morocco, to stock up. However, large productions are reverting to Bangladesh, a market that accounts for 6% of world textile exports.

In 2018, China accounted for 37.6% of total textile exports and 31.3% of clothing exports, a long distance from the second largest global fashion exporter, the European Union.

On the other hand, Bangladesh takes the bronze medal when it comes clothing exports, the Asian country accounts for 6.4% of global trade, according to the latest data from the World Trade Organization (WTO).

The Bengali market has continuously increased its sales abroad during the last decade, and in 2018 it saw a surge of 11%, to 32 billion dollars. It is closely followed by Vietnam, which covers 6.2% of clothing exports; India, with a 3.3% share, and Turkey, with 3.1%, Indonesia, Cambodia and the United States complete the board pie chart representing between 1% and 2%, respectively.

Industry sources of the sector warn that production is moving to Bangladesh at the most critical moment of the Bengali weather, the pre-monsoon. The monsoon is a seasonal wind that is produced by the displacement of the equatorial belt and travels through Bangladesh from June to September, triggering floods every year that leave fatalities among the country's population.

The extremely high temperatures of the pre-monsoon season end up affecting the workers, with factories pressured to respond to order with broken delivery times due to the Chinese crisis. Several executives specialized in sourcing admit the risk that this situation may result in work accidents.

"All production has been compromised in a country that has a capacity limit, furthermore, it is already entering in dark side - explains a manager-; that is, they acknowledge production, but you don't know where they are going to produce it, because the factories are compromised, the slot is sold."

However, the same sources indicate that since the Rana Plaza catastrophe that took place in 2013 and left more behind more than one thousand dead "the country is very controlled", while some groups have minimized their activity in the country.

A good example of this is Inditex. Zara's parent company currently has a small productive activity in Bangladesh: the country concentrates 6% of its suppliers and 4% of factories that work with Inditex in the world. The Spanish group has 114 partners in the country at the end of 2018, which in turn managed 296 factories. With the paralysis of China, Inditex is taking its production to Turkey, a country in proximity that offers faster response capacity.

In parallel, Primark concentrates 90% of its production in Asia. The Irish chain controlled by AB Foods, is also putting Turkey to the test, however, the high volumes and low prices it demands force the company to move its operations from China to other surrounding countries in the market, the main one being Bangladesh.

“The time at which Bangladesh collapses, if it ever comes to collapse, there are no countries left in the world where manufacturing can occur,” advises a director. However, all experts consulted warn that about the risk of shortage. “If I am a company that has a high concentration of my production chain in China, 50% or 40%, the purchasing teams must now be at the point of collapse, because they can't find where to land the plane,” they affirm.

“The time at which Bangladesh collapse, if it ever collapses, there are no countries left in the world where manufacturing can occur,” advises a director. “Let’s not fools ourselves, we are talking about moving billions of units, not millions,” adds another; there is no production capacity in the world that can undertake this.

The fashion industry is one of the pillars of the Bengali economy. Garment alone employs 4.5 million people in the country, covers 84% of its exports and accounts for around 20% of its gross domestic product (GDP).

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) encompasses around 4,500 factories that, according to the association, represent 100% of flat fabric garments, of which about half are knitted.

Source: themds.com - Mar 05, 2020

HOME

****

Sri Lanka Apparel industry holds crucial meeting today to assess virus hit

The representatives of Sri Lanka's apparel sector will meet today to assess the impact of the coronavirus (COVID-19) outbreak on the industry, which is also in fear of going out of work in the immediate term, Mirror Business learns.

The heads of garment factories and Joint Apparel Association Forum (JAAF) leadership will be getting together to take stock of the situation by taking into account the damage thus far, explore the avenues of recovery and identify the assistance required from the government, to sustain the industry in the immediate term. The in-depth discussion and analysis carried out today would later be presented to President Gotabaya Rajapaksa.

Meanwhile, Sri Lanka Apparel Exporters Association (SLAEA) Chairperson Rehan Lakhany shared with Mirror Business that one of the biggest fears currently is the possibility of losing work, due to the delays in importing raw materials from China, namely fabric.

Sri Lanka currently imports approximately 25 percent of its textiles from China. Sri Lanka imported US $ 218.1 million worth of cotton and US $ $ 132.6 million worth of knitted/crocheted fabric from China in 2018.

According to Lakhany, some apparel manufacturers are exploring the option of halting operations for a few weeks as they may struggle to pay their workers who would go idle due to the non-availability of fabrics.

Labour costs account for about 30 percent of the overall expenditure of garment factories, which Lakhany said is a substantially high cost to be shouldered by the factories in the event of no work.

"While certain garment factories would have an issue meeting deadlines, which is a minor problem at the moment, the bigger problem is that we fear our factories will go out of work," Lakhany said.

He shared that with the April Sinhala/Tamil New Year holidays coming up in a few weeks, a number of factories are considering closing down until after the holiday season.

The local apparel sector targets a 6 percent year-on-year (YoY) growth in export earnings this year.

The country earned a record US $ 5.3 billion from apparel exports in 2019, a 5.1 percent growth compared to the previous year.

According to the Customs provisional data, apparel exports fell 0.5 percent in January 2020 from a year ago to US $ 472 million.

Source: dailymirror.lk- Mar 05, 2020

HOME

****

Bangladesh: Export earnings drop to $26.24b in eight months

The country's export earnings fell by 4.79 per cent to US$26.24 billion in the first eight months of the current fiscal year (FY20) against $27.56 billion in the corresponding period of the last fiscal.

The earnings also fell short of the target by 12.72 per cent set for the period, according to the latest data of the state-run Export Promotion Bureau (EPB).

The monthly export earnings during the period under review also maintained a downtrend except in the months of July and December.

The single-month export earnings in February last edged down by 1.80 per cent to $3.32billion.

Exporters and officials said overseas sales declined as receipts from ready-made garment (RMG) sector dropped, the country's top foreign currency earner, accounting for more than 84 per cent of the overseas sales.

The apparel sector fetched nearly $21.84 billion during the July-February period of FY20 against $23.12 billion during the same period a year earlier.

Earnings from woven garments fell by 5.88 per cent to $10.94 billion, the EPB data showed. Proceeds from knitwear exports during the period fell by 5.17per cent to nearly $10.89 billion.

The woven and knitwear exports fetched $11.63 billion and $11.49 billion respectively in the July-February period of the last fiscal.

Earnings from other key sectors also fell during the first eight months of the current fiscal year, compared with the period a year earlier.

The EPB data showed that earnings from home textile stood at $526.08 million, down by 7.47 per cent from $568.55 million. It fell short of the target by 10.65 per cent.

According to the EPB data, export earnings from leather and leather goods fell by 9.04 per cent to $631.89 million during the period under review from $694.72 million of the corresponding period of the last fiscal.

Jute and jute goods exports during the period, however, climbed by 24.45 per cent to $697.63 million from $560.56 million.

Agro-products like vegetables, fruits and spice fetched $667.36 million, up by 3.83 per cent. Pharmaceuticals exports grew by 7.23 per cent to $96.72 million.

Frozen and live fish exports fetched $376.73 million in the first eight months of current fiscal, registering a negative growth of 4.39 per cent. Export of engineering products fell by 3.94 per cent to $217.23 million from $226.13 million.

The country brought in $40.53 billion from goods exports during the last fiscal, of which about $34.13 billion came from textiles and clothing alone, the data show.

Source: thefinancialexpress.com.bd - Mar 05, 2020

HOME

****

Pakistan: Growth rate in textile sector increasing: Razak Dawood

Despite economic challenges confronted by Pakistan Tehreek e Insaf (PTI) government, the textile sector of Pakistan was showing a remarkable progress for the last two months.

These views were expressed by Adviser on Commerce, Textile, Industry & Production, Abdul Razak Dawood while talking to a private tv channel.

Thirteen percent increase in the Textile sector was a sign of victory for the traders and exporters community, he said.

He further stated that the government was trying to facilitate the textile sector with affordable gas and electricity prices.

The government was taking decisions to resolve the genuine issues of the exporters community, he added.

About foreign investors, he said international companies had started exploring business opportunities in Pakistan.

The government, he said was also taking keen interest in the export of information technology and softwares.

To a question about high interest rate and difficulties faced by the industrial sector, Abdul Razak Dawood said in the next week, suggestions would be forwarded to the participants of the meeting going to mull over monitoring policy issues.

He hoped that matters relating to mark up rates would be considered for speeding up the industrialization in the country.

Source: aaj.tv- Mar 05, 2020

HOME

****

NATIONAL NEWS

Coronavirus & its impact on various sectors

Covid-19 impact

The number of coronavirus cases in India rose to 29, including 16 Italians touring through Rajasthan, the government said on Wednesday. The trade impact of the coronavirus epidemic for India is estimated to be about $348 million. The country now figures among top 15 economies most affected by the manufacturing slowdown in China, says a UN report. This is how Confederation of Indian Industry put forth the impact analysis for various sectors:-

Auto

The impact would depend on the extent of their business with China. The shutdown in China has prohibited import of various components affecting both Indian auto manufacturers and auto component industry. However, current levels of inventory seem to be sufficient for the Indian industry. In case the shutdown in China persists, it is expected to result in an 8-10 per cent contraction in Indian auto manufacturing in 2020. However, for the fledgling EV industry, the impact of coronavirus may be greater. China is dominant in the battery supply chain, as it accounts for around three-quarters of battery manufacturing capacity.

Pharma

Though India is one of the top formulation drug exporters in the world, the domestic pharma industry relies heavily on import of bulk drugs (APIs and intermediates that give medicines their therapeutic value). India imported around Rs 24,900 crore worth of bulk drugs in FY19, accounting for approximately 40 per cent of the overall domestic consumption. With India's API imports from China averaging almost 70 per cent of its consumption by value, importers are at the risk of supply disruptions and unexpected price movements. For many critical antibiotics and antipyretics, dependency on imports from China is close to 100 per cent. These APIs require large capacities of fermentation boilers, a USP of Chinese manufacturers, giving an upper hand to Chinese manufacturers. Delivery and tracking of consignments are still uncertain within China whether inward or outward.

Chemicals

Local dyestuff units in India are heavily dependent on imports of several raw materials, including chemicals and intermediates, from China. Delayed shipments from China and a spike in raw material prices are affecting the dyes and dyestuff industry, especially in Gujarat. Nearly 20 per cent of the production has been impacted due to the disruption in raw material supply. China is a major supplier of specialty chemicals for textiles, especially Indigo required for denim. The business in India is likely to get affected and people are securing their supplies. However, it is also an opportunity since the US and the EU will try and diversify their markets and mitigate China risk. Some of this business can be diverted to India if taken advantage of.

Electronics

China is a major supplier both for the final product as well as the raw material used in electronics industry. India's electronics industry is fearing supply disruptions, production reduction, impact on product prices due to heavy dependence on electronics component supply-directly and indirectly-and local manufacturing. The spread of coronavirus could have pushed down the sales of top electronic companies and smart phone makers which have major supplies to India.

Solar Power

Solar power project developers in India continue to source solar modules from China. Modules account for nearly 60 per cent of a solar project's total cost. Chinese companies dominate the Indian solar components market, supplying about 80 per cent of solar cells and modules used here, given their competitive pricing. Chinese vendors have intimated Indian developers about delays happening in production, quality checks and transport of components, due to the outbreak. As a result, Indian developers have started facing a shortfall of raw materials needed in solar panels/cells and limited stocks.

Information Technology

The extended Lunar New Year holidays in China have adversely impacted the revenue and growth of domestic IT companies, operating out of China. IT companies are heavily dependent on manpower and are not able to operate due to restriction in movement of people arising from lockdown and quarantine issues. Consequently, they are not able to complete or deliver the existing projects in time and are also declining new projects. Further, the global customers for Indian IT companies in China have started looking for other service providers in alternate locations such as Malaysia, Vietnam, etc.

Shipping

There have been complaints of shipment delays between India and China, there are serious concerns regarding the overall earnings of Indian shipping companies in the first quarter of 2020. There has been a sharp drop in the dry bulk cargo movement since the third week of January 2020, as the shutdown in China has meant that ships cannot enter Chinese ports.

Tourism & Aviation

The aviation sector has also been impacted by the spread of coronavirus. The outbreak has forced domestic carriers to cancel and temporarily suspend flights operating from India to China and Hong Kong. Carriers such as Indigo and Air India have halted operations to China. The temporary suspension of flights to China and Hong Kong would lead to domestic carriers missing out on gross revenue targets.

Textiles

Many garment or textile factories in China have halted operations owing to the outbreak of coronavirus, adversely affecting exports of fabric, yarn and other raw materials from India. The disruption is expected to slow down cotton yarn exports by 50 per cent, leading to a severe impact on the spinning mills in India. Due to this slowdown in the flow of goods and hence revenue, textile units may be hampered in making annual interest and repayments to financial institutions, thereby defaulting their dues.

This will also adversely impact the demand from cotton farmers, who were already witnessing subdued prices and fear that the said price may fall further if the China crisis continues unabated. It may be mentioned that India already has a price disadvantage against countries like Vietnam, Pakistan and Indonesia which have duty free access to China for export of cotton yarn. On the other hand, the coronavirus issue in China unfolds a big opportunity for all those industries where China is a major exporter.

Source: economictimes.com- Mar 06, 2020

HOME

****

Trade impact of Coronavirus epidemic for India estimated at 348 million dollars: UN report

UNITED NATIONS: The trade impact of the coronavirus epidemic for India is estimated to be about 348 million dollars and the country figures among the top 15 economies most affected as slowdown of manufacturing in China disrupts world trade, according to a UN report.

Estimates published by United Nations Conference on Trade and Development (UNCTAD) Wednesday said that the slowdown of manufacturing in China due to the coronavirus (COVID-19) outbreak is disrupting world trade and could result in a 50 billion dollar decrease in exports across global value chains.

The most affected sectors include precision instruments, machinery, automotive and communication equipment.

Among the most affected economies are the European Union (USD 15.6 billion), the United States (USD 5.8 billion), Japan (USD 5.2 billion), South Korea (USD 3.8 billion), Taiwan Province of China (USD 2.6 billion) and Vietnam (USD 2.3 billion).

India is among the 15 most affected economies due to the coronavirus epidemic and slow down in production in China, with a trade impact of 348 million dollars.

The trade impact for India is less as compared to other economies such as EU, the US, Japan and South Korea. Trade impact for Indonesia is 312 million dollars.

For India, the trade impact is estimated to be the most for the chemicals sector at 129 million dollars, textiles and apparel at 64 million dollars, automotive sector at 34 million dollars, electrical machinery at 12 million dollars, leather products at 13 million dollars, metals and metal products at 27 million dollars and wood products and furniture at 15 million dollars.

“Besides its worrying effects on human life, the novel strain of coronavirus (COVID-19) has the potential to significantly slowdown not only the Chinese economy but also the global economy. China has become the central manufacturing hub of many global business operations. Any disruption of

China's output is expected to have repercussions elsewhere through regional and global value chains," UNCTAD said.

Over the last month, China has seen a dramatic reduction in its manufacturing Purchasing Manager's Index (PMI) to 37.5, its lowest reading since 2004.

This drop implies a 2 per cent reduction in output on an annual basis. This has come as a direct consequence of the spread of corona virus (COVID-19).

"The 2 per cent contraction in China's output has ripple effects through the global economy and thus far has caused an estimated drop of about USD 50 billion across countries,"UNCTAD said.

"The most affected sectors include precision instruments, machinery, automotive and communication equipment," it added.

UNCTAD said because China has become the central manufacturing hub of many global business operations, a slowdown in Chinese production has repercussions for any given country depending on how reliant its industries are on Chinese suppliers.

"In addition to grave threats to human life, the coronavirus outbreak carries serious risks for the global economy," UNCTAD Secretary-General Mukhisa Kituyi said.

"Any slowdown in manufacturing in one part of the world will have a ripple effect in economic activity across the globe because of regional and global value chains," he said.

Pamela Coke-Hamilton, who heads UNCTAD's Division on International Trade and Commodities, said for developing economies that are reliant on selling raw materials, the effects could be felt "very, very intensely."

"Assuming that it is not mitigated in the short-term, it's likely that the overall impact on the global economy is going to be significant in terms of a negative downturn," she said.

The estimated global effects of COVID-19 are subject to change depending on the containment of the virus and or changes in the sources of supply.

Meanwhile, the extent of the damage to the global economy caused by novel coronavirus COVID-19 moved further into focus as UN economists announced a likely USD 50 billion drop in worldwide manufacturing exports in February alone.

Highlighting the ongoing uncertainty surrounding the economic impact of the epidemic, in which there have been more than 90,000 confirmed cases in more than 70 countries (the majority in China) and over 3,000 deaths, Coke-Hamilton said that US measures “in terms of visitor arrivals, cancelling various meetings” were having a “knock-on effect” in terms of demand.

“So right now, we're not clear on where it will go – a lot will depend on what happens with COVID-19; if they are able to come up with a vaccine then hallelujah, hopefully it will end very quickly, but if not, the impact can be severe,” she said.

Source: economictimes.com- Mar 06, 2020

HOME

****

Cotton, yarn prices fall as coronavirus brings exports to China to a halt

Cotton and yarn prices have declined by up to 10 per cent during the past one month on a domestic supply glut that emerged after exports to China came to a grinding halt. The cessation of shipments to that country was caused by the lockdown of shops and factories there, following the coronavirus outbreak.

Raw (unginned) cotton in the Gondal (Gujarat) market shed almost 10 per cent to trade at Rs 4,280 a quintal on Wednesday from a level of Rs 4,755 a month ago. Cotton yarn lost 2-3 per cent over the last one month, while synthetic yarn declined by 4-5 per cent during the past one month, following a fall in crude prices.

Atul Ganatra, president of Cotton Association of India, said globally cotton yarn prices have dropped to 60.50 cents on the Intercontinental Exchange on February 28 from 71.5 cents. This has also impacted exporters margins.

The lockdown in China of retail shops and factories has hit India's cotton and yarn exports hard with shipments came to an abrupt halt. "India's cotton and yarn exports to China have halted due to lack of orders from there. Even Indian exporters have not evinced any interest in pursuing with export orders. In case any quality or quantity issue arises after shipment, travelling to China for clearing the cargo will be difficult," said Arun Sakseria, a city-based cotton exporter.

Price of cotton and yarn is taking a beating due to poor sentiment in the market due to the outbreak of coronavirus in China and deterioration of quality in the present kapas arrivals.

Looking at the decline in cotton prices, the government owned Cotton Corporation of India (CCI) has offered a discount of Rs 3,200-5,000 per candy (1 candy = 356 kg) for old stock purchased in bulk.

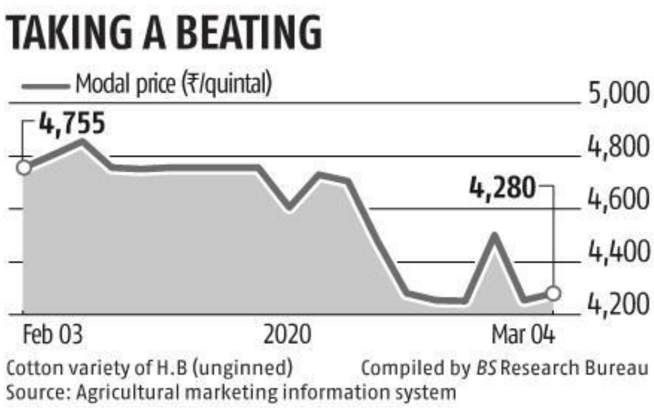
The decline in raw material prices is likely to benefit textile mills and their profit margins may go up in the coming quarters.

"Raw material costs have started moderating due to the outbreak of coronavirus which has impacted demand / production in China. Disruption in supply chain or production of polyester yarn in China is likely to provide greater export opportunities to Indian polyester manufacturers later," said Madhu Sudhan Bhageria, chairman and managing director, Filatex India Ltd. In the Budget last month, the government had removed anti-dumping duty on purified terephthalic acid (PTA), a raw aterial for synthetic yarn.

The abolition of anti-dumping duty on key raw material input PTA has changed the landscape of synthetic textile manufacturers. The Indian textile industry has been stagnating in spite of the slowdown in China.

According to Icra, the coronavirus outbreak has started exerting pressure on yarn realisations, which have corrected by 2-3 per cent since the beginning of February 2020. This follows a brief recovery seen in India's cotton yarn exports in the month of January 2020 when the exports touched an estimated 100 million kg, in line with India's historical monthly average, following a weak performance for nine consecutive months earlier.

The domestic cotton spinning industry is highly dependent on exports, particularly to China, with around 30 per cent of the cotton yarn produced in the country being exported, and China accounting for nearly one-third of the exports in recent years.



Jayanta Roy, Senior Vice-President and Group Head, Corporate Sector Ratings, Icra, said, "Even though domestic cotton fibre prices continue to be competitive vis-a-vis international cotton prices at present with a price spread of about 4 per cent (down from 9 per cent in Feb-20), a further correction in international cotton prices amid demand-side uncertainties could render domestic spinners uncompetitive in the international markets, similar to the situation which was witnessed in H1 FY2020."

For synthetic yarn, Raw material cost has started moderating because the outbreak of coronavirus is likely to impact demand for polyester yarn in China, which accounts for around 65 per cent of global demand. As a consequence, the price of PTA, a key raw material that accounts for more than half of the sales price of polyester yarn, is expected to be under pressure in the near term.

Source: business-standard.com- Mar 06, 2020

HOME

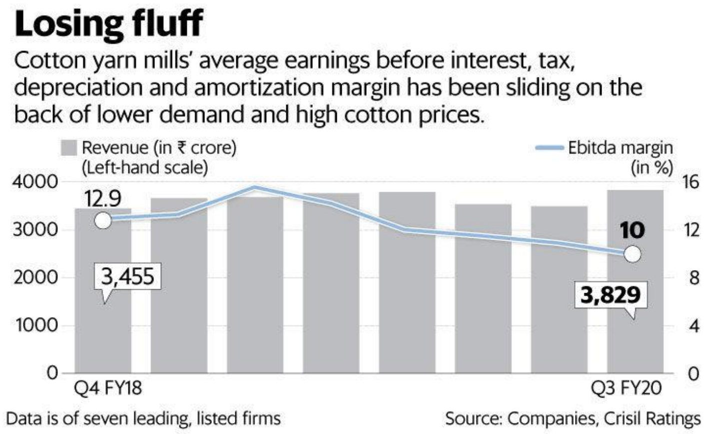
****

Spinning mills caught in a web as Covid-19 snaps yarn exports to China

Cotton mills are set to spin a discouraging performance for the year ended 31 March. The Covid-19 outbreak has stalled yarn exports to China since January.

The upshot: revenue and profits of mills are at risk as nearly a fourth of India's cotton yarn exports go to China.

According to officials in the Southern India Mills Association, cotton yarn exports in January (valued at $513 million) plunged as much as 50% from a year earlier. This would impact spinning mills adversely, especially since exports in the first six months were already down by 30-40%.



Even in terms of global trade, one cannot ignore the fact that China is among the largest importers and exporters of cotton and yarn.

Shipments to China have stopped due to the lockdown in the region since the outbreak of the coronavirus. International prices of both yarn and cotton are down by 3-6% since the Covid-19 outbreak.

What this means is that domestic spinning mills will be caught in a web of unsold yarn stock, soft prices, high raw material costs and inventory carrying costs. Unfortunately in India, the minimum support price offered to farmers by the government stymies a commensurate drop in cotton prices, in spite of weak demand.

"As such, the mills were operating on thin spreads even in the first six months of FY20. While some recovery was expected in the fourth quarter, which is typically the best, lower exports to China will be a dampener for domestic yarn manufacturers," said Anuj Sethi, senior director at Crisil Ratings.

The chart alongside shows how Ebitda margins of yarn mills have been falling on weak revenue traction. Ebitda stands for earnings before interest, tax, depreciation and amortization. Data from Crisil Ratings shows the average Ebitda margin of seven leading listed companies has fallen to 10% in Q3 FY20 from 14.2% a year ago.

In addition, the coronavirus epidemic has impacted the supply of dyes and chemicals to domestic textile mills that rely mainly on China, which in turn may hit yarn processing.

Meanwhile, attempts to supply processed yarn to Vietnam, which normally sources the product from China, may not help to offset the lower exports to China, given its sheer magnitude. To be sure, lessons have been learnt on the need to derisk business. The Cotton Textiles Export Promotion Council's efforts to seek alternative markets and supply chains for the industry are bound to take time.

While the development has had a mixed impact on share prices of spinning mills, the larger integrated mills may be able to tide over the situation. However, most mid-sized spinners may face margin erosion and even suffer losses.

Source: livemint.com- Mar 05, 2020

HOME

****

FDI inflow into India dips by 1.4% to $10.67 bn in Oct-Dec

Foreign direct investment (FDI) into India dipped marginally by 1.4 per cent to $10.67 billion (about ₹76,800 crore) during October-December period of fiscal 2019-20, according to government statistics. FDI inflow during the same period of the last fiscal was $10.82 billion and while in the July-September period of the current fiscal, it stood at $9.77 billion.

During the April-December period of 2019-20, FDI into India grew by 10 per cent to $36.76 billion as against $33.49 billion in the same period of 2018-19, the data shows.

Sectors which attracted maximum foreign inflows during the nine-month period include services ($6.52 billion), computer software and hardware ($6.35 billion), telecommunications ($4.29 billion), automobile ($2.50 billion) and trading ($3.52 billion), according to a news agency report.

Singapore continued to be the largest source of FDI in India between April and December in this fiscal with $11.65 billion in investments. It was followed by Mauritius ($7.45 billion), the Netherlands ($3.53 billion), Japan ($2.80 billion) and the United States ($2.79 billion).

Source: fibre2fashion.com- Mar 05, 2020

HOME

****

Remove ADD on acrylic fibre, change FTA lists: NITMA

The Northern India Textile Mills' Association (NITMA) recently demanded removing anti-dumping duty (ADD) on acrylic fibre for enhancing competitiveness in the value chain and excluding polyester staple yarn (PSY) from the lists of items in the free trade agreement (FTA) with the Association of Southeast Asian Nations, or inclusion of its raw material, polyester staple fibre (PSF), in the list.

A NITMA delegation led by president Sanjay Garg recently met textiles secretary Ravi Capoor to discuss a host of issues concerning textiles mills. The delegation also requested Capoor to consider locating one of the ten proposed mega textiles parks under the ministry of textiles in Punjab so that it can act as a textile growth hub across the northern region.

A joint delegation of Ludhiana Spinners Association (LSA) and NITMA also met commerce and industry minister Piyush Goyal and Som Parkash, minister of state handling the same portfolio, on March 2 to discuss the same concerns.

Due the inclusion of the finished product PSY of the spinning mills managed by micro, small and medium enterprises (MSMEs) in the list of items in the FTA, it is cleared with zero duty. Hence, there has been a surge in imports of PSY, particularly from Indonesia and Vietnam.

However, PSY's immediate raw material PSF is being imported at full duty of 5.5 per cent since it is not included in the list of items. This has denied a level playing field for Indian spinning mills, NITMA explained.

Capoor, however, said it may be difficult to make amendments in the FTA and it may also take a little longer to review it. He said it may be possible to identify other trade-related measures to arrest the surge in imports of PSY.

He suggested NITMA to point out some non-tariff barrier (NTB) measures, such as checking the quality standard of the imported yarn, which if introduced as a compliance measure, could help reverse the hike in yarn imports.

NITMA told Capoor ADD has been imposed on acrylic fibre for the last 23 years from almost all exporting countries, hence making the raw material costly for domestic acrylic yarn manufacturers. As a result Bangladesh exported $2.5 billion worth of sweater products, whereas India only exported $0.07 billion worth such products in 2018, though, both were at par in 1992, NITMA said.

Capoor urged NITMA to approach the Directorate General of Trade Remedies (DGTR) for this as imposition of ADD is decided by the latter.

Source: fibre2fashion.com- Mar 05, 2020

HOME

****

TEA, FIEO, AEPC, ITF meet Indian commerce secretary

Export-related issues like anti-dumping duty on viscose fibre, extension of the interest equalisation scheme to large corporations, inverted duty issue in refund of goods and services tax (GST), free trade agreements (FTAs) with the European Union (EU) and the United States, trade agreements with Canada and Australia were some of the topics discussed with commerce secretary Anup Wadhawan by garment industry bodies recently.

They also discussed the pending announcement of the Remission of Duties or Taxes on Export Product (RoDTEP) notification, non-receipt of Rebate on State Levies (ROSL) fund before March 7, 2019, making turnover the basis for categorising as a micro, small and medium enterprise (MSME), the parliament bill on contract labour and the availability of ad-hoc incentive only up to December 31, 2019.

The trade associations were Tiruppur Exporters' Association, the Federation of Indian Exporters Associations (FIEO), the Apparel Export Promotion Council (AEPC) and the Indian Texpreneurs Federation (ITF), according to a TEA press release.

There are clauses in the Foreign Trade Policy handbook of procedures because of which job working units like knitting, dyeing, bleaching, calendaring, compacting, printing and embroidery—the backbone of Tirupur knitwear export cluster—are facing a huge problem to fulfill export obligation within the prescribed block period and as a result, MSME units are showing less interest in opting for modernisation of machinery, TEA said. The current procedure favour and promote large corporate units, it alleged.

The organisations requested extending the exemption from payment of integrated tax and compensation cess under the Advance Authorisation Scheme by two more years till March 31, 2022, as the industry has not witnessed significant growth in exports in the last two years.

Standard input output norms (SION) are not available for knitwear garment items like pullovers, jackets and trousers, and when the application is made for fixing norms for these items, the committee usually takes a longer period, almost five to six months to fix the norms. This has become a difficulty for exporting units, the TEA press release said.

As raw materials import from China for manufacturing of dyes and chemicals has stopped due to the novel coronavirus outbreak, all domestic manufacturers of dyes and chemicals have increased the cost by 30 per cent and even after the increase, the products are not available. Another 25 per cent rise in the cost of dyes and chemicals is anticipated.

Source: outlookindia.com- Mar 04, 2020

HOME

****