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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

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INTERNATIONAL NEWS

US Economy Headed for 26.5% Q2 GDP Drop, Levels Not Seen Since Great Depression

An historic COVID-19 outbreak could bully the U.S. economy into Great Depression-esque stagnation.

IHS Markit economists on Friday forecast a historic contraction ahead, as social distancing meant to flatten the curve of the coronavirus pandemic freezes large segments of the American economic engine.

IHS Markit now estimates that gross domestic product (GDP) declined at a 3.5 percent annual rate in the first quarter and predicts a 26.5 percent annualized drop in the second quarter, bringing it to Great Depression levels and culminating in a 2020 growth rate of minus 5.4 percent year-over-year.

The projection reflects the inclusion of new high-frequency data and reports on developments in industries directly affected by social distancing, as well as new judgment on how efforts to slow the spread of COVID-19 will permeate the economy.

American industry, including the apparel and textile sectors, has been impacted and often changed by the cycles of economic downturns seen in the country and the world in the past century.

This was true of the early 1990s recession that drove apparel and textile manufacturing offshore in search of cheaper labor and costs, and during the recent Great Recession in 2008-09 that spurred a resurgence of Made in America production in the sector, as brands sought to better control inventories and use U.S.-made goods as a strategic marketing vehicle.

But this pandemic-fueled crisis is most reminiscent of the crash of 1929 that brought about the Great Depression and infiltrated virtually every aspect of American society. The early days of the Great Recession under President Herbert Hoover saw unemployment spike to 24.9 percent from 3.2 percent prior to its onset.

The election of 1932 brought in President Franklin Roosevelt and the New Deal, with the first true government-sponsored jobs programs: the Works Progress Administration (WPA), a permanent jobs program, employed 8.5

million people from 1935 to 1943, according to history.com. Between late 1929 and early 1933 when Roosevelt took office, industrial production in the U.S. declined 47 percent and real GDP fell 30 percent.

In comparison, Great Recession erased 2.5 million jobs and took GDP down 6 percent. Investopedia.com defines a depression as a severe and prolonged downturn in economic activity. In economics, a depression is commonly defined as an extreme recession that lasts three or more years or leads to a decline in real GDP of at least 10 percent.

“The last two weeks’ startling reports on initial claims and our own service-sector purchasing managers index (PMI) support our forecast of a sharp contraction,” IHS chief U.S. economist Joel Prakken and executive directors Patrick Newport and Ben Herzon said.

“We do not expect GDP growth to turn positive until the fourth quarter, reflecting our view that activity will not begin to turn up materially until new U.S. cases of COVID-19 are driven essentially to zero, and even then, it may take some time for consumers and business to resume spending and investing in earnest,” they added.

This forecast includes the recently passed Coronavirus Aid, Relief and Economic Security (CARES) Act, but the economists said they see that more as a “preservation package” than an outright stimulus.

They said the expected recession “exhibits a peak-to-trough decline in GDP of 8.3 percent over the first three quarters of this year and a peak unemployment rate of 10.3 percent in the fourth quarter.”

Core consumer price inflation, based on the personal consumption expenditures price index, is forecast at 1.3 percent for the year and is expected to remain below 2 percent on a year-over-year basis until 2023.

Source: sourcingjournal.com - Apr 06, 2020

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China Factory Orders, Exports Plummet as New Virus Cases Pick Up

China has been touted as the positive amid all of the pandemic-prompted problems in the world, having returned to relative normalcy while others are still reeling—but conditions in the country's manufacturing sector aren't entirely rosy. And neither is the health situation.

While citizens are tiptoeing back into the outside world and garment workers are reclaiming their posts, China may be facing a new rise in COVID-19 cases, which many believe could be a second wave of infections.

Daily confirmed infections had dropped as the country employed dramatic actions to staunch the spread, but China's National Health Commission reported 39 new cases of the coronavirus on Sunday, up from 19 on Saturday. Thirty-eight of the cases reported Sunday were imported, meaning China hasn't been able to stop new people from coming in and infecting its populous.

Guangdong, the center of China's export-led manufacturing industries, reported six locally transmitted infections over the weekend, which means the spread there could be harder to slow.

The continued dispersion of the pandemic, slowed or not, is posing problems for China's production orders, which are shrinking and dragging the country's exports down with them.

In a report Thursday, the China National Textile and Apparel Council (CNTAC), said the country is being hit with similar order cancellations from Western brands whose businesses have screeched to a sudden halt.

"The situation of China's export textile enterprises being notified by overseas households to cancel orders, postpone receipts, and suspend production has increased significantly," CNTAC said.

"The pressure of China's epidemic prevention and control has also increased due to changes in the global situation. At present, commercial activities have not yet fully returned to normal, and domestic consumption has not yet rebounded."

But the decline in production orders means just 9 percent of manufacturers are reaching 80 percent of their normal export capacity, and more than 61 percent say their export orders are less than half of what they'd typically have.

"Insufficient orders have become the primary difficulty facing the current production and operation of enterprises," the report continued. "According to weekly reports and cluster survey data, 80% of enterprises reported that there were insufficient orders this week, which was 23 percentage points higher than a week ago. The entire export industry chain is facing greater operating pressure, and the starting load has shown a downward trend."

In the United States, textile and apparel imports from China were down 31.7 percent year over year in January, to $2.47 billion. Reports for February, which should reflect a greater impact from the pandemic, are expected out this week.

Sluggish demand and dismal sales have been a factor since coronavirus hit, and textile raw materials and finished product prices are on a downward trend as a result.

"Due to frequent breaches of contract, refunds, rejections, etc., the backlog of raw materials and finished products in textile companies is more common," CNTAC said. "The continuous decline in market prices has caused increased inventory losses and increased pressure on capital turnover."

More than half of manufacturers are reporting financial difficulty, up 20 percent points from a week before, which indicates, according to the report, "that the financial pressure of small and micro enterprises is particularly prominent."

Naturally, new orders for factories in China are also falling, and demand is expected to grow weaker as efforts to limit the COVID-19 cases hit spending in the coming months, which, according to an IHS Markit report out Monday, will cause "a renewed dip in activity."

The expectation is that factory output will ramp up from here because activity can't be lower than when facilities were shuttered, but the sector could continue to be hard hit.

"By the time more production facilities come back online and up to full capacity, demand for many products will have fallen sharply amid slumping global economic growth," IHS Markit chief business economist Chris Williamson wrote in the Mainland China market update.

China, where the pandemic began, and a place brands and retailers had already been trying to reduce their exposure, could see more and more countries and companies pull back on placing orders for product.

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

Source: sourcingjournal.com - Apr 06, 2020

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2019 China state cotton reserves analysis

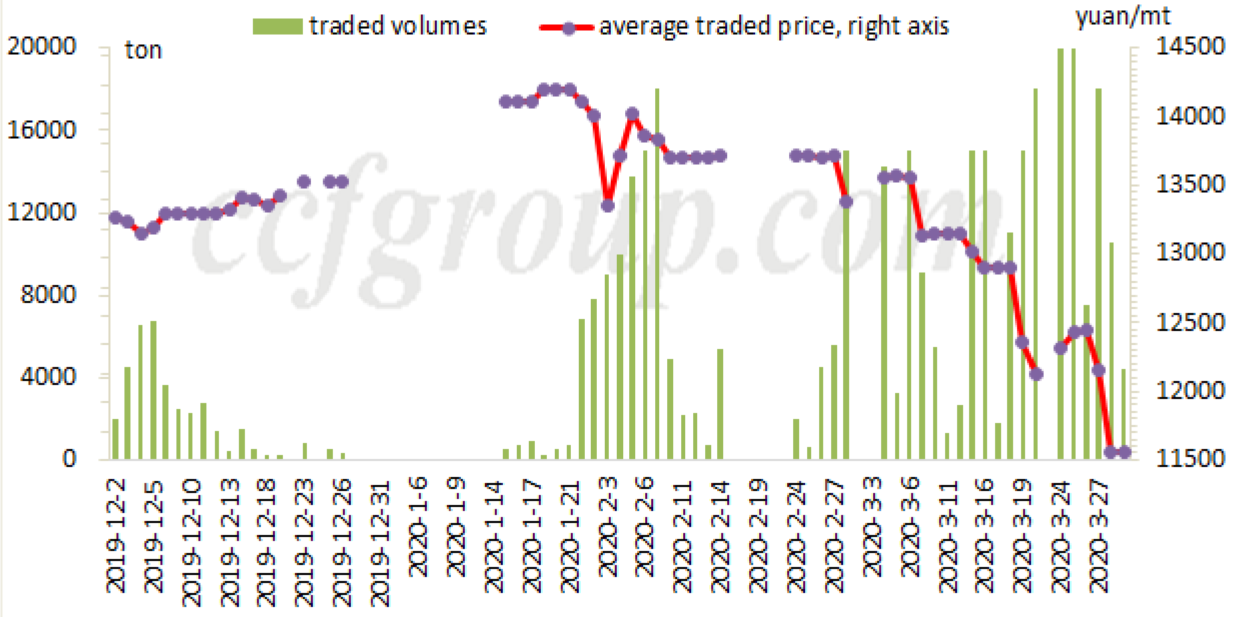
2019 China state cotton reserves kicked off on December 2, 2019, and ended on March 31, 2020. The planned reserving volumes were 500kt, while the actual reserving volumes were 371,560 tons, with a trading proportion of 47.27%, and trading prices averaged at 13,089yuan/mt. About 12,680 tons of cotton was reserved into Xinjiang warehouses, and 358,880 tons into inland warehouses.

1. State cotton reserves review

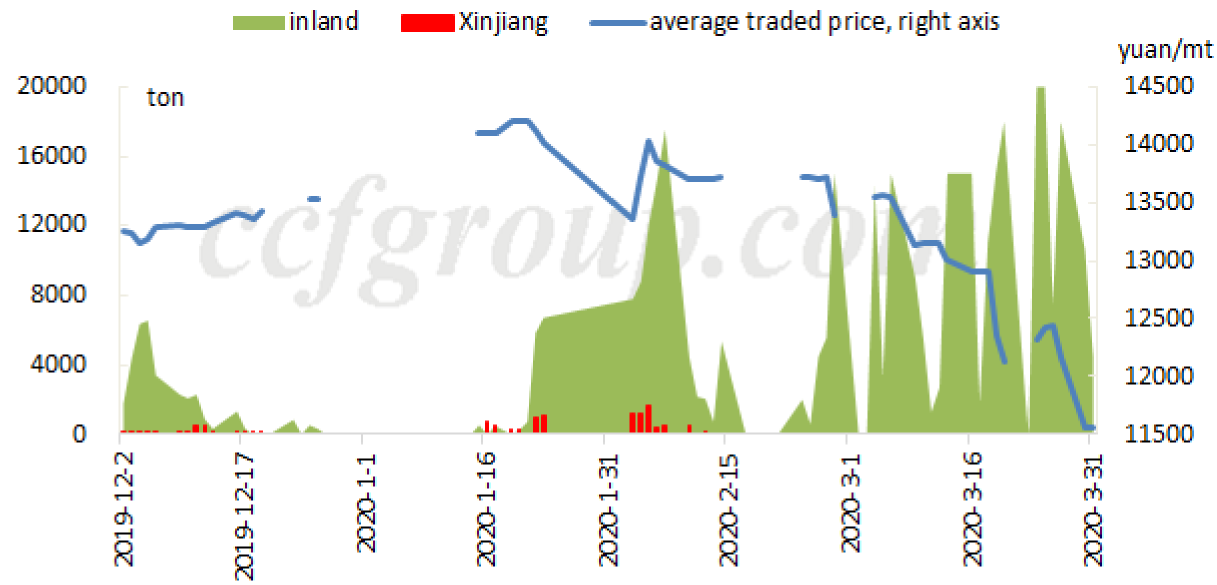
From December 2 2019 to March 31, 2020, Chinese government has procured 371,560 tons of cotton into state warehouses, and trading prices averaged at 13,089yuan/mt. During the period, the reserves were suspended work on March 2, March 3 and March 23, and no cotton reserved for 19 trading days. In general, trading proportion was low before the Chinese Lunar New Year holiday as sellers were unwilling to sell with the positive outlook towards late market, but with the outbreak of novel coronavirus, cancellation in downstream orders and low cotton demand, sellers intended to sell cotton into state warehouses, leading to higher trading volumes.

The charts below show the reserving volumes, trading prices and trading volumes in Xinjiang and inland warehouses.

Traded volumes and prices of reserved cotton

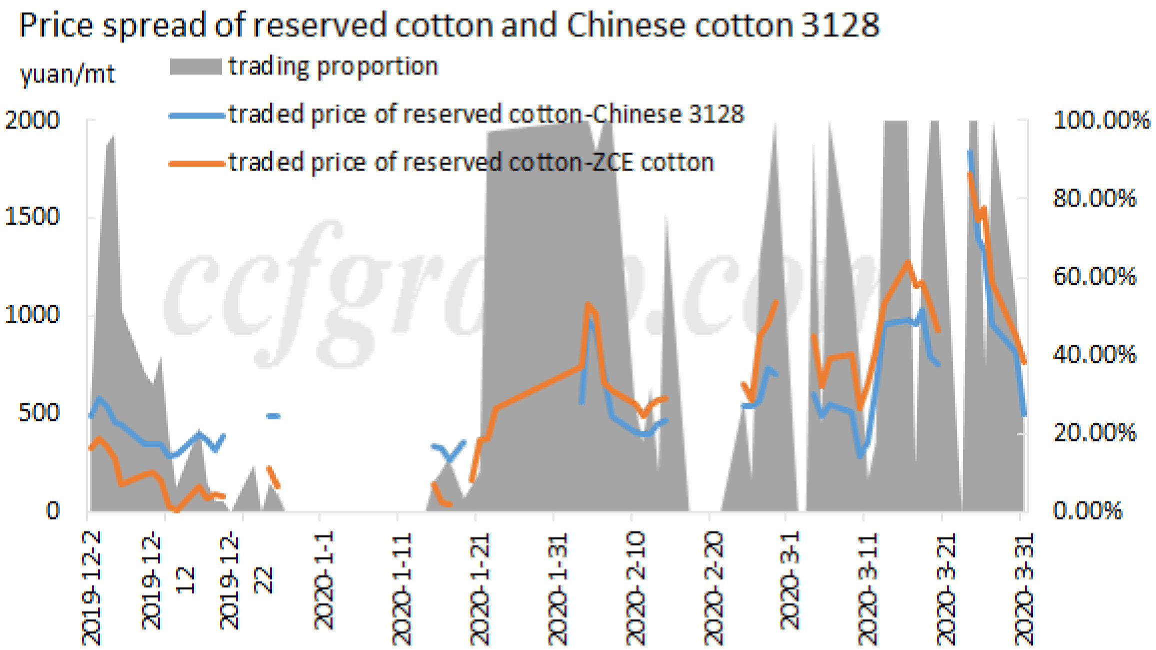


Traded volumes of reserved cotton in Xinjiang and inland warehouses



2. Weekly transactions analysis

The 1st-4th weeks (Dec 2-Dec 27): the trading proportion of reserved cotton has been constantly decreasing. Reasons: 1) There was no big difference to sell cotton to the market or to the state warehouses during the period after charging freight costs and transaction fee. 2) China and the United States signed the first phase agreement and some sellers looked positive towards late market, so most of them were unwilling to sell cotton into state warehouses.



The 5th-6th weeks (Dec 30-Jan 10): no reserved cotton into state warehouses. During the period, ZCE cotton futures market has been higher than the ceiling price of reserved cotton, which had no price edge. Besides, the warehouses in Xinjiang were limited, and sellers would consider additional freight costs to inland.

The 7th-8th weeks (Jan 13-Jan 23): the trading proportion climbed up slowly, as the price spread of reserved cotton and spot cotton enlarged slowly, and reserving price had advantage.

The 10th week (Feb 3-7): the trading proportion reached 98.21%. The reserving prices were higher due to its time lag and downstream mills have not resumed operation fully, and logistics were also restricted, which was not good for the spot cotton sales.

The 11th-12th weeks (Feb 10-Feb 21): trading proportion cut to 0%. Part of spinning mills and weaving plants resumed operation slowly, and logistics were also in recovery, so sellers paid more attention to the spot cotton sales. Besides, ZCE cotton futures market rebounded somewhat, so price edge of on-call cotton returned.

The 13rd-14th weeks (Feb 24-Mar 6): trading proportion recovered. Zhengzhou cotton futures market experienced steep losses affected by the outbreak of novel coronavirus outside China, and the reserving prices were higher.

Besides, sellers faced inventory and selling pressure, and downstream mills have not fully resumed work, mainly purchasing for pressing demand, so sellers paid more attention to the reserves.

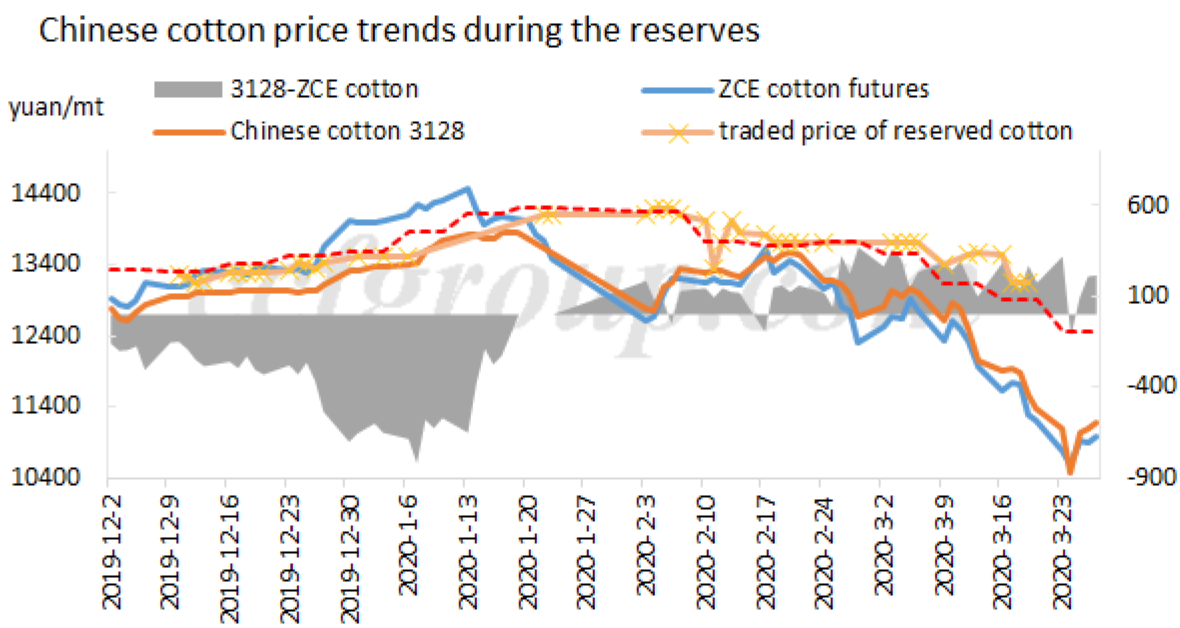
The 15th week (Mar 9-13): planned purchasing volumes increased to 15,000 tons per day, while trading proportion was not high.

The 16th-17th weeks (Mar 16-27): trading proportion increased. 1) Zhengzhou cotton futures market went downward affected by the on-going novel coronavirus outside China, and Chinese cotton textile industrial demand weakened, mills showed low buying interests.

In face of inventory and cost pressure, players turned to sell cotton into state warehouses. 2) Reserving prices were higher than ZCE cotton futures. 3) With the end of state cotton reserves, players with high inventory at hand could ease some pressure as demand remained low.

The 18th week (Mar 30-31): trading proportion fell down. The ceiling price of reserved cotton declined much, down 900yuan/mt from previous week, while ZCE cotton futures market moved up, so the reserving price had no advantage.

3. Outbreak of novel coronavirus outside China and the state cotton reserves



Recently, the novel coronavirus situation is still accelerating outside China, and the volatile financial and commodity market triggers the pessimistic sentiment in the market. ICE cotton futures market hit a low of 50.68cent/lb. The purchasing volumes of US cotton from China and Vietnam are reducing with the lower orders, so US cotton faces certain consumption pressure. Zhengzhou major cotton contract, May contract, dipped below 10,000yuan/mt on March 24, and downstream spinning mills faced delay of order delivery and cancellation.

Traders also faced inventory and selling pressure. In general, cotton market supply is ample, but demand is sluggish. In short, the market will be under the impact of the novel coronavirus and market sentiment will be not optimistic before the turning point of virus. Under such condition, the inventory and selling pressure of sellers can be eased somewhat to sell cotton to the state warehouses. However, the delivery of reserved cotton was extended from 45 days to 70 days from Jan 15, which posed certain impact on the cash flow of sellers. Besides, the package requirement of reserved cotton also influenced the reserving volumes. Therefore, sellers were inclined to sell cotton to the government affected by the virus and low market demand, but due to the issues mentioned above, the trading proportion could not keep high.

4. Reserved cotton inventory

Cotton inventory in state warehouses	
Time	Carry-over stocks (kt)
Early 2019	2740
Time	Auction volumes (kt)
2019/5/5-2019/9/30	1000
Time	Reserving volumes (kt)
2019/12/2-2020/3/31	371.56
Remnant stocks	2111.56

After this round of state cotton reserves, according to our calculation, the remaining reserved cotton inventory is assessed at 2.1116 million tons. There is no de-stocking pressure.

However, about 1.74 million tons are the old cotton during 2011 and 2013, with poor quality. Without the novel coronavirus, the government may sell the reserved cotton in the future. But currently, the impact of novel coronavirus is significant, and cotton consumption keeps weakening, so the government may not implement the state cotton auction or reduce the selling volumes to support cotton prices.

5. Conclusion

This round of state cotton reserves has ended on March 31, and reserving volumes total 371.56kt. Currently, the remaining cotton inventory in the state warehouses is assessed at 2.1116 million tons, including 1.74 million tons of old cotton with inferior quality. In general, the state cotton reserves can improve the supply and demand somewhat, but the market is still oversupplied. Without the extension of state cotton reserves, cotton prices are supposed to remain weak.

Source: ccfgroup.com - Apr 04, 2020

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Exports gloom, as production booms in China: Latest Survey

China National Textile and Apparel Council (CNTAC), the voice of the textile industry in China, issued a survey report on Friday April 3 for a close look at the reignited production status due to the impact of coronavirus outbreak this year. CNTAC organized a series of online surveys to monitor the production graph, and this new report covers the period from March 3 on the onset to April 1 , after the previous report that was shared in February.

Nearly all the big companies fully operational now

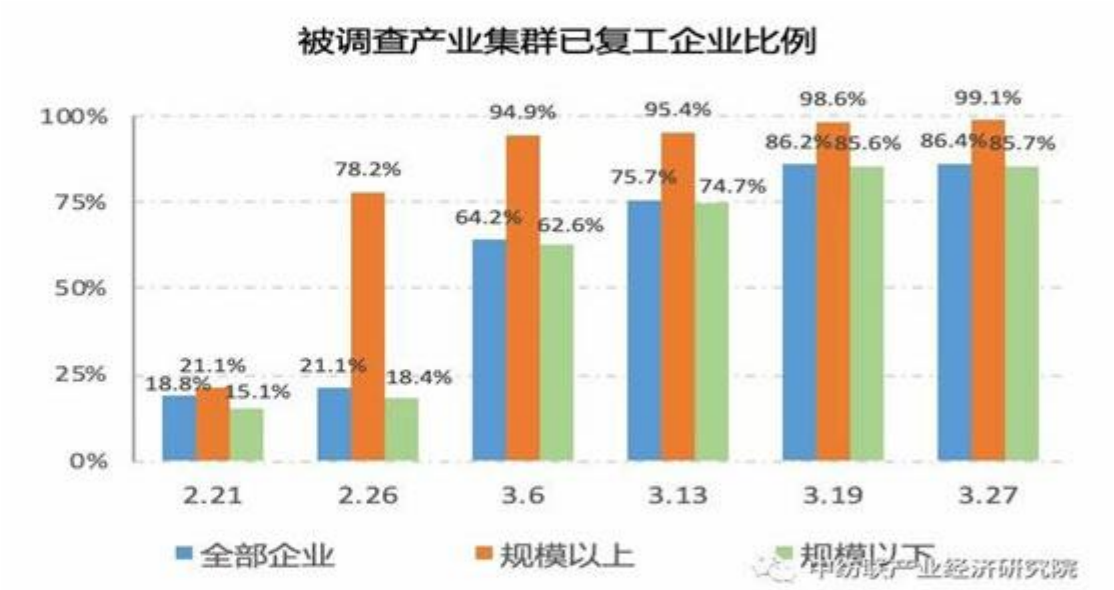
The situation in the latest week (March 25-April 1) is given as bellows:

On company fronts, the 193 member companies responded to the online survey, 1.3 percent higher than its previous week with 98.4% of them starting up their production. There are 293,000 workers already at work in 190 companies, accounting for 94.6 percent of total employment in pre-crisis period, 3.2 percent more than that reported the week before.

On industrial cluster fronts, there were 28 important manufacturing clusters in 13 provinces responding to the survey. According to the questionnaire, there were 66,000 companies inside these clusters already at work, representing 86.4 percent of the number of companies in total textile and apparel manufacturing clusters.

Out of which, there were 3954 above-designated-scale companies (Chinese statistics system considers a company with its annual income amounting to 20 million Yuan or more, as big scale company, any companies above this designated scale are taken into national statistical system for understanding economic performance in the country) reported that the production has restarted across the board at 99.1 percent rate.

Over 71 percent workers operational at SMEs



There are 62,000 SMEs in these 28 important manufacturing clusters already in operation with 1.01 million workers busy on streamline, taking up 71.2 percent of the total number of employees in these production hubs, 5.2 percent point over that recorded in its foregoing week.

A quarter of units face half their business volumes

So, what do we know from the online survey? They are confronted with problems as it goes without saying. In the above-mentioned 190 companies that already restarted operations, only 33.7 percent out of these companies have their business orders at 80 percent of their normal business level while 23.2 percent of them ran into a poor business volume at the level below 50 percent of their normal business orders. So far as export business is concerned, the international orders that fall short of 50 percent or more have happened to 61.2 percent of all the companies surveyed, only 9 percent of all the companies have 80 percent of their normal business volume from their international clients.

Exports to the USA hit hard

The COVID-19 ballooned into global pandemic at an amazingly fast rate and the important markets for China's export shipments are all hit hard, and the United States is one of them, which resulted in a plummet in importing textiles and apparel from China as is seen from the import data sheet – Major Shippers Report provided by Textile and Apparel Office, Department of Commerce, U.S.A..

In January 2020, the United States import of Chinese textiles and apparels decreased by 31.68 percent with $2472.293 million as against $3619.914 million in January last year and apparel import dropped by 36.09%.

It is not a surprise to see a global slowdown in export business while the number of people infected with the virus is breaking through a million in no time, and it is most likely that it has already outnumbered one million cases at the time when this news is posted on line and it is spreading far and near to affect more than 200 countries, regions and sovereignties.

There is no question striving to fight the coronavirus in a way that is properly guided by the government and practically executed by the companies, and the question is how to react to the export situation that goes pretty sure to get worse than that in the years already gone by?

Source: fashionatingworld.com - Apr 06, 2020

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Coronavirus Topples Debenhams into Second Bout of Insolvency

Struggling U.K. department store group Debenhams is heading towards administration—again.

The company on Monday said it intends to appoint an administrator as part of an insolvency proceeding that's the equivalent of a Chapter 11 bankruptcy in the U.S.

The filing is the second one for the British retailer within the past year, after it was taken over by lenders in April 2019 and had about 165 stores at the time. KPMG worked on Debenhams' restructuring last year, and is expected to be among those in talks with the retailer to handle this year's filing, which puts a hold on creditor claims for 10 business days until a restructuring plan can be implemented.

Monday's disclosure was to "protect Debenhams from the threat of legal action that could have the effect of pushing the business into liquidation while its 142 U.K. stores remain closed in line with the government's current advice regarding the COVID-19 pandemic," the company said.

Sources said the planned filing is likely in anticipation of possible lawsuits by Debenhams' vendors for the retailer's deferral of payments due on invoices.

"These are unprecedented circumstances and we have taken this step to protect our business, our employees, and other important stakeholders, so that we are in a position to resume trading from out stores when government restrictions are lifted.

We are working with a group of highly supportive owners and lenders and anticipate that additional funding will be made available to bridge us through the current crisis period," CEO Stefaan Vansteenkiste said.

"With their support and working with other key stakeholders, including landlords, pension trustees and business partners, we are striving to protect jobs and reopen as many Debenhams stores for trading as we can, as soon as this is possible," he added.

Debenhams said it plans to reopen stores once government restrictions are lifted. The department store continues to operate online across the U.K., Ireland and Denmark. The retailer's lenders support the filing and will provide funding during the process, Debenhams said.

"The group continues to fully engage with all employees and suppliers while operating within a protective arrangement. The majority of the employees in the U.K. are currently being paid under the government's furlough scheme owing to all stores being temporarily closed.

Payments to suppliers who continue to provide goods and services during the administration will remain unaffected and be paid to terms," said Debenhams, which has about 22,000 employees.

Stores in the Republic of Ireland are impacted by the same restrictions in the U.K., and employees have been furloughed under the Irish government's procedure. In Denmark, Magasin, the Danish operation, is also impacted by store closures, but online sales continue, thanks to a highly automated distribution facility, Debenhams said.

The U.K. just started its third week in lockdown mode due to the coronavirus outbreak, shutting down all non-essential retail operations. British apparel and home furnishings retailer Laura Ashley on March 17 also said it was filing for insolvency as the coronavirus pandemic made it difficult to obtain financing to fund its operation. Debenhams also had been struggling with sales over the holiday season, and rumblings of a possible insolvency surfaced earlier this year.

In the case of Debenhams, U.S. hedge funds Silver Point and Golden Tree were part of the current lending group that took over the retailer in its first bankruptcy filing.

The lending group also includes global asset management firm Alcentra Group and British investment banking firm Barclays. The 2019 filing wiped out the investment made by Mike Ashley for Frasers Group, formerly Sports Direct International.

Ashley acquired its first investment stake in Debenhams in January 2014 and gradually raised its stake through February 2018. Ashley subsequently acquired House of Fraser, another U.K. department store chain, shortly after it filed for insolvency in August 2018.

A month later, there was talk of a possible merger of Debenhams with House of Fraser, but that never went past the initial consideration stage.

Debenhams closed about 20 stores earlier this year, and has another 28 slated for closure next year. It will likely close additional stores during its second tour of insolvency.

Source: sourcingjournal.com - Apr 06, 2020

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UKFT releases updates on international tradeshows

UKFT has announced that the key trade associations representing the major trade fairs for the fashion sector in Paris issued a joint communique to confirm that they have taken the decision to either postpone their shows scheduled for June and July 2020 due to the outbreak of Covid19. UKFT is the association of fashion and textile companies in the UK.

The letter is signed by the organisers of Interfilière, Man/Woman, Splash Paris, Tranoi, Unique by Mode City, View, and the federations. The letter confirms that the shows will not take place in June or July 2020, but that their teams are working on alternative dates in September 2020.

Details will follow but, in practical terms, UKFT's expectation is that that they will plan to realign their shows on the same dates as Who's Next/Première Classe in early September 2020 and the later Paris Fashion Week dates at the end of September and beginning of October 2020, according to a press release by UKFT.

Following the move of the Paris Fashion Week shows to September 2020, the organisers of Pitti Uomo and Pitti Bimbo have confirmed that they will move their show dates to September also. Therefore, for 2020 only Pitti Uomo will be held from September 2-4, 2020, and Pitti Bimbo will be held on September 9-10, 2020.

For textiles, the latest updates are that Milano will be held from September 7-9, 2020, while Première Vision, to be held from September 15-17, 2020, has delayed recruitment for the September show until mid- April.

Intertextile Shanghai, to be held from September 23-25, 2020, seems to be ploughing ahead with recruitment and Proposte, Como for interior textiles, has been postponed to September 23-25, 2020. Heimtextil, Frankfurt, to be held from January 12-15, 2021, has announced no change and recruitment currently underway.

Source: fibre2fashion.com - Apr 06, 2020

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Cotton consumption in China to fall by 1 million ton

As the rapid spread of Covid-19 in all the countries has led to a cancellation of apparel export orders in China's factories, the country's cotton consumption is likely to decline by 0.6-1 million tonne in 2019-20. This was reflected in the cotton futures market in China.

The most actively traded May cotton contract dipped below 10,000 yuan/mt on Zhengzhou Commodity Exchange in the afternoon of March 24, once to the lowest of 9,935 yuan/mt, which was close to the historical low of 9,890 yuan/mt and has declined by 4,515 yuan/mt from 14,450 yuan/mt appeared on January 14 before the Chinese Lunar New Year.

Affected by the export orders, China's domestic cotton consumption is expected to fall by nearly 1 million tons soon. If the state cotton reserves do not prolong, the stock/consumption ratio is forecast to 55 per cent, up 7 per cent from previous season. Global cotton consumption may also see large reduction with the ongoing pandemic.

Source: fashionatingworld.com - Apr 06, 2020

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EAP growth projected to slow to 2.1% in baseline: WB

Growth in the East Asia and Pacific (EAP) region is projected to slow to 2.1 per cent in the baseline and to negative 0.5 in the lower case scenario in 2020 from an estimated 5.8 per cent in 2019, says a World Bank (WB) report. China's growth is likely to fall 2.3 per cent in the baseline and 0.1 per cent in the lower case scenario in 2020, from 6.1 per cent in 2019.

The COVID-19 shock will also have a serious impact on poverty. The World Bank's April 2020 Economic Update for EAP estimates that under the baseline growth scenario, nearly 24 million fewer people will escape poverty across the region in 2020 than would have in the absence of the pandemic (using a poverty line of $5.50 per day).

If the economic situation were to deteriorate further, and the lower-case scenario prevails, then poverty is estimated to increase by about 11 million people. Prior projections estimated that nearly 35 million people would escape poverty in EAP in 2020, including over 25 million in China alone, the bank said in a press release.

"Countries in East Asia and the Pacific that were already coping with international trade tensions and the repercussions of the spread of COVID-19 in China are now faced with a global shock," said Victoria Kwakwa, vice president for EAP at the bank. "The good news is that the region has strengths it can tap, but countries will have to act fast and at a scale not previously imagined."

Among the actions recommended by the report are urgent investments in national healthcare capacity and longer-term preparedness. The report also suggests taking an integrated view of containment and macroeconomic policies.

Targeted fiscal measures like subsidies for sick pay and healthcare would help with containment and ensure that temporary deprivation does not translate into long-term losses of human capital.

"In addition to bold national actions, deeper international cooperation is the most effective vaccine against this virulent threat. Countries in East Asia and the Pacific and elsewhere must fight this disease together, keep trade open and coordinate macroeconomic policy," said Aaditya Mattoo, chief economist for EAP at the bank.

The report calls for intrnational cooperation and new cross-border public-private partnerships to ramp up production and supply of key medical supplies and services in the face of the pandemic, and to ensure financial stability in the aftermath. Critically, trade policy should stay open so medical and other supplies are available to all countries, as well as to facilitate the region's rapid economic recovery.

Another policy recommendation is easing credit to help households smooth their consumption and help firms survive the immediate shock. However, given the potential of an extended crisis, the report emphasises the need to couple such measures with regulatory oversight, particularly as many countries in EAP already carry a high burden of corporate and household debt.

For poorer countries, debt relief will be essential, so that critical resources can be focused on managing the economic and health impacts of the pandemic, the report said.

The report also highlights the substantially higher risk of falling into poverty among households dependent on sectors that are particularly vulnerable to COVID-19 impacts, such as tourism in Thailand and the Pacific Islands, manufacturing in Cambodia and Vietnam, and among households dependent on informal labour in all countries.

In the Pacific Island countries, the outlook for 2020 is subject to substantial risks due to their economies' reliance on grants, tourism, and imports.

Source: fibre2fashion.com - Apr 06, 2020

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Bangladesh: Restoring snapped supply chains: Diversification or nationalisation?

An emergent million-dollar Covid-19 question: should the supply chains snapped by the outbreak, lockdowns, and quarantines be restored or replaced, given the climbing breakdown costs? With its dominant ready-made garment (RMG) sector facing this plight head-on, Bangladesh faces this dilemma in its most pernicious form, starkly boiling down to whether its RMG-dominant economy must continue downgrading and diversify, if only to cut future costs. As the much-touted but scarcely-prioritised diversification option promises economic restructuring, must Bangladesh seize this Covid-19-driven opportunity? Diversification could be merely lip service or a second-string (backup) option, but restructuring extant industrial infrastructures during the Covid-19 outbreak, dampens costs than under a routine business climate.

How China unleashed its massive low-waged labour pool from the 1980s helped global supply chains to grow massively. Whether it was with the electronics, pharmaceuticals, or metals industry, or consumer and industrial products, China transformed from a backward country into a global economic powerhouse through supply chains, now facing vulnerability from Covid-19-driven supply chain production migration. By specifying China's three facilitative factors, Willy Shah proposes strategies to copycat countries ("Is it time to rethink globalised supply chains?" MIT Sloan Management Review, March 19, 2020): tradability (lowering transportation costs and locating markets within the product's perishable life); sub-contracting (company's 'fanning out' capacity, that is, expanding supplier-tiers); and surviving 'black swans' (in this century alone, a string from the 2002 severe acute respiratory syndrome outbreak, to the Great Recession, China's export quotas, Japan's earthquake and tsunami, Thailand's flowing, and China-US tariff war), all before this Covid-19 outbreak. That ambitious, imperative track awaits Bangladesh.

How might Bangladesh's RMG sector fare? Given 'risks' and 'vulnerabilities', Shah identifies three dimensions worth cultivating: regionalisation capacities (for import commodity diversification); supplier diversification; and rethinking scale and product mixes (in essence, creating product-specific manufactures for global consumers).

Taking Bangladesh's RMG sector as a test case, the key supply chain commodity becomes cotton, the economic backbone of RMG export. With China as a major Covid-19 springboard, China's cotton supplies and production closures squeezed Bangladesh's factory production. Opportunity cost considerations demand expanding lesser sources, such as from Central Asia, India, and Pakistan. As China begins recovering, our export markets across West Europe and the United States have begun closing, as the pandemic leaps from Asia's eastern shores towards the northern Atlantic zones. That also cripples Bangladesh's bread-and-butter industry, demanding an expeditious Plan B.

In other words, single-country input dependence, as is growing with China's cotton, and possibilities of RMG export-destination countries automating low-waged RMG import dependence (upon countries like Bangladesh) to promote their own restructuring plans, look too ominous for Bangladesh to not do anything.

Bangladesh's RMG plight typifies the threat other industries and other countries face. Restructuring appeals to them too. Based upon Shah's prescription, three options emerge: (a) returning to the status quo, (b) nationalising production input industries, or (c) diversifying industries. To return to the status quo means we will have forgone the opportunity to learn, whatever the costs or benefits; but it will be the least-costly option since industrial infrastructures (or contents) with little expected change. Businesses prefer quick profits, and the BGMEA (Bangladesh Garment Manufacturers and Exporters Association) clout can thwart any sudden shift from the status quo. Besides, since the Covid-19 aftermath will be costly and time-consuming, the appetite to change productive contents and infrastructures will be weak. But it will be instantly rewarded, given the shortening inter-pandemic duration in this century (see the March 31

Scopus piece), meaning, given the multiple viral outbreaks already, many more will quickly come.

The second option of nationalising input production may become more globally viable if the Covid-19 aftermath becomes prolonged. For Bangladesh, it promotes domestic cotton production, if necessary amending soil conditions, although the bottom line remains the paucity of land available to even make this option viable. Bangladesh cannot tiptoe a nationalistic industrial line elsewhere. Just to strengthen non-nationalistic pathways, Bangladesh may have to campaign for them globally, itself necessitating opening other extant nationalised sectors to the private sectors. This will be costly, directly and indirectly, but more beneficial than nationalism.

A better option is the third: diversify industries. We have even taken the first steps, in fits and starts. For example, our low-wage labour pool is beginning to attract higher-valued ICT (information and communications technologies) products and serving in ICT service sector businesses (such as call operators); and even the more controversial environment-scavenging shipbuilding yards have begun alluring foreign contracts, based on our low-wage labour. In other words, we have cokes in the diversification fire that can be revved up. Yet, these have no RMG connections, and clearly not alternatives to that industry. Exiting the RMG business need not even happen, since Bangladesh holds a very competitive RMG position for at least a decade or so more (for ensuring a smooth transition), holding other factors constant.

Do we ditch it now and move up the value chain in order to claim a developed country identity? With nationalising input industries being the least attraction option, diversification cannot be avoided, not necessarily through RMG doors, but just as long as business-as-usual remaining economically feasible. The post-Covid-19 challenge becomes (a) push RMG diversification through automation, the sooner, since profitability remains; and (b) initiate restructuring before it is too late: free a large part of the 4.0 million RMG workers for climbing the value chain by shifting to a larger ICT workforce with ample training costs borne by the government. Introducing robots and other forms of artificial intelligence (AI) would fill in for the workers, in both RMG and non-RMG sectors, our RMG diversification attention could shift from industry-level changes to supplier multiplication, as aforementioned.

How long the expected recession will last will probably determine how industry will respond between returning to the status quo, turning to nationalised production, or diversifying: the longer it is, the more restructuration becomes feasible, enhancing diversification; but the shorter the crisis, status-quo retention becomes automatic. According to think-tank Trivium China (Gordon Watts, "China's economy rushed into intensive care," Asia Times, March 30, 2020), if businesses return to normalcy by the end of June 2020, global GDP (gross domestic product) growth is likely to be reduced to only 2.9 per cent (given the 20 per cent contraction at the end of March 2020); if only 90 per cent of normalcy is attained, the growth rate will be pulled down to 1.0 per cent; and if it is 80 per cent of normalcy, then GDP growth will become negative (-3.6 per cent). Should the third-quarter end with only 80 per cent of normalcy attained (by September end, that is, the GDP growth-rate will collapse to -7.4 per cent,

A lot is at stake; and 2020 carries potent seeds of change. With supply chain at crossroads, either Bangladesh becomes more efficient globally by restructuring, or fades behind protectionist policies and old, increasingly costly industries.

Source: thefinancialexpress.com.bd- Apr 06, 2020

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Bangladesh announces 50 billion taka package for COVID-19 hit RMG sector

The Bangladesh government led by PM Sheikh Hasina has announced a 50 billion taka ($590 million) incentive package for the country’s garment and other export-oriented sectors to help them cope with the COVID-19 pandemic.

Bangladesh’s garment industry, which employs millions of workers, and other industries have been hit hard due to the shutdown in the wake of outbreak. European and American buyers have cancelled orders from Bangladeshi garment factories that were valued at $2.5 billion so far.

The government’s stimulus plan is aimed at offsetting financial loss of the garment and other export oriented industries, the mainstay of the Bangladesh’s economy.

The finance ministry has already released some guidelines for the use of the fund. The Bangladesh Bank, the central bank of the country, will issue a circular on the issue soon.

As per the guidelines the money can be used only to pay salaries of the employees to help them tide over the crisis and ensure they remain in the production line to facilitate recovery with the return of normalcy.

Source: fashionatingworld.com- Apr 06, 2020

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From Bangladesh to Myanmar, Outbreak Sows Chaos for Garment Workers

Chaos and confusion reigned across Bangladesh over the weekend as thousands of garment workers hurried back to their jobs, expecting to resume production, only to discover factories remained shut due to canceled Western orders amid the growing coronavirus crisis.

Despite the Bangladesh government's extension of the nationwide shutdown to April 14, workers said their employers asked them to return on April 5, in some cases issuing threats if they failed to show up. With the suspension of public transport, masses of people thronged the roads to Dhaka as they traveled by foot, boat, motorcycle or in packed trucks in apparent violation of social-distancing protocols.

Most workers were met at factory gates by police who told them to go home; many were informed that they were laid off or that the factory would continue only after the shutdown, according to Khadiza Akter, vice president of the union Sommilito Garments Sramik Federation.

"They didn't have to come back," Akter told the Thomson Reuters Foundation. "They could have been told on the phone about the factory closures." Mismanagement, she added, had put thousands of workers' lives needlessly at risk.

Babul Rahman, a garment worker who traveled 95 miles to his factory by foot and autorickshaw, was told on Sunday that he no longer had a job.

"I had to spend thrice as much money to come to Dhaka because buses are closed due to the shutdown," he told the Thomson Reuters Foundation. "Everything is more expensive because of the coronavirus as it is, and now if my salary decreases, I don't know how I will survive."

Masuda Akhter, another worker, said she walked 30 miles back to work from Narsingdi in central Bangladesh after receiving a call from a factory supervisor on Saturday. "Now, my legs have swelled up," she told the Dhaka Tribune. "The factory is closed, where should we go now? They must provide us with transport to go back home as there is no point of calling us and making us go back like this."

The country's Ministry of Labour and Employment has asked garment factory owners not to fire workers and extend to them their full wages for March by April 12. "We know that there have been some issues, but we are hopeful that the owners will accept our request," said Shib Nath Roy, a ministry spokesman.

On Saturday night, Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, a trade organization, called on all factory owners to keep their units closed until April 11 to help stem the spread of infection. It's a turnaround from two weeks ago, when she said that factories were exempt from the government-mandated lockdown, and that employers could "use their own discretion."

Huq also assured workers that they will not lose their jobs if they stayed home. "If a worker is absent from work, he or she will not lose their jobs in consideration of the situation," she said in an audio message to the media. "I earnestly request that all owners look at this from the view point of humanity. I believe owners in the sector, which contributes a lot to the economy, will not take away jobs because of their absence."
Workers, too, should expect to be paid for the month of March.

"There is no scope for unwillingness or hesitation in paying apparel workers, wages for the month of March, and we, of course, will pay it in time," she added.

The Daily Star reports, however, that roughly one hundred garment factories in Savar and the Ashulia area of Gazipur have reopened despite the scant orders that remain. Workers were entering factories, the publication said, without maintaining their physical distance, raising health concerns.

BGMEA spokesman Monsur Ahmed told the media, however, that at least some factories were producing Personal Protective Equipment for healthcare workers. The second-largest garment exporter after China, Bangladesh's $30 billion clothing sector employs 4 million people and accounts for 80 percent of the country's export earnings. But industry bodies estimate that the country is poised to lose roughly $6 billion in export revenue as a result of canceled business this financial year.

Bangladesh reported on Monday 29 new coronavirus patients and four new deaths, raising its total number of confirmed cases to 117 and fatalities to 13. To the east, Myanmar's garment industry is also facing strife as nearly 1,500 workers across four factories in the Yangon region collectively demanded that owners temporarily close down the units and provide them paid leave for the duration of the pandemic, according to labor union leaders.

Previously, more than than 20,000 of the country's workers lost their jobs after a slew of factories shuttered because of raw-material shortages. "Their demands are to temporarily shut down all four factories during April while paying wages and salaries to workers for the whole month and give them other rights guaranteed by law," Thet Htar Swe, a leader from the Federation of Trade Unions of Burma, told Radio Free Asia. "Our federation stands with the protesting workers and will help them succeed in securing their rights."

Myanmar's textile industry, which employs more than 450,000 people, generates more than $2 billion in annual exports and is the nation's top export earner after gas and oil. It reported its first COVID-19-related death less than a week ago. In the meantime, South Korean and Chinese stakeholders in Myanmar have urged the Myanmar government to review the possibility of providing a stimulus package for foreign investors of its garment industry at a time when the supply of raw materials has stalled and orders from the West have dried up.

"Given the magnitude of the suffering, the Myanmar government should proactively consider an incentive and stimulus package [for foreign garment businesses] as far as they can," South Korean Ambassador to Myanmar Lee Sang-hwa told The Myanmar Times.

Source: sourcingjournal.com - Apr 06, 2020

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Prepare ten priority areas, business continuity plan: PM Modi asks ministers

Prime Minister Narendra Modi on Monday asked Union ministers to prepare plans to fight the economic impact of COVID-19 on war footing and asserted that this crisis is an opportunity to boost the 'Make-in-India' initiative and reduce dependence on other countries.

Chairing the first meeting of the council of ministers after announcing a 21-day lockdown to combat the coronavirus outbreak via video-conferencing, Modi indicated a phased emergence from the lockdown and said that "a graded plan to slowly open departments where hotspots aren't existing should be made".

Talking about the impact of COVID-19 on the economy, Modi said that the government must work on war footing to mitigate the impact, adding that the ministries should prepare a business continuity plan, the Prime Minister's Office said in a statement.

Emphasising the need to strategise for the emergent conditions once the lockdown ends, he asked the ministers to prepare a list of ten major decisions and ten priority areas of focus while at the same time identify and implement pending reforms in their ministries.

"Ministries should prepares a Business Continuity Plan and be ready to fight the economic impact of COVID-19 on war footing. The crisis is also an opportunity to boost Make in India and reduce dependence on other countries," Modi told the ministers, according to the statement.

Highlighting the impact on India's exports, he asked the ministers to submit actionable suggestions on boosting manufacturing and exports and ensure that new sectors and countries are added in India's export net.

Discussing the impact of COVID-19 on farmers and harvesting of crops, Modi asked the ministers to explore the use of innovative solutions like 'truck aggregators' on the lines of app-based cab services to connect farmers with mandis.

"Welfare of farmers is of high importance. Government would provide all possible help to farmers in the harvesting season," Modi said and suggested use of technology and encouraging exploration of innovative solutions in agriculture.

Modi also underlined the need to devise a strategy to ensure procurement of tribal products so that the source of income source of the indigenous tribal populace remains intact.

At the same time, Modi told ministers to maintain effective monitoring on supply and availability of food items, to check price rises and black marketing and ensure no crowding at public distribution system (PDS) centres.

Laying emphasis on the effective implementation of Pradhan Mantri Garib Kalyan Yojana (PMGKY), Modi told ministers to continuously monitor and ensure that the benefits of it keep reaching the intended beneficiaries in a seamless manner.

PMGKY is a ₹1.7-lakh crore financial package announced by the Finance Minister Nirmala Sitharaman to minimise the impact of lockdown on economy and poor.

Ministers should remain in touch with state and district authorities, provide solutions to emergent problems and formulate district-level micro plans to combat coronavirus, he said

Reiterating that lockdown measures and social distancing norms need to go hand in hand and hand, Modi told ministers to popularize Aarogya Setu app in the rural areas and grass root institutions.

The ministers provided feedback to the prime minister on the steps being taken to meet the challenges in tackling the impact of the pandemic and praised the initiative of lighting lamps, saying people from all corners of the country participated in it.

Source: livemint.com- Apr 06, 2020

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India's growth may slip below 3% in current fiscal if COVID-19 proliferates: KPMG

India's growth could slip below 3 per cent in the current fiscal if COVID-19 proliferates within India, lockdown extended and global economy slips into recession, a KPMG report said. It said the three major contributors to GDP — private consumption, investment and external trade — will all get affected due to the spread of the pandemic.

The KPMG report presented three scenarios to explain the economic effects of COVID–19. In the scenario of quick retraction across globe by April-end to mid-May, the report said "India's growth for 2020-21 may be in the range of 5.3 to 5.7 per cent, though this scenario looks distant at this moment".

In the second scenario where India is able to control COVID-19 spread, but there is a significant global recession, the KPMG report said India's growth is expected to be in the range of 4-4.5 per cent.

However if the pandemic proliferates and there is global recession then it would be a double whammy for the economy as it will have to bear the brunt of both domestic and global demand destruction, KPMG report said.

"Prolonged lockdowns would exacerbate economic troubles. India's growth may fall below 3 per cent under this scenario," it added. These growth projections compare to an estimated 5 per cent growth rate in 2019-20.

The report said steps taken to contain the virus spread such as the nationwide lockdown have brought economic activity to a near-standstill, with impacts on both consumption and investment.

"While Indian businesses, barring a few sectors, can possibly insulate themselves from the global supply chain disruptions caused by the outbreak due to relatively lower reliance on intermediate imports, their exports to COVID-19 infected nations could take a hit," it said.

Source: financialexpress.com- Apr 06, 2020

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Textile, apparel production to fall 10-12pc in Apr-Jun: KPMG study

India''s textiles and apparel sector production is expected to decline by 10-12 per cent in the April-June quarter owing to the coronavirus pandemic, according to a study by KPMG in India.

Demand shocks are expected to hurt India''s textile exports over the next few quarters, the study observed, assessing the current and potential impact of coronavirus on the sector.

"With lockdown in China, price of man-made fibre imports is expected to rise significantly, resulting in higher price for some goods in the domestic market.

If the current scenario persists over the next few months, the domestic retail market would also be impacted significantly," said the study. From a manufacturing perspective, employment would be impacted owing to limited demand in both domestic and international market, it revealed.

Besides, assessing the coronavirus impact on the country''s micro, small and medium enterprises, the study noted that contractual, wage labour will get impacted more leading to layoffs, unrest, lowering of purchasing power.

With Europe and the US being affected the most, there will be a huge impact on exports as global demand is expected to come down significantly, it said on outward shipments from MSMEs.

A study by the All India Manufacturer''s Organisation (AIMO) estimates that about a quarter of over 75 million MSMEs in India will face closure if the lockdown due to COVID- 19 goes beyond four weeks and this figure is estimated to touch a whopping 43 per cent if the situation extends beyond eight weeks, said the KPMG report.

Source: outlookindia.com- Apr 06, 2020

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Commerce Ministry wants to take upcredit woes of exporters with the RBI

Exporters want loan period extended and waiver on interest

The Commerce Ministry is seeking a meeting with the Reserve Bank of India (RBI) to discuss the acute credit crunch being suffered by exporters, especially due to the blockage of payments due to the Covid-19 crisis, and ways to ease the situation for them.

"Senior officials in the Commerce Ministry are trying to fix a video conference with the RBI as the banking and credit issues being faced by exporters need to be immediately addressed," a government official told BusinessLine.

The Federation of Indian Export Organisations (FIEO) has also written to the RBI Governor, seeking a meeting to apprise officials of the various banking challenges being faced by them. "We want an extension in the pre- and post-shipment credit by a minimum of 180 to 270 days, as the payments from buyers who have already received our shipments are getting delayed because of the disruption caused by Covid-19," pointed out Ajay Sahai from FIEO.

In its presentation to Commerce and Industry Minister Piyush Goyal last week, the FIEO also sought exemption from interest and penalty on crystallisation of bills on due date. Another demand was that loss in forward cover should be converted into interest-free loans to be paid after 90-180 days and that auto enhancement of credit by 10 per cent be permitted without additional documentation.

Garment exporters

The Apparel Export Promotion Council (AEPC), in a letter to Prime Minister Narendra Modi last week, also highlighted the tight credit situation being faced by garment exporters, who are mostly in the MSME sector.

"The cancellations, deferments and postponement of shipments have resulted in packing credits being eroded, impacting the fund-liquidity position of exporters as cash flows have completely stopped," pointed out A Sakthivel, Chairman, AEPC, in his letter.

AEPC suggested that the packing credit period for existing loans and export bill realisation period be extended by six months, and working capital limits be increased by a minimum 25 per cent without any additional collateral.

Some banks are taking undue advantage of the lockdown period and have stopped giving quotes for conversion of foreign exchange in their Exchange Earners' Foreign Currency Account (EEFC) account to Indian rupee, pointed out Engineering Export Promotion Council (EEPC) of India in its presentation to Goyal, adding that they were doing everything possible to dissuade them from converting foreign exchange.

India's goods exports declined 1.5 per cent to $292.91 billion in April-February 2020 compared to the same period last year. Exports increased marginally in February 2020, but are expected to dip in March 2020, because of the breakdown in production, supply, and payment networks.

Source: thehindubusinessline.com- Apr 06, 2020

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Textiles sector EBITDA likely to dip by 15% in FY21: Ind-RA

The nationwide lockdown in India is likely to impact the textiles sector both in terms of demand and supply and the EBITDA might drop by least 15 per cent in 2020-21 across the industry portfolio, a report said.

India Ratings and Research (Ind-Ra) in a report said the fall in consumer income and increase in household leverage will continue to have a negative sentiment through FY21.

While India"s dependency on imports is limited, it is dependent on exports and hence, the return of demand from the key markets including the US, the UK, the UAE and China is critical.

The EBITDA (earnings before interest, taxes, depreciation and amortisation) will drop at least 15 per cent in FY21 across its textile portfolio, the report said.

Further, it said the COVID-19 pandemic is likely to continue to impact the global textile production and supply chains and thereby textile product prices.

The Indian textiles industry has taken a major hit because most of Indian yarn exports are to China, it added.

The agency estimated that India''s exports will be substantially hit till the first half of FY21, which had already reduced by more than 40 per cent till January 2020 due to the US-China trade war. Meanwhile, it revealed that cotton prices continued to soften in February 2020, due to lower export demand and squeezed domestic consumption.

They fell to Rs 111 per kg in February 2020, compared to Rs 118 in the same month in 2019, on account of reduced offtake by mill owners, which are facing the heat of excess production and supply disruptions amid the spread of COVID-19.

However, the Cotton Corporation of India continues to hold up the stock (40 per cent of total arrivals) and would maintain the current prices over the short term. While in the long term, a higher uncertainty regarding the duration of lockdown would be negative for the prices and pressure the liquidity of cotton spinners who are holding a cotton inventory of three to four months.

The cotton yarn industry continues to face a subdued export demand.

With the sudden lockdown of the global market and lack of incremental orders from China, yarn players have begun to face pressure on liquidity, despite the softening of cotton prices.

This has led to an oversupply in the domestic market which has impacted yarn prices, while the demand is not likely to improve owing to the lockdown in India and other export destinations, the opening of factories in China could be a light in the dark for these players, it added.

The majority of downstream players had to incur inventory losses due to the ongoing geo-political tensions in crude oil which led to the prices declining by more than 40 per cent month-in-month in March 2020.

The losses are unlikely to be passed on till the short term.

However, lower working capital requirements and reduced raw material costs could improve the margins of the man made fibre industry in the medium term.

However, lower raw material availability (purified terephthalic acid) from China amid the COVID-19 led disruptions could lead to a steady increase in domestic prices. The fabric industry registered a marginal improvement in exports in 10 month of FY20, coupled with lower raw material costs and increased export demand from Bangladesh and other countries.

However, Ind-Ra said, beginning February, the industry is facing a downfall with reduced domestic demand, leading to inventory piling up.

The fabric industry is dominated by few players which have strong liquidity to manage the downside caused by COVID-19, while small and medium-size players would face the brunt of economic lockdown, it added.

Source: outlookindia.com- Apr 06, 2020

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CAI keeps cotton export target at 42 lakh bales

Will review COVID-19 impact in its next meeting likely in May

Trade body Cotton Association of India (CAI) has retained India's cotton export target at around 42 lakh bales for the season (October 2019-September 2020), at same level as last year.

The export shipments from October 1, 2019 to March 31, 2020 are estimated at 31 lakh bales, while the balance 11 lakh bales are expected to be shipped between April 1 and September 30, 2020, the CAI said after its meeting on April 4. Due to the lockdown, CAI Crop Committee convened the meeting on WhatsApp with over 20 members attending it.

However, the Crop Committee of CAI has decided to meet in the first week of May 2020 to take stock of the situation arising out of the Covid-19 pandemic and examine whether any changes are to be made in the cotton balance sheet for the season.

Currently, there is no change in the projection of import of cotton and it is retained at the same level of 25 lakh bales as estimated by the CAI previously. The import figure is lower by 7 lakh bales over the estimates for last year.

CAI noted that 283.03 lakh bales of 170 kg each has arrived in the market from October 2019 to March 2020.

The domestic consumption by Indian spinning mills from October 2019 to March 31, 2020 is estimated at 154 lakh bales, leaving behind the cotton stock with mills as on March 31 at 34 lakh bales.

The stock position with Cotton Corporation of India, MNCs, ginners and MCX is about 108.53 lakh bales.

Source: thehindubusinessline.com- Apr 06, 2020

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Punjab wants cotton procurement to restart, CCI cites lack of space

Even as authorities in Punjab claim that modalities are being worked out to restart the purchase of cotton from farmers, the Cotton Corporation of India (CCI), the central agency for procurement, says it is facing the problem of plenty of processed stock. Private traders, who were, anyhow, purchasing the crop below the MSP (minimum support price) this season, are unlikely to jump in the procurement exercise amid Covid-19 outbreak, sources say.

Cotton is the economic lifeline of farmers in the semi-arid belt of south Malwa region as the crop is sown in eight districts, mainly in Fazilka, Mansa, Bathinda and Muktsar. Hoping for higher price by private traders, about 5 lakh quintal cotton stock is still held back by farmers, before the curfew was imposed, officials claim. This season, the CCI has purchased about three lakh bales (one bale of cotton weighs 170kg) at the MSP of Rs 5,450 per quintal.

Cotton state coordinator Rajnish Goel told HT on Monday that deliberations are on with the CCI to commence buying of raw cotton within the next 2-3 days.

"Modalities are being finalised and farmers will soon be apprised about it. We are concerned about the pandemic and all steps will be taken to ensure safety," said Goel. Mansa and Faridkot have already accorded permission to the CCI to resume purchase.

However, CCI officials say they are facing multiple problems in the middle of national emergency to restart cotton purchase. Private ginning units associated with CCI have reportedly said there is shortage of labour to process more raw cotton.

An official added that the CCI was mandated to buy cotton stocks till September 30, so purchase should be started after pandemic situation eases.

"Owing to the national lockdown and curfew in Punjab, transportation of ginned cotton is completely stopped. Private buyers from Punjab and others states are unable to get binola, which is used as cattle feed, from CCI warehouses and the central agency has hardly any space left for a new purchase," said the official.

Source: hindustantimes.com- Apr 07, 2020

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Covid-19: Logistics industry anxious as ports run with essential services tag

The Shipping Ministry's decision to keep the country's ports running for clearing cargo by declaring it an essential service in the midst of the lockdown makes logical sense, but the move has triggered much anxiety in an industry where social distancing is unimaginable due to the scale of human interface needed for moving goods. \

For logistics to work, the entire chain should function uninterrupted.

This is where the Shipping Ministry's move to continue with normal operations of ports and cargo clearance activities - for essential and non-essential goods - appears "contradictory" to the notifications issued by the Central and State governments restricting movement of people.

Many government offices and private entities have a role to play in the processing of EXIM documentation, drawing and testing of samples and issue of test results, certificates, etc. These include Customs, port offices, plant quarantine and animal quarantine offices for sampling, testing and release of cargo/ phytosanitary certificates, Export Inspection Agency for sampling, testing and issue of certificates, FSSAI office for sampling, testing and release of cargo, courier services for delivery and acceptance of documents together with their movement across the country, shipping lines for acceptance and issue of bills of lading, delivery orders, insurance companies for issue of policies, container freight stations in and around ports where the cargo is offloaded / loaded, Customs examination and stuffing / destuffing, empty container yards for picking up empty containers for stuffing and offloading empty containers after import destuffing, cargo surveyors' office, container transporters and their drivers / cleaners.

It requires personnel associated with cargo clearance to "personally" visit all or most of these offices/ places to get the work done.

"While doing so, they are contacting / interacting with various people in the whole logistics chain, and under the current circumstances, poses a major threat to their health and also to other people who have transactions with them," said a logistic industry executive.

"If the employees are travelling, they are more susceptible to the coronavirus infection as they are coming into contact with a great many people," he said. "Some of these places are within a few km radius of each other, which could potentially become a hotspot for coronavirus if it enters the circuit," says Alan Jose, President, Cochin Customs Brokers' Association.

For instance, the Kerala government has declared Ernakulam district where Cochin Port Trust is located, as one of the hot spots in the state.

"Considering the above facts and the Covid-19 affected cases nearby, Vallarpadam (where the international container terminal run by D P World is located) may be one of the most dangerous red-hot spots," Jose said in an April 3 letter to Chief Minister Pinarayi Vijayan.

As cargo piles up, various intermediaries in the logistics chain are coaxing their skeletal staff, as well as customers/users to help clear cargo by assuring them of precautionary measures to protect and deal with the epidemic.

"We wish to reassure the trade and especially all importers / custom house agents and all other visitors coming to CFS in connection with clearances and deliveries of boxes that our member CFSs as responsible stakeholders and citizens are committed to combating and containing the spread of the deadly Covid-19.

Accordingly, all our member CFSs have taken care and initiated several safety and health related precautionary measures keeping in mind the health of their own staff and also of persons visiting CFS' for clearance of goods to contain the spread of the pandemic," said Umesh Grover, Secretary-General, Container Freight Stations' Association of India.

It is fundamental to keep the supply chain operational while also protecting employees and users, says Sanjay Sethi, Chairman, Jawaharlal Nehru Port Trust, India's biggest container port. "JNPT has undertaken several preventive measures to equip and protect its workforce. All our buses and workplace are being sanitised regularly," Sethi added.

If all the cargoes are allowed for free movement, the lockdown will become meaningless, N Sivasailam, Special Secretary (Logistics), Department of Commerce, said during a video conference with the logistics industry stakeholders, organised by the PHD Chamber of Commerce on April 3.

Source: thehindubusinessline.com- Apr 06, 2020

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Small shifts, automated production to restart manufacturing?

A discussion has started within a section of the government over multiple ways to resume economic activity, particularly in manufacturing, in a limited way after the lockdown ends to enable businesses to pay salaries and meet operating costs and to ensure the economy does not fold up and go into a deep freeze.

While discussions are preliminary, and the outcome will depend on the coronavirus threat levels, there is loud thinking on allowing curtailed shifts with social distancing, allowing automated production like automobiles and putting in place a regimen of work passes and companies providing dedicated transport to their workers.

In case of automated production lines, it might be easier to commence operations given there are fewer number of hands on the floor and it is easier to observe social distancing. At the same time, it is essential to devise ways to get textiles and some of the other large employment generating sectors running to reduce likely economic hardship.

Measures are being considered even as thinking of the next economic package may await a fuller assessment of the domestic and international Covid-19 fallout. The immediate priority, of relief to the poor and tax compliance relief for individuals and businesses, has been addressed for now, it is felt.

Officials suggested that such factories will have to ensure that workplaces are not crammed, as it cannot be business as usual till the pandemic is brought under control. But arrangements can be worked out in such a way that 30-40% of the workers are allowed so that at least a part of the production cycle can commence. This will help keep supply chains, crucially in common consumer goods, moving.

This will also mean the movement of goods in some of the sectors although the demand for products such as automobiles may be limited. While there are suggestions that some of it can be stocked, for companies, carrying large inventories will impose additional financial burden. There is a proposal to allow exporters, who have already received orders, to complete production and dispatch them to ensure that they fulfil their contractual obligation and are not barred from future contracts.

In fact, some businesses that have by and large agreed to pay salaries for March, will find it tough to keep meeting the wage cost going forward as their revenues have stopped. In fact, sectors such as tourism and hospitality are starting the month with zero business and sustaining operations without any sales is going to be tough. Even some of the largest companies in the consumer goods space are only running 15-20% of the production chain, which are part of the 'essential goods' set-up, industry sources said.

Besides, disruption in the supply chain for even food processing and beverage companies is holding up operations. While big companies may be able to sustain their operations for a longer period, the smaller ones do not have deep pockets to sustain their operations without any revenue for long. The decision to bear the EPFO bill for those earning less than Rs 15,000 in units employing up to 100 workers is expected to cost Rs 20,000 crore annually, leaving the government with no headroom to bear the cost for the entire workforce.

Apart from workers, banks and other lenders also need to be paid to ensure that there is no pile-up of bad debt that impacts the stability of the financial sector in the medium to short term.

Source: timesofindia.com- Apr 06, 2020

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Pandemic will lead to demand, supply and financial market shock: Moody's

The sectors that will see positive impact include remote communications; online media, online retail; sectors that benefit from supply chain relocation; and vaccine developers. The downside risks to global growth due to the pandemic remain sizeable as a sustained pullback in consumption and prolonged closures of businesses can feed recessionary dynamics, warned Moody's Investors Service.

QuantCube alternative data indices point to a slide in global activity and a retrenchment in employment, the global credit rating agency said in a presentation titled 'Coronavirus and the Economy'.

The economic effect of the pandemic will be seen in demand shock (falling consumer demand from spread of the coronavirus), supply shock (production disruption from restricted movement) and financial market shock (volatility in financial markets), it predicted.

Channels of impact

The agency said the channels of impact of the pandemic will be a slowdown in travel/ tourism (flight and cruise restrictions to affected areas, cancellation of business and vacation travel, cancellation of large events) and a consumption slowdown (quarantine restrictions, school/factory/business closures, fear and aversion to public gatherings).

Further, Moody's referred to supply chain disruptions (factory closures in affected regions resulting in delays and shortages down supply chains globally, uncertainty and low sentiment affect investment) and stress on healthcare systems (higher demand for healthcare services and products).
Additionally, the agency mentioned a fall in oil/commodity prices (lower demand keeps commodity prices low and volatile) and financial market volatility (declines in equity prices, a rise in risk aversion and spreads, a rise in delinquencies, lower interest rates).

According to Moody's, the sectors that will be affected negatively are: airlines, cruise lines, hotels, travel/leisure; local services, wholesale/retail trade, transportation, education; technology, auto, telecom, shipping, pharma; healthcare system; commodity exporters; and financial institutions.

The sectors that will see positive impact include remote communications; online media, online retail; sectors that benefit from supply chain relocation; and vaccine developers.

Source: thehindubusinessline.com- Apr 06, 2020

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India: Centre reimburse CCI with Rs 1,061 crore for cotton procurement at MSP

The Centre reimburse Rs 1,061 crore to Cotton Corporation of India (CCI) and its sub-agent in Maharashtra for procuring cotton at the minimum support price in the state since 2014. The decision to give post facto approval to the MSP operations was taken by the Cabinet Committee on Economic Affairs.

The approval will help in price support operations to stabilise cotton prices, and is primarily aimed at safeguarding the interests of farmers and controlling any distress sale, the statement said. Maharashtra is the country's second largest producer of cotton. The MSP operations were carried out by the CCI's sub-agent, Maharashtra State Cooperative Cotton Growers Marketing Federation Limited (MSCCGMFL).

The Centre will spend Rs 312.93 crore to reimburse the losses to the CCI and the MSCCGMFL on sale of cotton procured during the cotton years (October-September) 2017-18 and 2018-19, and incur an additional expenditure of Rs 748.08 crore for 2014-15 and 2015-16.

Source: fashionatingworld.com- Apr 06, 2020

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Manpower shortage hits the cotton industry and its allied sector

Cotton Association of India (CAI) retained its cotton crop estimates for the season 2019-20 (which begins from October 1, 2019) at 354.50 lakh bales.

This is despite the fact that the industry will see some impact due to the lockdown.

CAI, president, Atul Ganatra talks to Free Press Journal's Jescilia Karayamparambil impact of Coronavirus and its subsequent lockdown on the industry.

Edited excerpts:

Do you think consumption of medical textiles will increase demand for cotton?

Many companies have started mask (or other medical textiles) production in India (in times of Coronavirus), but that will not impact the consumption of cotton. Cotton consumption is from cotton to yarn. In fact, cotton consumption is likely to drop due to this lockdown. This is mainly because spinning mills are closed for the last 15 days.

Do you see a drop in demand coming from Bangladesh? Can a country like China become major importer?

There will be good demand coming from Bangladesh as soon as the lockdown will be over. We are expecting good demand from China as well. But that does not mean China will overtake Bangladesh in terms of import of cotton from India. The export will pick up but we will have to wait and watch when will the lockdown end — that uncertainty is prevailing in this condition.

Is the procurement of cotton taking place or everything is in standstill?

There is no procurement that is taking place in the country. It has been stopped everywhere, even Cotton Corporation of India (CCI) has stopped the purchase of Minimum Support Price (MSP) cotton because APMC markets are not working. CCI will start procurement of cotton once APMC markets open.

There has been the depreciation of Indian rupees. Do you see that as good news for exporters?

Definitely, depreciation of rupees will work in favour of exporters.

What is happening with the stocks that are lying in the warehouses?

The major portion of the stock— around 90-95 per cent— is lying with the government agencies like CCI and federations. Once they start functioning them only things will move.

Summers are nearing. Do we see farmers being hit with a shortage of water already?

That we do not know yet. At present, we do not even know if the farmers have been able to get access to seeds for sowing in time. This is usually the time when farmers in the North are given seeds.

In the month of May, the farmers sow the seeds. We don't know what is going to happen. We will wait and watch. But definitely, there will be an impact in this cropping cycle.

Has plucking of cotton taken place?

The cotton that is lying in the field has not been plucked. This is mainly due to manpower constraints. We do not know what the position of the crops will be. We will know in times to come if the crop is destroyed or not. We will know about it mostly in 10 days or so.

Source: freepressjournal.in- Apr 07, 2020

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Retail industry will take almost a year to recover from Covid-19 shock

The Indian retail industry may take at least 9-12 months to recover from the aftermath of the coronavirus pandemic. 20-25 per cent of the industry players may need fresh fund infusion to stay afloat and about 25 per cent of the jobs in the retail industry is likely to get impacted, according to a survey done by industry body Retail Association of India (RAI).

On Monday, RAI and a few industry experts hosted a webinar to discuss the impact of the Covid-19 crisis on the Indian retail industry.

According to Kumar Rajagopalan, CEO, RAI, only about 7-8 per cent of the modern retail trade is functioning at the moment. Post the anouncement of the lockdown, sale of essential items alone is permitted.

The retail industry also consists of fashion, accessories, electronics, etc. Rajagopalan said only 8 per cent of the industry's modern trade sells essential items.

It is obvious that if only 8 per cent of the industry is functioning, it will take a long time to bounce back from the losses. According to a few snippets of the survey done by RAI among its members, several believe it will take at least a year to bounce back to normal industry standards. RAI represents 13,667 member establishments representing 5 lakh stores and employing 43 million people.

"While a few industry players believe that the impact of the post-coronavirus on the retail industry could last up to six months, most of them believe that it is going to last for anywhere between 9 and 12 months post which there could be a recovery," Rajagopalan said.

Anuj Puri, Chairman of Anarock. said that the time that the industry will take to recover and this recovery time will also be the time that the industry loses productivity.

According to Pinakiranjan Mishra, lead, consumer products and retail, Ernst & Young, for a long time after the lockdown is lifted, the consumers will be in a 'reactive mode' and they will buy only what is needed. After that, we will have the 'recovery mode.'

job losses

The industry players are also concerned about job losses in the industry. Rajagopalan explained: “While the industry players are not keeping the option of job cuts aside, it’s not their utmost option. There is the uncertainty of job for at least 20-25 per cent in the retail industry.”

Puri said that the industry players are leaning more towards salary cuts than lay-offs.

The industry players are also looking at support and relief from the government. BusinessLine had reported that RAI has made representation to the government on behalf of the retail industry by writing a letter to them.

BS Nagesh, Founder of Trust for Retailers and Retail Associates of India (TRRAIN), said that the main motive of the retail industry is to make sure that a proposal is now given by RAI, which gets approved by the government at the earliest.

Rajagopalan added that besides the government support about “20-25 per cent of the industry will need fund infusion to sustain their business and a lot of players may not be able to survive.” Nagesh further said that the retail industry will need working capital and about 25 per cent of the industry players are likely to into an alternate business.

Speaking about the future of the industry, Mishra said that retail industry players will have to change their business models and adapt to changing consumer behaviour. Whereas Nagesh said that smaller players needed to budget their costs to get out of this turmoil.

Source: thehindubusinessline.com- Apr 06, 2020

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Kolkata Port Trust becomes first state-run port trust to invoke force majeure

Kolkata Port Trust has declared force majeure at its Haldia Dock Complex, becoming the first state-owned major port trust to invoke the clause in the wake of the outbreak of the coronavirus that has roiled trade.

Most of the private ports and terminals operating in the country have invoked force majeure, a clause that absolves firms from meeting their contractual commitments for reasons beyond their control.

“Kolkata Port Trust (KOPT) has considered the COVID-19 pandemic as a natural calamity and invokes force majeure from 06:00 Hrs on 22 March to 06:00 Hrs on 15 April 2020,” A K Mahapatra, General Manager (Traffic) wrote in an April 5 trade circular, a copy of which has been reviewed by Business Line.

On March 24, the shipping ministry had asked all the 11 major port trusts “to consider COVID-19 pandemic as a valid ground for invoking force majeure clause on port activities and port operations also, in as much as obligations under various contracts (involving the major port trusts) are concerned”, to deal with the difficulties faced by stakeholders.

In doing so, the shipping ministry had cited a March 19 office memorandum issued by the finance ministry, clarifying that the COVID-19 pandemic “should be considered as a case of natural calamity that would entitle invocation of force majeure provisions”.

KOPT has also decided to waive demurrage charges / rent for all types of cargo and container from 06:00 Hrs on 22 March to 06:00 Hrs on 15 April 2020.

The contractors operating mobile harbour cranes at berth numbers 1, 5, 9 and 14, Haldia floating terminal and container terminal will not be penalized for achieving less productivity than the MLP as per the contract agreement.

Penal berth hire charges will not be levied from the vessel's agent for achieving less productivity at Berth No 10, than the agreed benchmark productivity rate as per the Berthing Policy.

The above period will be exempted from consideration of minimum guaranteed throughput (MGT) period for strategic plans and other similar schemes and way leave licensees as well as for plots allotted on long term basis against MGT commitment. However, the tonnage handled during this period will be considered against the fulfilment of MGT commitment, Mahapatra wrote in the trade circular.

The Federation of Association of Stevedores has been lobbying the ports trusts to invoke force majeure.

“It is impossible to work the vessels at contracted terms, as ports are not able to supply labour nor provide security to private labour or assist in transportation, accommodation, food or PPEs for the labour,” K V Krishna Kumar, President, Federation of Associations of Stevedores, wrote in a April 4 letter to the Shipping Minister Mansukh Mandaviya.

“Vessels meant for major ports are shifting to private ports as private ports have declared force majeure,” he said adding that declaration of force majeure by port trusts will safeguard the interests of importers and exporters and stevedores and handling agents, who are unable to perform as per earlier contracted terms”.

“If force majeure is not declared, it could lead to a huge drain of foreign exchange, huge expenses in international litigation etc, which our country can ill afford,” he added.

Port Trusts have delayed invoking force majeure because “they don’t do everything from stevedoring, loading and unloading to delivery”.

“Private port operators and terminals are invoking force majeure because they are making end-to-end contracts, but we are not into that kind of contracts with stevedores,” said the chairman of a port trust located on India’s eastern coast.

Source: thehindubusinessline.com- Apr 06, 2020

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Welspun to start making disinfectant wipes, masks

Textile manufacturer Welspun has switched capacities to produce disinfectant wipes and surgical masks in order to meet increased demand for personal protection items in the wake of the Covid-19 outbreak.

"From the business point of view, we have been making smart non-woven products and medium for diverse applications around safety clothing ... hence, manufacturing face masks and disinfectant wipes for combating the crisis is a natural extension for us," chairman BK Goenka to ET.

On march 23, the textiles ministry, along with the health ministry, had issued a statement that they were working with industry bodies, stakeholders and manufacturers to streamline the supply chain, remove bottlenecks and maintain a steady supply of all materials required for healthcare professionals.

Welspun is working with government and local authorities to seek support in manufacturing a few lakh disinfectant hand-wipe packs per week.

"However, the current lockdown poses its own challenges for sourcing ingredients and managing workforce," said Goenka.

The company may take a few weeks to decide on fullscale production of masks and disinfectant wipes, and consider possible exports.

Source: economictimes.com- Apr 07, 2020

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