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INTERNATIONAL NEWS

Global exports of cotton yarn drops 13.7% in 2019

The global trade of cotton yarn, containing 85.00 per cent more by weight of cotton, have shown a tremendous fall in the year 2019. Total trade decreased 11.10 per cent from $24,062.80 million in 2017 to $21,391.39 million in 2019, according to data from TexPro. The total trade of cotton yarn declined 14.86 per cent in 2019 over the previous year.

Further the trade is anticipated to drop to $17,934.61 million in 2022 with a rate of 16.16 per cent from 2019, according to Fibre2Fashion's market analysis tool TexPro.

The global export of cotton yarn was $12,567.38 million in 2017, which declined 10.10 per cent to $11,298.48 million in 2019. Total exports substantially fell 13.73 per cent in 2019 over the previous year and is expected to move down to $9,631.26 million in 2022 with a rate of 14.76 per cent from 2019.

The global import value of cotton yarn was $11,495.43 million in 2017, which reduced 12.20 per cent to $10,092.91 million in 2019. Total imports fell 16.09 per cent in 2019 over the previous year and is expected to drop to $8,303.34 million in 2022 with a rate of 17.73 per cent from 2019.

India ($2,853.92 million), Vietnam ($2,440.99 million), China ($1,288.89 million) and the US ($1,106.34 million) were the key exporters of cotton yarn across the globe in 2019, together comprising 68.06 per cent of total export. These were followed by Pakistan ($1,013.29 million), Indonesia ($486.15 million) and Turkey ($440.15 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by Vietnam (38.74 per cent) and the US (2.89 per cent).

China ($4,640.10 million) and Turkey ($522.00 million) were the key importers of cotton yarn across the globe in 2019, together comprising 51.15 per cent of total import. These were followed by Italy ($490.59 million), Vietnam ($333.61 million) and South Korea ($320.45 million).

From 2016 to 2019, the most notable rate of growth in terms of import value, amongst the main importing countries, was attained by Turkey (19.22 per cent).

Source: fibre2fashion.com– Jun 05, 2020

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HK-ASEAN FTA, investment pact valid for Indonesia on Jul 4

The part relating to Indonesia under the free trade agreement (FTA) and the investment agreement (IA) between Hong Kong (HK) and the Association of Southeast Asian Nations (ASEAN) will enter into force on July 4, according to a Hong Kong government spokesman, who recently said Indonesia will progressively reduce and eliminate customs duties on goods originating from Hong Kong.

The tariff commitments made by Indonesia cover different kinds of Hong Kong commodities, including jewellery, apparel and clothing accessories.

To enjoy the preferential tariff treatment for exporting Hong Kong goods to Indonesia under the FTA, Hong Kong traders have to comply with the relevant preferential rules of origin and fulfil the related requirements, and to apply for certificates of origin from the Trade and Industry Department (TID) or government-approved certification organisations to cover the goods concerned, an official release said.

On trade in services, Hong Kong service providers will enjoy better business opportunities and legal certainty in market access for different services sectors in Indonesia under the FTA.

Under the IA, Indonesia will provide Hong Kong enterprises investing in its area with fair and equitable treatment of their investments, physical protection and security of their investments as well as the assurance of the free transfer of their investments and returns.

In case of expropriation or investment loss owing to war, armed conflict or similar event, Indonesia will also provide compensation to Hong Kong enterprises investing in its area according to the agreed standard as specified under the IA.

With this development, there will be a total of eight ASEAN member states—Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam—for which both the FTA and the IA have entered into force. The dates of entry into force for the remaining two ASEAN member states, Brunei Darussalam and Cambodia, will be announced as soon as they are confirmed, the release said.

Source: fibre2fashion.com – Jun 04, 2020

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Textile Exchange releases 2025 Sustainable Cotton Challenge report

Textile Exchange, a global non-profit that creates leaders in sustainable fibre, has released second annual 2025 Sustainable Cotton Challenge report which serves as a cornerstone for change in apparel and textile industry by encouraging brands and retailers to commit to source 100 per cent of their cotton from the most sustainable sources by the year 2025.

This report includes information and statistics on the achievements and impacts that the initiatives in this programme are having on water, communities, soil quality, biodiversity, and social considerations and regulations.

The purpose of the 2025 Challenge is to increase the uptake of organic and preferred cotton, which has the ability to increase the income of smallholder farmers, eliminate highly hazardous pesticides, eliminate or reduce the amount of pesticides and synthetic fertiliser used, reduce water use and improve water quality and soil health.

Today, 22 per cent of the world's cotton is more sustainable. By 2025, it is the vision of the 2025 Sustainable Cotton Challenge that more than 50 per cent of the world's cotton is converted to more sustainable growing methods.

Source: fibre2fashion.com– Jun 05, 2020

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JC Penney closes 154 stores permanently

JC Penney is permanently closing 154 stores and will pursue store liquidations, as part of its Chapter 11 bankruptcy restructuring plan. The department store chain had previously planned to close 242 locations, leaving about 600 open. The company expects additional phases of store closing sales tol begin in the coming weeks. It believes that its store optimization strategy is vital to ensuring it emerges from both Chapter 11 and the COVID-19 pandemic as a stronger retailer with greater financial flexibility to allow it to continue serving its loyal customers for decades.

The company had reopened nearly 500 stores since government officials eased COVID-19 restrictions. The 117-year-old department store chain was already facing financial pressure before the COVID-19 crisis hit. In its most recent quarter, same-store sales fell more than expected and its net loss nearly doubled.

Source: fashionatingworld.com– Jun 05, 2020

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Gap records $932 million loss in Q1

As per recent IBES data from Refinitiv, Gap Inc recorded $932 million loss in first quarter as against $2.11 billion loss predicted by analysts. This was mainly because the apparel retailer had to shut stores to curb the spread of COVID-19.

The San Francisco-based brand, which operates nearly 2,800 stores in North America, had recorded a profit of $227 million year earlier.

The loss recorded by the brand also included a $484 million writedown on store and operating lease assets and an inventory impairment charge of $235 million. Net sales declined 43 per cent to $2.11 billion from $3.71 billion.

Source: fashionatingworld.com– Jun 05, 2020

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No new import duty on fabrics from India, Vietnam: Jakarta

Indonesia has exempted fabrics made in Vietnam and India and synthetic yarn and curtains made in South Korea and Hong Kong from new import tariffs imposed on some textile products from May this year till November 2022, according to the country's finance ministry. The move aims at protecting the domestic upstream industry from a recent surge in imports.

In 2019, the Indonesian government imposed temporary additional duties on imports of textiles and textile products up to 67.7 per cent, according to Vietnamese media reports.

Moody's Investors Service had earlier warned that the US-China trade tensions could lead to an influx of Chinese yarn, fabrics and garments into Indonesia, potentially disrupting the stable levels of demand and supply in the country.

Source: fibre2fashion.com– Jun 05, 2020

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Pakistan, China universities sign agreement on textile cooperation

An agreement on textile cooperation was jointly signed by National Textile University (NTU), Pakistan and Shanghai University of Engineering Science (SUES), China last week.

According to SUES, NTU is the very first Pakistani partner for SUES, and the move is of great significance when it comes to the educational exchanges and cooperation between universities of South Asian countries involved into China's Belt and Road Initiative (BRI), China Economic Net reported on Friday.

Xia Jianguo, the President of SUES, noted that the signing ceremony was SUES's first move of international cooperation ever since the COVID-19 outbreak. The iron-clad friendship between China and Pakistan has laid a solid foundation for the cooperation and exchanges between both universities.

President Xia spoke highly of the competences and characteristics of research and talent training in NTU regarding textile. Over the years, SUES has conducted a wide range of international exchanges and cooperation with overseas universities and enterprises, he mentioned, adding that he firmly believed the cooperation would provide both with more opportunities for common development.

Prof Dr. Tanveer Hussain, the Rector of NTU, expressed his heartfelt thanks to SUES for the arrangement and preparation for the video signing ceremony.

He said NTU has been the premier institute of textile education in Pakistan, meeting the technical and managerial human resource needs of almost the entire textile industry of Pakistan ever since its inception.

What is more, he expressed full confidence and keen expectation for a long-term cooperation between the two universities in multiple levels and fields.

The signing ceremony was held in video form. Directors from SUES's Office of International Cooperation and Exchange and the Institute of Textile and Garment were present

Source: app.com.pk– Jun 05, 2020

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Pakistan: GSP-Plus facility to continue till 2023, Senate told

Adviser to Prime Minister on Commerce Abdul Razak Dawood on Friday informed the Senate that European Union (EU) extended its Generalised Scheme of Preferences (GSP)-Plus facility to Pakistan until 2023.

Speaking during the Question Hour, Dawood said that as a result of the EU's "Special Incentive Arrangement for Good Governance and Sustainable Development", Pakistan had been given the GSP-Plus facility, allowing Pakistani products a duty-free access to EU on 91% tariff lines.

Pakistan's total trade with the EU in 2018-19 was worth $14,158.29 million with exports amounting to $7,986.11 million against imports of $ 6,172.18 million. He added the trade balance of $1,813.93 million in 2018-19 remained in favour of Pakistan.

"This arrangement has helped Pakistani products to compete successfully with similar products originating from other competitors, such as China, India, Bangladesh, Turkey and Vietnam etc," Dawood told the house.

"Pakistani products have duty-free access on 91% of EU's tariff lines to all 27-member states [of the continental bloc] since January 1, 2014," he said. "The preferential access sectors include textiles, leather, surgical and sports goods and also non-traditional sectors including light engineering dry fruits, marble, handicrafts, and pharmaceutical."

According to the adviser, the GSP-Plus had been granted to Pakistan for 10 years — from January 1, 2014 to December 31, 2023. He said the GSP-Plus was linked to the implementation of 27 UN Conventions

"A biennial review is carried out by the EU to monitor the compliance of Pakistan with its treaty obligations," Dawood said. "Three biennial reviews have been successfully concluded in 2016, 2018 and 2020 and the GSP-Plus facility for Pakistan will continue."

He told the house that the concerns raised by the EU regarding human rights, labour rights, climate change and governance, in its Third Biennial Review Report had already been shared with the quarters concerned.

"Continued compliance with the 27 UN Conventions is mandatory for Pakistan to retain this status as GSP-Plus is very important for Pakistan. The continuation of this facility is the collective responsibility of media, politicians and business community," he added.

Responding to a supplementary question, Dawood said Pakistan has got orders for the export of personal protective equipment. The adviser said the country's fruits, vegetables, meat and poultry exports to the Middle Eastern countries witnessed 36% growth over the last 12 months.

Responding to another question, Dawood said Pakistan enjoyed close and cordial relations with Turkey and was negotiating a free-trade agreement with it to promote trade relations.

Source: tribune.com.pk– Jun 05, 2020

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APS Group of Bangladesh develops antiviral knit fabrics to fight Covid-19

A face-mask, using the technology and other clothing items, will go on mass production soon

APS Group, an export-oriented apparel manufacturer, has developed a knit fabric with antiviral, antibacterial, and water repellent properties which is claimed to kill coronavirus.

Earlier, Zaber and Zubair Fabrics, a sister concern of apparel exporter Noman Group, also developed woven fabrics which they claimed could kill coronavirus.

"Covid-19 pandemic affected people's lives, as well as the global economy badly. It will not disappear shortly so we have to deal with the situation to return to our normal lives," Hasib Uddin, chairman of APS Group told Dhaka Tribune.

"Considering people's health safety and the sustainability of the fashion industry amid the Covid-19 pandemic, in collaboration with Swiss textile company HeiQ, and Zaber and Zubair Fabrics, we developed antibacterial and antiviral treated knit fabric," added Hasib.

HeiQ Viroblock technology has been used to develop the fabric.

HeiQ Viroblock treated textiles help reduce the risk of viral and bacterial persistence on dry inanimate surfaces, lowering the potential for transmission, he remarked.

The technology has proven its effectiveness against viruses that commonly affect human health, Hasib mentioned.

HeiQ Viroblock NPJ03 is suitable for face masks, especially respirators like N95, FFP2 or equivalent, medical non-woven surgical gowns, scrubs, drapes, curtains, clothing products, and home textiles.

How it works

The technology used on the antiviral fabric is a unique combination of advanced silver and fatty spherical vesicle technologies. The silver delivers antiviral and antibacterial effects by attracting oppositely charged viruses and binding it permanently to their sulphur groups.

Meanwhile, the vesicle works as a booster that helps to deplete the viral membrane in seconds, destroying the virus. This technology has gone through extensive Good Laboratory Practice (GLP) tests on the antiviral efficacy against a varied set of viruses, including the human coronavirus 229E.

The tests have been performed by Microbiotest, a division of Microbac Laboratories located in the US. “We have already developed a two-layered face-mask using the fabric which is washable at least up to 20 times,” said Hasib.

He further added: “On the top layer of the mask, there is antiviral and antibacterial as well as water repellent properties. Water droplets cannot penetrate the top layer and virus or bacteria get killed immediately,” Hasib claimed.

“The inner layer has a water repellent element which prevents droplets from going out when the wearer sneezes. This way, the mask protects the wearer as well as others,” he added.

When a virus is on the fabric, it will break the fatty layer and kill the virus, the APS Group chairman said. “Our fabric is made of cotton and regenerated fibre, making it fully biodegradable,” Hasib stated.

The masks available in the market are not biodegradable, which makes them a threat to the environment, he opined. The company is planning to release their face masks in Dhaka within the next two weeks.

Primarily, the company will produce 15,000-25,000 masks a day. However, they are capable of supplying 500,000-600,000 pieces if there is sufficient demand. The company also plans to make personal protective equipment (PPE) and clothing for the local markets using the same fabric.

The company has applied for certification for going global as well as selling in the domestic market. “We have applied for FDA and CE certification, and expect to get them within the next 10 days,” Hasib said.

"Global apparel buyers from the US, and the EU including Italy and Germany have already queried about the product. An Indonesian company has also shown keen interest in partnering with us," he added.

Source: dhakatribune.com– Jun 05, 2020

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Bangladesh: BKMEA places cash incentives demand in its budget proposal

In its budget proposals, the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) has demanded 10 per cent cash incentive against the use of local raw materials for the next two years, and 4.0 per cent for imported ones.

Consumer demand is projected to fall by 40%, leading to a decrease in commodity prices, making it hard for exporters to survive. Also, several factories will shut down because of the continuing Coronavirus outbreak. Hence, BKMEA also recommended the government to provide a guideline for exit in the upcoming budget. The association also demanded continuation of the existing 0.25 per cent source tax for the next year and withdrawal of 5.0 taxes on cash incentive.

Other specifications include: industrial racking system (IRS) duty-free import, industrial thermostat dehumidifier, and other safety equipment.

About the IRS, if they can set up international standard compliant factories and bonded storage facilities, the trade body hopes to receive more job orders from foreign buyers. A modern IRS, according to it, helps to store huge amounts of goods in a short space and carry them out quickly in a bonded warehouse.

Source: textilefocus.com– Jun 05, 2020

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NATIONAL NEWS

Finance Ministry expects most MSMEs to avail credit under GECL in June

The Finance Ministry expects the majority of the targeted businesses — including micro, small & medium enterprises (MSMEs) — to avail the Guaranteed Emergency Credit Line (GECL) in June itself.

The scheme is aimed to benefit 45 lakh businesses, out of which 1.5 lakh have already applied. It is operational till October 31 or till an amount of ₹3-lakh crore is sanctioned, whichever is earlier.

The scheme, announced as part of the Aatmanirbhar Bharat package, intends to provide guaranteed loans of up to ₹3-lakh crore to businesses with a turnover of up to ₹100 crore and loan outstanding of up to ₹25 crore as on February 29, 2020.

Up to 20 per cent of the outstanding will be provided as a new term loan. Though the rate of interest has been capped at 9.25 per cent for banks and financial institutions and 14 per cent for NBFCs, public sector banks have agreed to offer 7.5 per cent.

Banks reaching out

A senior Finance Ministry official said that as on date, the total loan sanctioned is approximately ₹13,500 crore, while over ₹6,000 crore has been disbursed. “It is not a scheme for which someone has to apply. It is a pre-approved one — you have to say no to opt out. Banks are reaching out to all eligible borrowers,” he said, adding that though the scheme is operational till October, the expectation is that it will reach the peak this month itself.

The scheme offers a one-year moratorium on the principle, but interest is payable during the period. The principle is to be repaid in 36 instalments once the moratorium period is over. According to the guidelines issued by the National Credit Guarantee Trustee Company Ltd, not only MSMEs, but also other businesses that fulfil the eligibility criteria can avail credit.

Under the scheme, banks/NBFCs can offer GECL of up to 20 per cent of the borrower's total outstanding credit. The actual loan extended can, therefore, be less than 20 per cent of the total. While the bank/NBFC is expected to be liberal in sanctioning such loans, it is also expected to evaluate credit proposals by using prudent judgment and discretion/due diligence, the guidelines say. A business does not need to be registered as an MSME to get the credit.

This scheme also includes MUDRA borrowers, who can get credit up to ₹5 crore. GST registration is mandatory for borrowers except for those for whom it's not required. A separate loan account is opened for the borrower for extending additional credit under GECL. The tenor of the loans is four years from the date of disbursement. No pre-payment penalty will, however, be charged in case of early repayment.

The government has provided a corpus of ₹41,600 crore for the scheme, which will be spread over four years starting with the current fiscal. According to the guidelines, MSMEs or businesses constituted as proprietorship, partnership, registered company, trusts and limited liability partnerships (LLPs) are eligible under the scheme.

Source: thehindubusinessline.com– Jun 05, 2020

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'Atmanirbharta' from China — easier said than done

India is much too dependent on China to break away from it easily. We should, instead, focus on boosting manufacturing in areas where we have a change of taking the lead

In these days of atmanirbharata, there is continuous chatter exorting Indians to stop buying Chinese goods and huge traffic on the subject on Whatsapp and news channels. There were apps which help remove Chinese apps — which have since been taken out by Google Play — proudly forwarded by people claiming they have done it. These messages are flowing through mobile phones (or on on TV sets via set-top boxes — all of these gadgets are made in China.

Is it realistic for India to stop buying from China, and will these gestures really "teach it a lesson"? Who does it impact, more China or India, and is there a way we can overtake China in some areas? Let's look at these aspects, along with areas where we can lead the world, including China, in manufacturing.

Dependence on China

India currently imports over $75 billion worth of goods from China, which is the largest source of imports for India. The US and other countries come next, but remember here that we do not buy defence equipment from China — and if you exclude defence, the gap between the No 1 source ie China and others will even larger. For China, India is the seventh- largest recipient of exports with a share of 3 per cent. So in case India does reduce its imports, it will have negligible impact on China.

On the other hand, India exports $16 billion worth of goods to China, which is about 5 pr cent of China's imports.

So, India is quite dependent on China and if there is a disruption, it will impact several sectors and increase costs on most products for consumers/ industry, if we were to import from other more expensive sources. Several sectors will face significant disruption and cost increases:

Mobile phones: India is estimated to import mobile phone components worth ₹7,000-8,000 crore from China every month. Chinese brands are estimated to have about 60 per cent market share of mobile phones sales in India.

This excludes Apple, which is not completely manufactured in China, as well as components that go into other non-Chinese brands. If we add these, the total share of China in mobile phones could be over 75 per cent.

Electronics and consumer durables: This industry is also heavily dependent on China for its components and finished products. There is a significant jump expected in sales of TVs, washing machines, dish washers etc post lockdown, which will result in more imports from China.

Solar industry: About 84 per cent of the solar requirement for the National Solar Mission is met through imports from China. India has plans of significantly enhancing its power generation through solar, and demand from China is expected to go up here too.

Pharmaceutical industry: There is a heavy reliance on Chinese imports for raw materials in the pharmaceutical industry. In some cases, such as life-saving drugs, the dependence on Chinese imports is 90 per cent. Similarly, most of the medical equipment is largely imported or dependent on Chinese components, including ventilators.

Textile industry: India has free trade agreements (FTAs) with least developed countries such as Bangladesh. Chinese fabric is manufactured into garments in Bangladesh, and imported at lower costs to India.

There are several other industries which are highly dependent on China eg. bicycles, firecrackers, small components, building material, toys etc.

So, we may end up shooting ourselves in the foot by stopping purchases of Chinese products in the short term. The better approach is to work at the national, State and industry levels to indigenise and produce more intermediates and products in the country, or finding alternate sources. However, these decisions need to be taken commercially, not based on sentiment or regulations. No one wants the government to dictate what is to be produced and how, which will mean return to Licence Permit raj.

Manufacturing potential

China has achieved its current status through clarity of strategy and effective implementation for over three decades, which can’t be overtaken or replaced in the short term. This is something we should realise and think through before making grand public statements which have the potential to irritate our biggest source of imports and hurt both manufacturing and consumption in the short term.

India is also far away from its target of having manufacturing cntribute 25 per cent of the GDP (something that has been discussed for over a decade) — currently, it is only at about 17 per cent. Clearly, we are not able to make that leap, and the current policies and strategies are not yielding adequate results.

India needs to think of a strategy based on its strengths, and retool several aspects of economy and the focus on implementation. With clarity of strategy in the medium-to-long term, we can achieve domination in some sectors of the economy through a combination of Indian and global expertise and capital. Experts usually focus on ease of doing business, consistent taxation policies, land acquisition and labour policies, which are well documented and debated.

Additive technologies

India can focus on one area where it can differentiate and attract global and domestic investors and be a leader in the future — additive manufacturing. The next big thing will be 3D (additive) manufacturing, and robotics and automation. This is the confluence of manufacturing and IT. India is at the leading edge on IT and is also has a good base of advanced manufacturing, and thereby it has the platform to become a leader in this space globally.

This can be the answer to China's prowess of mass manufacturing, and if we can take the lead here in a decade or so, we can leave China far behind. So whilst China became the global leader in mass manufacturing, India can become the world leader in distributed manufacturing by focussing on 3D. We need to approach this strategically and develop a holistic framework to achieve this. Some fo the actions to achieve this could be:

Set up a National Institute for Advanced Manufacturing to educate, research and develop technologies in this area. This can be done along the lines of ISRO, where the best global experts are invited to contribute and given adequate autonomy.

Identify the best global companies in this space and woo them to come and set up R&D in India.

Encourage Indian companies who venture into this space with tax breaks and other incentives (being a nascent sector, this will not make any dent on the national budget).

Announce a fund like the ones being proposed by Govenment of India to invest in the equity of start-ups in this space.

Encourage government institutions like ISRO, NAL and other leading defence institutions to actively work on this with budgetary support. This will ensure that there are multiple people working on this area.

India identified this area early, and even announced the National Policy for Advanced Manufacturing as far back as 2016, but we are yet to see significant actions on this area by the government and industry. The time has come to focus on this area now.

We should take a strategic view and develop a clear plan for domination. Let us avoid being swayed by slogans which can cause more harm than benefit to reduce dependence on China. Let us focus on areas where we become leaders in fields of our own choosing.

Source: thehindubusinessline.com– Jun 05, 2020

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FDI in non-bank lenders needs to be explored for greater support to MSMEs: Gadkari

Union minister Nitin Gadkari on Thursday said foreign direct investment can be explored in the NBFC sector, which in return will prove to be a huge support to micro, small and medium enterprises (MSMEs). The minister opined that strengthening of non-banking lenders or NBFCs, state cooperative banks, district cooperative banks, credit societies, etc is required to extend support to MSMEs during this challenging time.

Further, foreign direct investment (FDI) can be explored in non-banking financial companies (NBFCs) to strengthen them, which will lead towards greater support to MSMEs, an official statement said quoting the minister.

He said a credit rating mechanism can be devised for NBFCs also to support them adding that a possibility needs to be explored to get some foreign investment in the NBFC space.

He said in a situation where an NBFC has a good credit rating, it can be a good thing if such a company can also attract foreign investment but a criteria needs to be fixed for this purpose.

Regarding request for extension of interest subvention scheme for MSMEs, which was in place until March 31, 2020, Gadkari said: "We have already recommended to the Finance Ministry for giving extension to this scheme. I am trying my level best to get it approved... If I get it, definitely we will continue this scheme".

The minister, who also holds road transport portfolio, held meetings via video conferencing with the representatives of Council of Leather Export, FICCI-'NBFC Program' and IMC Chamber of Commerce and Industry on impact of COVID-19 on MSMEs.

Addressing the representatives of Council of Leather Export, the minister mentioned that the proposal for establishing leather cluster nearby to Agra Ring Road may be submitted.

These industrial clusters may develop smart cities, smart villages and other infrastructure to help the people working in leather sector of Agra. He added that the permission from Ministry of Aviation may be explored for using private airline for the purpose of sending export products.

Gadkari said that the need of the hour is to fight the war against COVID-19 pandemic while continuing the economic activity. The minister further mentioned that the pandemic can be a blessing in disguise, and we need to utilise this opportunity. He emphasised on usage of PPE (masks, sanitiser etc) and advised to maintain social distancing norms.

He mentioned that special focus is required to reduce imports from other countries. He added that the Ministry of MSME is working on two booklets to cover details about last three year's export and import.

Source: economictimes.com– Jun 05, 2020

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Domestic apparel makers report 84% drop in May sales as focus shifted to manufacturing masks: CMAI

Domestic apparel makers have noted a sales drop of 84% during the month of May over the same period last year, predominantly as some factories shifted business focus to manufacturing masks and PPE products, said The Clothing Manufacturers Association of India (CMAI) that represents leading firms including Aditya Birla Fashion and Lifestyle, Arvind Fashions, Future Group, Shoppers Stop and Raymond.

A survey conducted by the apex body amongst its members at the end of May noted a decline in sales for the month. “Compared to the corresponding period of May 2019, the members surveyed indicated a drop (in sales) of 84% over last year – and that too, primarily because some factories had started manufacturing masks and other PPE products,” said CMAI in a press statement.

The survey also noted that the domestic apparel business saw “zero” production of regular products this May. Only 22% of the garment factories across the country are operational currently, it said.

“Contrary to what is thought, the situation has hardly improved even after easing of restrictions and attempts to open up the economy. Factories are operating at an average 25% of their capacity. 40% of the factories that have started functioning, are engaged in the manufacture of current essential products like masks and PPE products,” CMAI added.

According to the survey as of May 15, of those who had applied for the additional working capital loan (Covid Line) as directed by Reserve Bank of India (RBI), only 26% received assistance from their bankers. The balance 74% continue to have their applications in the ‘processing’ stage.

“The garment Industry is going through an unprecedented crisis, and unless immediate steps are undertaken to permit uniform opening up of all shops, market complexes, and malls (maintaining social distancing and health check norms), as well as factories, and the banks step in to assist, the garment Industry in India is heading towards an unmitigated disaster,” said CMAI.

The apex body has recently urged the government to also consider levying a temporary additional Covid import duty on import of readymade garments for a period of 12 months to create a level-playing field. This move was suggested as the domestic garment manufacturing industry anticipates a slow down of demand for a year severely impacting business.

Source: economictimes.com– Jun 05, 2020

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To revive economy, India has to focus on sectors with 'pull effect': Suresh Prabhu

Long-term financing of infra projects is a challenge, says former Union Minister

India needs to focus on key sectors with a 'pull effect', such as automobiles, real estate and hospitality, logistics and transport, to emerge from the economic slowdown that has worsened due to the Covid-19 disruptions, said Suresh Prabhu, India's Sherpa to the G-20 and former Union Minister.

Speaking at the BusinessLine Knowledge Series webinar on 'Economy, Trade and Investments: Challenges Ahead' on Thursday, Prabhu said: "We have to work on certain structural changes to take our economy from $2.9 trillion to $5 trillion.

Due to the novel coronavirus our priorities have changed. There are resource constraints. So, to come out of it, we have to work on certain sectors which can have a pull effect." He was in conversation with Raghavan Srinivasan, Editor, BusinessLine. The webinar was powered by Indian Institute of Plantation Management, Bengaluru.

Automobile, the mainstay of India's manufacturing, should be a focus sector, said Prabhu. "Most of the stable blue collar jobs are in this sector. It also pushes the services sector. When you buy a vehicle, you need to service it, which leads to a tremendous pull for the services sector," he said. Higher tractor sales could also boost agriculture, he added.

Boosting real estate

Another crucial sector is real estate, which is heavily labour-intensive, said the former Commerce & Industry Minister. "If you pull that sector, it will also create demand for manufactured products. Increase in demand for steel and cement will create employment and revenue for the people. The PM's vision of housing for all can also be fulfilled," he said.

For boosting hospitality, tourism, logistics and transport, one anchor sector has to be chosen, Prabhu said. For instance, if aviation improves, the related upstream and downstream sectors will benefit.

A detailed plan to improve infrastructure is already being worked out as the sector will create jobs and add to the GDP. However, the issue of financing infrastructure is a challenge as private investments are vital, he said. "For infrastructure, long-term papers maturing after 15-20 years are needed. We have to develop our secondary market and debt market," he added.

Global trade

Prabhu further said India has to improve its share of global trade and, to do that, it has to work out a strategy and get more market access in other countries. "This could be done through the World Trade Organisation and we should look at reviving it," he said. It can also happen through free trade pacts and it needs to be seen how these could be made better for India.

To reduce imports, India has to manufacture more and for that it needs to attract investment-driven FDI, he added.

Source: thehindubusinessline.com– Jun 05, 2020

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India provides opportunity to nations looking to diversify supply chains from one country or region: Foreign Secretary

Foreign Secretary Harsh Vardhan Shringla without naming China, which has emerged as the manufacturing hub of the world, has suggested that countries "will be looking for maximum diversification of their production and supply chains in the medium to long term, weaning away from extreme dependence on any one particular country or region."

He emphasised that this phenomenon provides India with an important opportunity to develop itself into a low-cost manufacturing hub which will position India as the preferred investment destination.

Shringla further pointed out that over-reliance on a particular country or region for sourcing Indian imports, or as markets for Indian exports, requires a re-think.

"In the changed times and in the event of disruptions in our supply chains, countries around the world will be looking for maximum diversification of their production and supply chains in the medium to long term, weaning away from extreme dependence on any one particular country or region," Shringla suggested in a speech delivered to NASSCOM virtually on Wednesday.

"This offers us with an important opportunity. Developing India into a low-cost manufacturing hub will help us position ourselves as the preferred investment destination," he said and referred to India's highly functioning democratic systems and high levels of transparency in governance which are important to build investor confidence. It is pertinent to point out here that China's opaqueness has been often been questioned by governments and business groups from across the world.

"Combined with the ease of doing business and easily accessible capital, India is a promising manufacturing destination. We have to bank on our strengths and plug in the gaps, wherever possible."

Pointing out that Indian industries and business chambers are an important part of economic diplomacy and global economic outreach, the Foreign Secretary noted, "Broadly, the Indian industry is expected to think of business and lifestyle models that were easily adaptable, ensuring that business and commerce can run smoothly, even in the times of a crisis."

"Companies and industries, across the world and even in India, are being pushed to ensure that their resilience capabilities are developed in order to face the repercussions of unexpected events and to maintain elasticity helping them to return to the original state of business quickly. This will require initiatives that restructure the internal working of the businesses and their wider networks."

Referring to anxiety among Indian citizens and industry about restrictions on H1B visa, Shringla said, "the Government of India has closely consulted all stakeholders and engaged with the US Government on this issue. Prime Minister had taken this up, along with the issue of the totalization agreement, during the visit of President Trump to India in February 2020."

"The onset of the COVID-19 pandemic in the U.S. and the attendant impact on the U.S. economy has led to a change in the situation. We need to adopt a realistic yet effective approach. Accordingly, our approach has been to work at the diplomatic level and deal with each specific issue one at a time.

We were able to intervene early on in our lockdown with the US Government on the issue of temporary relief for H1B visa holders whose visas were expiring in this period, on a case-by-case basis."

"...High skilled Indian professionals working in the US through H1B and related non-immigrant visa regimes bridge the crucial skill gap and provide technological and competitive edge to the US companies. We have also highlighted that high-skilled Indian professionals are engaged in the fight against COVID across various fields including doctors, nurses, tech workers developing solutions for companies fighting the epidemic. We hope the review of non-immigration visa by the US Government will take into account the long term benefits of H1B visa for US competitiveness and not affect provision of essential services at this critical hour."

This month's NFAP (National Foundation for American Policy) study has shown that the unemployment rate for workers employed in Computer Occupations was actually lower last month than it was in January 2020. Similarly, the CATO study's results on H-1B employers paying the professionals about 20% higher than the average market wage have also been highlighted.

Source: economictimes.com– Jun 05, 2020

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GST Council to meet on June 12

The GST Council is scheduled to meet on June 12 and is likely to discuss the impact of the Covid-19 pandemic on tax revenues, sources said.

The 40th meeting of the GST Council, headed by Finance Minister Nirmala Sitharaman and comprising state counterparts, will be held via video conferencing. The meeting would discuss the impact of the pandemic on revenues of the Centre and States and ways to bridge the revenue gap, sources said.

Faced with dismal collection and extended deadline for filing returns, the government has refrained from releasing the monthly GST revenue collection figures for the months of April and May. The Council will also discuss ways to garner funds to compensate States for the revenue loss due to Goods and Services Tax (GST) implementation.

In the previous council meeting on March 14, 2020, Sitharaman had said that the Centre will look into the legality of GST Council borrowing from market to meet the compensation requirements.

With States raising the issue of shortfall in compensation kitty, there were discussions on resorting to market borrowing to meet the revenue guarantee to States. Under GST law, States were guaranteed to be paid for any loss of revenue in the first five years of the GST implementation from July 1, 2017. The shortfall is calculated assuming a 14 per cent annual growth in GST collections by States over the base year of 2015-16.

Under the GST structure, taxes are levied under 5, 12, 18 and 28 per cent slabs. On top of the highest tax slab, a cess is levied on luxury, sin and demerit goods and the proceeds from the same are used to compensate States for any revenue loss.

The Council would also discuss waiver of late fees for non-filing of GST returns for the period August 2017 to January 2020.

Source: thehindubusinessline.com– Jun 05, 2020

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Spinning mills to face heat of higher cotton MSP

Spinning mills are expected to take a severe hit with the government raising the minimum support price of cotton.

The development comes when spinning mills are facing multiple challenges including fall in demand for fabrics and garments both in domestic and international markets due to the Covid pandemic.

However, higher MSP will benefit farmers to increase the coverage in the forthcoming kharif season starting October. The MSP for the medium-staple variety was increased by ₹260 a quintal to ₹5,515 per quintal, the price for the long-staple variety revised upwards by ₹275 a quintal to ₹5,825 per quintal, an increase of 5 per cent over this cotton year ending September.

Jayanta Roy, Group Head, ICRA Ratings, said the move is set to benefit farmers who will commence harvesting from October. The increase in MSP well before the sowing begins and timely onset of monsoon augur well for cotton sowing.

Although cotton sowing in key regions in the Western and Southern belts is yet to start in a meaningful manner, initial sowing patterns in the northern belt indicate higher acreage for the year. Nevertheless, cotton crop remains highly vulnerable to pest attacks and hit output. The locust swarm, which entered India in mid-May and has hit several parts of western and northern India including Rajasthan, also pose a looming threat for the crops as these insects feed on a large variety of crops.

Stock levels to rise

With a double digit decline likely in cotton consumption, closing stock levels are expected to shoot up significantly.

After falling consistently between February and April, cotton prices had gathered some support last month amid increased buying by China to replenish its state cotton reserves.

"Demand-side pressures globally and expectations of higher carryover stocks from the current cotton year are likely to result in a negative bias in the international cotton prices. The higher MSP, however, is expected to act as a price floor, cushioning the decline," said Roy.

Given that cotton is an internationally-traded commodity, any artificial build-up of domestic cotton prices owing to a higher MSP has the potential of rendering the domestic crop and domestic textile players uncompetitive in the global markets.

Source: thehindubusinessline.com– Jun 05, 2020

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MSP hike augurs well for cotton sowing but poses a threat to spinners: Icra

The announcement by the Cabinet Committee on Economic Affairs (CCEA) on June 1, 2020, approving an increase in the minimum support prices (MSPs) for kharif crops (including cotton) for the Cotton Year 2020-21 augurs well for cotton sowing but is likely to be unfavourable for the domestic spinning sector.

While the MSP for the medium-staple variety stands increased by Rs 260 per quintal to Rs 5,515 per quintal, the price for the long-staple variety stands increased by Rs 275/quintal to Rs 5,825/quintal, translating into an increase of 5% over the level fixed for CYi2020 (refers to Indian cotton year, ending September 2020), said an Icra analysis on Friday.

The increase of 5% in cotton MSP for CYi2021 comes after a muted 2% increase implemented for CYi2020, which followed a significant increase of 26-28% announced for CYi2019. The hike is in line with the announcement made in the Union Budget 2018-19, to fix the MSPs at a level of at least 1.5 times of the all-India weighted average cost of production.

Commenting on the impact of the development on the sector, Jayanta Roy, senior V-P and group head, Icra Ratings, said: "The move is set to benefit the farmers on commencement of harvesting for the ongoing kharif season, from October 2020 onwards.

It is a positive development for them and is likely to encourage cotton sowing, despite a fall in cotton prices witnessed in the recent months. However, the move may heighten challenges for the domestic spinning companies, as this comes at a time when the Covid-19 pandemic has resulted in severe demand-side pressures in the international textile markets."

Increased MSP, timely onset of monsoon and expectation of normal monsoons augur well for cotton sowing in India. Although cotton sowing in key regions in the Western and Southern belts is yet to start in a meaningful manner, initial sowing patterns in the northern belt indicate higher acreage for the year.

Nevertheless, cotton crop remains highly vulnerable to pest attacks, and output/yield expectations remain contingent on these.

In this context, the locust swarm which entered India in mid-May 2020 and has hit several parts of western and northern India including Rajasthan, pose a looming threat for the crops as these insects feed on a large variety of crops.

Source: financialexpress.com– Jun 06, 2020

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Closure of US retail units a huge blow to Indian textiles exports: GHCL MD

The Covid-19 outbreak and the consequent lockdown may have erased a fifth of annual demand in the chemicals industry, says RS Jalan, MD at GHCL, a Rs 3,000-crore conglomerate with interests in chemicals, textiles and consumer products. In an interview to Banikinkar Pattanayak, Jalan says the closure of some 150 retail units in the US, the single-largest textiles and garments market, has also dealt a blow to Indian exporters. A fourth of GHCL's textiles orders have been cancelled and another 35% of its open orders have either been pushed back or gone through a volume reduction. Edited excerpts:

The novel coronavirus pandemic has wrought havoc on the chemicals industries? How has it affected GHCL?

With the announcement of the lockdown, all consuming industries, particularly glass and detergents, closed down across the country. With consumers shutting down and local authorities enforcing the lockdown, GHCL had to shut down operations.

However, as we were carrying sufficient inventory at the plant as well as our various depots, we could give assurance to our customers that in the event of a phased resumption of operations, we could meet their requirements. We restarted our plant at the end of April at reduced levels, as demand for detergents was stabilising.

However, the glass plants were not starting up as downstream industries, including construction, auto and liquor, had not opened up. In effect, we, as an industry, are estimating a demand erosion of about 20% on an annualised basis.

In the textile segment too, the effect on GHCL has been pretty much the same as it has been for the entire industry. We decided to close down our factories right after the Janta Curfew. Our home textiles plant got permission to operate partially in early May and we are currently confecting coveralls or body suits for doctors.

Our weaving and processing operations have partially commenced too and we will ramp up production based on the directive from the government. On the exports front, almost all of the retail units in the US, which is our single largest market, have come to a grinding halt, with about 150 retailers shutting down stores across the country. This undoubtedly will have a huge impact on the inventory build-up in the country and will push back purchase decisions by several months.

Have we witnessed any cancellation/renegotiation of already-forged export contracts? If yes, what is the extent of cancellation/renegotiation?

We are normally exporting to Bangladesh, Sri Lanka and Southeast Asian nations. These countries did not have a lockdown till mid-April and so port operations continued. We are able to meet our export orders in March. Now most of these markets are closed, so the processes are delayed and we are witnessing demand erosion there also.

While there have been no re-negotiations, there have been some cancellations. Also there are indications that the marketers have softened and buyers are looking at lower pricing. In the textile business, about a fourth of our open orders globally have been cancelled, with most of the cancellations coming from the US. Another 35% of our open orders have either been pushed back or have encountered a reduction in volume.

How has been the domestic demand for soda ash and sodium bicarbonate in the past one month? What are your revenue and profitability forecasts for 2020-21 vis-a-vis 2019-20?

Demand was normal until the lockdown was announced. Thereafter there was a complete closure. We are witnessing some resumption in the detergent and pharma space. However, all other consuming industries — including glass and chemicals — remain closed. As of now, we are estimating a demand erosion of at least 20% and this will have a huge impact on our business. For the textiles business, we do not sell home textiles domestically, but based on various reports coming in, the domestic demand has clearly witnessed a serious setback.

What about the labourers, especially the migrant ones?

Our workers are returning to the plant, in keeping with the permission granted to us to operate. However, there has been an exodus of migrant laborers to their hometowns, mainly in Uttar Pradesh and Bihar. We feel it will take a while for a bulk of these people to return to work. There is, hence, a strong likelihood of a labour shortage in the short term, once we fully resume functioning.

What about your liquidity issue and is the credit flow adequate?

The situation at the moment is very volatile, creating uncertainty about the future outlook. However, at this point in time, we are not facing any liquidity issues and we are in the process of strengthening our cash flows with adequate measures to ensure adequate cash flows.

Source: financialexpress.com– June 05, 2020

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ITF to develop sustainability blueprint for textile units

Federation launches 'India for Sure' project

The Indian Texpreneurs Federation has launched a project called 'India for Sure' to develop a sustainability blueprint for textile units in Tamil Nadu.

According to a press release from the association, the blueprint would highlight the sustainability target areas, showcase the achievements of its members in these areas and their strengths. On Friday, the association launched a data collection drive on the sustainability efforts of its members.

In a month, the federation would come out with the blueprint. Brands in the global market were focusing on sustainability. Certifications were more for products now. Certifications for processes were just emerging.

There would be individual success stories on sustainable efforts. "We want to brand Tamil Nadu textile industries as sustainable manufacturers," said Prabhu Dhamodharan, convenor of the federation.

Bangladesh had marketed its sustainability efforts in a big way for the last three years. But, the manufacturers had gone in for mainly green buildings.

The textile and clothing manufacturers in Tamil Nadu had invested a lot in wind and solar energy, waste water processing etc. These needed to be showcased, he said. "This is the right time as brands are speaking about change in product portfolios."

Source: thehindu.com– Jun 05, 2020

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Industry body demands export hub in Udaipur

The Udaipur Chamber of Commerce & Industry (UCCI) has submitted a detailed proposal to the Director General of Foreign Trade (DGFT) and the state government for the development of an export hub here.

"Udaipur is a gateway to the export of goods from southern Rajasthan, including the nearby districts like Rajsamand, Bhilwara, Chittorgarh, Pratapgarh, Sirohi, Banswara and Dungarpur. The demand for goods from Udaipur is quite consistent in the global market.

Items such as lead & zinc metals, electrical & electronic equipment, fabricated goods, plastic products, HDPE woven sacks, marble & granite, soapstone & other mineral-based products, quartz & other dimensional stone products, textile, handicrafts, etc., are some of the categories which have high volume of exports," manufacturers and business magnates claimed in the proposal sent to the authorities.

Development of export hub in each district has been in the pipeline and recently it was announced by Union finance minister Nirmala Sitharaman that such export hubs will be developed soon.

"We understand that 2020-21 has begun on a disappointing note but we should set aside the worries and focus on recovery. As such government should start with the process of development of export hubs so that exports can push their production and cover the losses," said UCCI president Ramesh Kumar Singhvi.

Chartered accountant Pawan Talesara, who drafted the export plan proposal, said in the report, we have given some important policy suggestions for the growth of the exports in all categories. One suggestion is to custom notify the inland container depot at Khemli so that it can be used as a dry port. Also we have suggested the government that more container depots may be set up for better facilitation.

Among other suggestions include freight subsidy, development of handicrafts and stone clusters, notification of Maharana Pratap International Airport for custom clearances, to dispose of the old cases of IGST (integrated goods and service tax) which have been pending for a long time and simplification of export policy for marble.

Source: timesofindia.com– Jun 06, 2020

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ECGC to clear pending claims of exporters in 4 months: AEPC

The Export Credit Guarantee Corporation of India (ECGC) will clear all pending claims of apparel exporters in the next four months, AEPC said on Friday. ECGC CMD M Senthilnathan said exporters should share all their documents and correspondences with their international buyers in one go for quick processing.

He said this while participating in a webinar, organized by the Apparel Export Promotion Council (AEPC) on 'Managing Trade Credit under the COVID-19 Pandemic Situation'.

"We are working under pandemic-related restrictions. But we are trying our best and we plan to clear all pending claims in four months' time," AEPC said in a statement quoting Senthilnathan.

Senthilnathan said the insolvency rates are high in developed economies and is going to shoot up sharply due to the pandemic's impact on GDP growth, which is negative for most of the developed world.

Right now all the buyers and most part of the world is affected due to COVID containment measures, he said. The ECGC recognizes that the situation calls for some credit accommodation and credit insurers need to take higher risks, he added.

"We are prepared to take higher risks. In the last three years, the government has infused capital of Rs 1,350 crore in ECGC in recognizing the need to strengthen the institute supporting the exporters," Senthilnathan added.

He said credit insurance is purely based on documentary evidence unlike tangible insurance like property, vehicle or health insurance, and hence exporters should send an email confirmation for any modification in the contract with the buyer.

All changes need to be documented because it may be required if the buyer fails to honour his part of the contract, he said adding though the risks are high it should not deter the exporters from exploring the market.

Sunil Joshi, Executive Director, ECGC, said that the pandemic has shown the limits of international businesses and the distressing impact it can have on real economies. It illustrates how much more interconnected supply chains have become and how all roads lead to and from China, he said.

AEPC Chairman A Sakthivel said ECGC is extending support at this crucial juncture when international buyers had cancelled their orders leaving most of the apparel exporters in the country facing huge financial problems questioning their survival.

Source: economictimes.com– Jun 05, 2020

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