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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

USA: Covid Vaccines Are Coming. What Does This Mean for Apparel and Air Freight?

The 2020 holiday season has been unlike any other for the supply chain, with record e-commerce demand taking up cargo space both in the air and on the ocean, sending shipping rates from China to the U.S. through the roof. Now, with the U.K. granting emergency authorization to roll out the Covid-19 vaccine developed by Pfizer and BioNTech, making 800,000 doses available to the public starting in the first full week of December, the priorities within the supply chain are going to start taking a different shape, and it could affect how apparel may be shipped in the near term.

With the U.S. likely following in the U.K's footsteps in the next few weeks, air freight is going to be dominated by vaccine transportation. Thus far, Pfizer has said it plans to deliver about 50 million doses this year and up to 1.3 billion doses in 2021.

Moderna's vaccine, which does not require the freezing efforts of the Pfizer vaccine, is expected to be administered in approximately 20 million doses in the U.S. by the end of the year, while the company remains on track to manufacture 500 million to 1 billion doses globally in 2021.

There are approximately 2,000 dedicated air freighters in use worldwide, carrying about half of all goods moved by air, according to the International Air Transport Association (IATA). The remainder typically is transported within 22,000 regular commercial jetliners.

Air cargo capacity crunch leaves very little room beyond vaccine

While the dedicated freighters were more than 20 percent over capacity in September, total air cargo volume including the commercial flights has tumbled this year. Global capacity, which the IATA measures in available cargo tonne-kilometers (ACTKs), shrank by 25.2 percent year over year in September (28 percent for international operations). That is nearly three times larger than the 8 percent contraction in demand, indicating a severe capacity shortage in the air freight market.

Airlines have converted nearly 2,500 passenger planes into cargo-only roles, but the job of distributing the vaccine would be easier if fleets were flying within their typical frequencies to their usual destinations, since that would mean less belly capacity is sitting idle.

"A lot of the vaccine is going to be moved in the belly of the passenger aircraft," said Rick Helfenbein, former president and CEO of the American Apparel & Footwear Association. "The problem with that is there are limits to the amount of dry ice that you can put on board, so that overflow may park itself somewhere else, and it will certainly have some impact on air freight."

Further exacerbating the capacity challenge, IATA estimates that 90 percent of international passenger traffic has disappeared since people aren't flying commercially.

"As carriers adjust schedules to reflect falling passenger demand amid the resurgence of Covid-19, valuable belly capacity will be lost when it is needed the most," said Alexandre de Juniac, IATA's director general and CEO, in a recent statement.

These flights are pivotal in being able to transport the Pfizer/BioNTech vaccine, which has to be stored at minus 70 degree Celsius (minus 94 Fahrenheit) temperatures, and given the governmental priority of the shipments of these vaccines, apparel brands that typically rely on air freight to make quick turnarounds are likely going to be out of luck.

"The vaccines require rapid delivery, obviously, and what you don't want to be doing is putting a vaccine in a refrigerated shipping container packing off for a four-to-six week ocean journey and hoping for the best when it gets there," said Chris Rogers, research analyst, global supply chains at global trade intelligence firm Panjiva. "It will suck up all of the air freight. The apparel industry, namely the fast-fashion players, are either going to face much higher rates or more likely there just won't be capacity available."

The difficulties aren't necessarily exclusive to apparel. A September survey from The International Air Cargo Association (TIACA) and Pharma.Aero showed only 28 percent of companies involved in supply-chain logistics felt well prepared to handle these vaccines.

“Amid the uncertainty of when a potential vaccine may start to be distributed, industries from technology and automotive to engineering and medical devices relying on the continuous availability of air cargo capacity for their day-to-day procurement and distribution operations are facing the challenge of anticipating the potentially disruptive impact on their supply chains,” said Mirko Woitzik, intelligence solutions manager at supply-chain risk management platform Resilience360.

New product launches, diversified vaccine origins add to uncertainty

But it is important to note that after an already tough year for the industry, apparel retailers have to compete in an arena that is filled with new product launches including the iPhone 12 and the Sony PlayStation 5, both of which are high-demand products that are being shipped via air.

And with more of the vaccines being produced in mass manufacturing centers for pharmaceuticals in regions such as Europe and India, this reality further reinforces the lack of availability ahead for air freight capacity.

“You’re going to find I think a lot of these air freight routes have been redirected as well,” Rogers said. “So it’s going to be quite messy.”

Given the limited availability and the fluid developments with Covid-19 vaccines, apparel players should prepare by keeping abreast of the latest developments regarding vaccine approvals around the world, while constantly assessing where potential vaccines will be manufactured and which airports could serve as import and export hubs, according to Woitzik.

“Companies can anticipate logistical bottlenecks by activating contingency plans with their logistics providers, i.e., by routing shipments through other nearby airports,” he added.

All apparel companies must think carefully about the timing of their orders and deliveries, especially given the lessons already learned this year from taxing supply-chain constraints, particularly as holiday demands pulled shipping forward, according to Rogers.

“Next year, we don’t know how long the vaccine is going to take to arrive when it does, what the profile of delivery is going to be, and so on,” Rogers said. “You don’t want to be in a position in August of next year, when you start shipping the winter clothing that’s bulkier, when you’re facing those shipping challenges, so maybe what you'll want to start doing is shipping sooner or spreading out your shipments over time so that we don't do what we normally do, which is ship everything for a given season at the same time. You just have to take what the shipping cost is at the time and start shipping earlier."

Shipping rates jump sky high

As capacity fills up and demand increases, so, too, do shipping rates. According to data from the Hong Kong-based TAC Index, air freight shipping rates between China/Hong Kong and the U.S have increased by nearly 46 percent between Oct. 12 and Nov. 9 to reach $7.40 per kilogram shipped, which is more than double the rate during the same time last year. In fact, these shipping rates increased nearly 69 percent from July 6, when rates were just $4.38 per kilogram shipped.

Between March and June, air cargo spot rates were initially driven up as governments raced to secure enough personal protective equipment (PPE) in their fight against the Covid-19 outbreak. While many passengers planes were reconfigured to cargo-only aircrafts to carry PPE shipments during this period, it remains to be seen how fast airlines and other carriers would inject additional air cargo capacity into the market, Woitzik pointed out.

"While many passenger planes remain grounded and could be reactivated, air cargo rates would likely have to reach a certain threshold for airlines to operate these planes profitably," said Woitzik. "In addition, uncertainty also remains around how much capacity governments will secure by paying premiums, which could reduce the number of cargo-only passenger planes available on the spot market."

Helfenbein noted that based on conversations he has held within the industry, the heightened shipping rates across both air freight and sea freight are likely to linger into the first quarter of 2021 and possibly even into the second quarter, especially if the vaccine is widely distributed.

Vaccine pushes more apparel into ocean freight

On the sea side, the vaccine's distribution may not have as much of a direct impact on the apparel trade since it won't be transported via sea freight. But as apparel's place in air transportation becomes deprioritized and demand increases again, sea freight will likely be the sector's best option.

Apparel imports via sea increased 10 percent in October, compared to much larger increases of 52 percent for furniture and 72 percent for major household appliances such as refrigerators, according to Panjiva. While the latter two sectors had been growing for the past four months, apparel imports had actually undergone a decline prior to the month, signaling that apparel makers are now trying to muscle their way in for extra capacity at a time when everyone else has already been doing so.

But as they seek out extra room in ocean freight, costs aren't exactly going to be much more palatable. Like their air freight counterparts, container freight rates from China to the U.S are increasing as a result of an uneven distribution of containers to meet surging shipping demand from Asia to Europe and the U.S.

As of mid-November, the cost to ship a forty-foot equivalent (FEU) container from China to the U.S. East Coast topped $4,750, up 42 percent since July and a new record, according to Freightos data in Refinitiv Eikon. The China-to-U.S. West Coast rate is up nearly 50 percent in that same time span, to $3,878 per container.

"The container shortage is so severe that the agriculture export business to China is suffering right now because a lot of the shipping lines don't want to carry agriculture to China," Helfenbein said. "They'd rather bring the container over empty because they need the empty containers and it takes longer to unload them if they have agriculture exports on them. They're really behind and they are struggling to move cargo in through the holidays. So the cargo is piling up, they can't unload it fast enough, they can't get them back to China fast enough and the rates have skyrocketed."

The Global Port Tracker report by the National Retail Federation and Hackett Associates LLC said major U.S. ports imported 2.11 million containers in September, 12.5 percent more than the prior-year period and the highest monthly total in records going back to 2002.

In October, this total jumped remarkably higher as the earlier holiday season kicked in, according to John McCown, former chairman and CEO of ocean freight carrier Trailer Bridge Inc. and founder of Blue Alpha Capital. His McCown Report, which tracks total inbound container volume across 10 ports in the U.S., indicated that inbound containers increased 18.8 percent year over year, with volume from China coming in at a 26 percent higher pace.

"What the container shipping industry has done, and a big part of what's made it more attractive, is that they have thick schedules," McCown said. "The weather still impacts them, but the more you can deliver something when you say you're going to deliver it, even if it's a much longer supply chain, the more consumers value the channel."

Source: sourcingjournal.com - Dec 04, 2020

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Explainer: Huge consequences loom over EU-UK trade talks

Britain and the European Union sought on Sunday to strike an elusive trade deal, with failure likely to end with trade in chaos, markets tumbling and a huge economic price to pay.

Here are some of the potential pressure points of a no-trade deal after five years of Brexit crisis.

STERLING

Investors and banks have predicted that a deal will eventually be done, so a no-deal would hit sterling, according to major foreign exchange traders.

The shock referendum result on June 24, 2016 sent the pound down 8% against the U.S. dollar, its biggest one-day fall since the era of free-floating exchange rates began in the 1970s.

That was nearly double the 4.3% drop on Sept. 16, 1992, when financier George Soros "broke the Bank of England" after his bets against the pound were instrumental in the currency's exit from the European Exchange Rate Mechanism.

TRADE

Overnight Britain would lose zero-tariff and zero-quota access to the European Single Market of 450 million consumers.

Britain would default to World Trade Organization (WTO) terms in its trade with the 27-state bloc, making it in effect as distant to its biggest trading partner as Australia.

Britain would impose its new UK global tariff (UKGT) on EU imports while the EU would impose its common external tariff on UK imports. Non-tariff barriers could hinder trade, with prices predicted to rise for consumers and businesses.

Borders risk disruption, especially the main crossing points, with shortages of certain foods possible as Britain imports 60% of its fresh food.

Any disruption would be felt most keenly by sectors that rely on just-in-time supply chains, including autos, food and beverages. Other sectors likely to be affected would include textiles, pharmaceuticals, and chemical and petroleum products.

The EU is Britain's biggest trading partner, accounting for 47% of its trade in 2019. It had a trade deficit of 79 billion pounds ($106 billion) with the EU, a surplus of 18 billion in services outweighed by a deficit of 97 billion pounds in goods.

Even with a deal, Britain's reasonable worst-case scenario is that 7,000 trucks bound for the continent could stack up in the southern English county of Kent.

THE ECONOMY

A no-trade deal would wipe an extra 2% off British economic output in 2021 while driving up inflation, unemployment and public borrowing, Britain's Office for Budget Responsibility (OBR) has forecast.

The OBR said tariffs under WTO rules and border disruptions would hit parts of the economy such as manufacturing that were emerging relatively unscathed from the COVID-19 pandemic.

The long-term hit could be costly for both Britain and the 27 remaining EU members. Germany, Europe's biggest economy, is Britain's biggest EU trading partner.

The shock would be felt unevenly across continental Europe, with those likely to be hit worst including Ireland, the Netherlands, Belgium, France, Luxembourg, Malta and Poland.

The Halle Institute for Economic Research has forecast that EU companies exporting to Britain could lose more than 700,000 jobs if no trade deal is agreed.

NORTHERN IRELAND

Both sides want to avoid a hard border between the United Kingdom's Northern Ireland and the Republic of Ireland in the EU. Implementing the Northern Ireland protocol of the 2020 Brexit Treaty will be complicated without a trade agreement.

Under the treaty, Northern Ireland remains, in effect, in the EU's single market for goods and aligned to its customs rules after Dec. 31 unlike the rest of the United Kingdom.

Exactly how checks, regulations and paperwork will work between Britain and Northern Ireland is not yet clear. But without a trade deal, the divide between Britain and Northern Ireland would become more distinct.

Brexit without a trade deal could allow Northern Ireland to become a back door into the EU's single market, thus raising the spectre of a hard border on the island of Ireland for the first time since a 1998 peace deal.

The 1998 Good Friday Agreement brought an end to three decades of sectarian violence between mainly Protestant Unionists who favour continued British rule and mainly Catholic Irish Nationalists who want a united Ireland.

ACRIMONY

Both sides would likely blame each other for any chaos after a no-deal exit and Europe would be split just as it faces the challenges of China's rise, Russian assertiveness and the continuing fallout from the COVID-19 pandemic.

Such a failure could shake the bloc that was created to bind the ruined nations of Europe into a global power after World War Two.

The EU would lose one of Europe's leading military and intelligence powers, its second-largest economy and the only financial capital to rival New York. Britain would be alone, left far more dependent on its alliance with the United States.

Britain is also pushing ahead with legislation known as the Internal Market Bill that would allow it to break parts of the 2020 Brexit Treaty relating to Northern Ireland, making it unclear how far it would implement the divorce deal.

CITY OF LONDON

London, the world's international financial capital, is largely ready for Brexit as a trade deal was never going to cover Britain's most globally competitive industry.

While most banks and investors have found ways to navigate Britain's departure from the bloc, the long-term impact of an acrimonious Brexit would be unpredictable and the EU would likely try to grab more market share from the City of London.

London is the centre of the world's $6.6 trillion a day foreign currency markets, accounting for 43% of global turnover. Its nearest EU competitor, Paris, accounts for about 2%.

The British capital is also the global centre for euro trading, a potential headache for the European Central Bank.

Source: finance.yahoo.com– Dec 06, 2020

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Egypt, South Korea see $1.16m trade exchange in 9M 2020: KOTRA

The year 2020 marks the 25th anniversary of diplomatic relations between Egypt and South Korea, with the two countries enjoying cordial relations and cooperation.

With a focus on economic cooperation, the Korea Trade-Investment Promotion Agency (KOTRA) inaugurated its office in Cairo in 1974.

To mark these cordial and extensive diplomatic relations between the two countries, Daily News Egypt sat down with Shin Wooyong, Director General of the KOTRA office in Cairo.

During the interview, Shin reviewed the economic cooperation between the two countries in terms of trade and investments.

What was the value of the Egyptian-Korean trade exchange during the third quarter (Q3) of 2020? What is your assessment of the trade balance between the two countries?

The value of trade exchange between Egypt and Korea during the period from January to September 2020 recorded $1.16m. At the same time, the trade balance between the two countries reached $518m during Q3 of 2020.

Can you tell us more about the imports and exports between the two countries during the first nine months of 2020? What are the expectations by the end of the current year?

Egypt's exports to Korea during the first nine months (9M) of 2020 reached $321m, while its imports from Korea stood at $839m during the same period.

What are the main import and export items between the two countries?

The top five Egyptian exports to Korea are natural gas, vegetable substances, non-metallic minerals, and fabrics. On the other hand, the top five Korean exports to Egypt are resins, vehicles, screens, automotive parts, and synthetic petrochemical products.

What is your evaluation of Egypt's economic performance, especially during COVID-19, and of the Egyptian investment climate?

Despite the novel coronavirus (COVID-19) pandemic, Egypt is performing well in terms of both dealing with the virus, and ensuring economic recovery, as it is still attractive for foreign direct investments (FDI).

Regarding the Egyptian investment climate, I think that it is very attractive because many Korean companies are considering investing in Egypt. The country is the main investment destination for Korean companies in Africa, as investing in Egypt provides the opportunity for my country to enter the neighbouring markets in Africa through the African Continental Free Trade Area (AfCFTA).

How did the pandemic impact Korean investments in Egypt, and did any new investments occur in 2020?

Of course the pandemic has affected the whole world, and attracting new investment was really hard this year, but we think Egypt is going in the right directionfor enhancing investment.

For Korea, we have new companies investing in a cable factory in the country, as well as another company working on the new monorail project. Having said that, last year, Korean investments in Egypt stood at around $4m, most of which were funnelled into the fabric and textile sectors.

A further $4m was invested in 2018, mainly in fabric and plastic foaming, in addition to Korea's investing $93m in 2017, mainly in the electronics sector.

What about Korea's future investments in Egypt?

The total funds South Korea injected in Egypt recorded about $150.2m in 2019, while the total investment and FDI reached $131m and $167.9m, respectively.

Many Korean companies see Egypt as an attractive market for investment, as the country has a huge population and huge opportunities for investing. Also the Egyptian government is trying to attract foreign investors.

I think that the prospects for the Egyptian investment climate is very good, which will encourage more Korean companies to invest.

I also think the most promising sectors in Egypt that will witness more investments by next year are the environment sector, as the Egyptian International Gas Technology (Gastec) is planning to make a second investment in Egypt by next year. The transportation sector is also a promising one that will witness a lot of investments next year.

What are the main challenges that prevent more Korean companies from investing in Egypt? What are your recommendations to attract more?

Egypt is a country with great potential, and to benefit from this, the Egyptian government needs to open their investment process more. It should also limit the bureaucracy, as many Korean companies find it very hard to invest in Egypt due to the high level of bureaucracy. So the Egyptian government needs to open up more and to increase the transparency.

Can you verify if the only Kia model assembled in Egypt will stop? What are the plans in this regard?

I don’t know whether this is true, but I think that if it is, it will be due to the conditions in the Egyptian economy and the lower demand due to the COVID-19 pandemic.

Could you elaborate more on the 7th Railway School Egypt in Cairo?

Set up with the aim of spreading Korean railway technology to Egyptian railway engineers, the Korea National Railway (KNR) and KOTRA held the “7th Egypt Railway School Egypt” in the capital, Cairo.

This event was held online on 17 November 2020 for officials and engineers from the Egyptian National Railways (ENR). Railroad signal and track experts from KNR and Dohwa Engineering shared their know-how and examples of railroad signal safety technology and track design/construction in Korea. They also conducted discussion lectures with Egyptian engineers.

As a result of these efforts, the KNR undertook a contract on the Naga Hamadi-Luxor railway signal modernisation consulting project in 2018. It has since been contributing to the modernisation of Egypt’s railway system through Korea’s excellent railway technology.

This railroad school has been contributing to the promotion of friendly relations between the two countries’ railroad industries. It has done so through continuous exchanges and cooperation, and increases the opportunities for Korean railway companies to collaborate on railway modernisation projects in Egypt.

Can you update us on what`s new on this year`s Railway School Egypt ?

This year, due to the COVID -19 pandemic, our Korean instructors did not come from Korea, and it was conducted online. This was because we didn’t want to cancel school this year, due to the pandemic.

Every year since 2014, Korean railroad technology has been transferred to Egyptian railroad engineers at the ENR, the National Authority for Tunnels (NAT), and the Cairo Metro. Each year, we chose a new topic concerning the rail and metro industry, according to the needs of the Egyptian authorities.

This year we choose railroad signal safety technology and track design/construction in Korea, and conduct discussion lectures with Egyptian engineers

What are KOTRA's plans in Egypt in the next few years?

KOTRA is trying to undertake the main role of being a bridge between Korean and Egyptian companies, to enhance the trade volume between the two countries. Of course, this means giving Korean companies a boost to come to Egypt and invest in the country.

Has KOTRA undertaken any preparations for business missions to Egypt in 2021?

The plan for next year has not been fixed yet, but KOTRA has still put in place the preparations for many business delegations to visit Egypt. If the pandemic comes to an end, KOTRA will arrange around 10 business delegations to visit Egypt starting from Q2 of 2021.

Source: dailynewsegypt.com– Dec 05, 2020

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Uzbek firm to supply cotton fabrics to Ukraine

Uzbekistan's Textile-Contact Company recently signed a $12-million contract to supply textile products of high quality cotton to Ukraine. It was signed during talks at the XII International Cotton and Textile Fair in Tashkent on October 12 and 13 under the auspices of the Uzbek ministry of foreign economic relations, investment and trade.

The contract will allow the company to not only offer the Ukrainian market with high-quality cotton fabrics, but also to keep prices at an adequate level for Ukrainian consumers, Textile-Contact director Oleksandr Dmytrenko was quoted as saying by a news agency.

The company can save on the amount of production and offer Ukrainian consumers the best product, while considering the needs of its wholesale and retail customers.

The fair was attended by delegations from 43 countries.

Source: fibre2fashion.com– Dec 03, 2020

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Facemasks: Unmasking a New Trade

Face masks have temporarily turned gilt for textiles and apparel manufacturers, offering unexpected dividends. Teaming up with companies offering anti-microbial solutions, enterprises have flooded the markets with a wide array of surgical and respiratory masks. Designers have also jumped into the fray, making masks a necessary fashion accessory for many.

As soon as the novel coronavirus started spreading beyond the Chinese frontiers early this year at a scale that few had imagined, the first basic requirement of all affected countries was face masks— both for people as well as doctors and frontline healthcare workers. This led to several companies manufacturing textile and medical hygiene products to scale up production of such masks. Enterprises that had never been into face mask production also set up units to manufacture these items as demand rose exponentially. There were a few like Apple that came out with special masks for their employees. LG announced a rechargeable mask in August. For many, masks became a fashion statement.

The pandemic boosted the market for respiratory (N95, KN95, FFP2, FFP3, P95, R95) and surgical (3-ply, 4-ply, 5-ply) masks. According to US-based Arizton Advisory & Intelligence, the global face mask market would reach an absolute growth of around 90 per cent, contributing over $2.7 billion incremental revenue between 2019 and 2025, a period in which it will grow at a compound annual growth rate (CAGR) of 11 per cent. With the increasing adaption for face mask for personal use, reusable face masks are witnessing high demand with market value expecting to reach $170 million by 2025.

Another projection by Allied Market Research says the global face mask market size was valued at $1,523.0 million in 2019, and is estimated to reach $2,455.4 million by 2027 with a CAGR of 4.4 per cent from 2021 to 2027. According to the latest N95 respirators market research report from Technavio, the pandemic will drive the global N95 respirators market size to grow by $382.90 million from 2020 to 2024, representing an impressive CAGR of over 9 per cent.

Even after the pandemic is brought under control, a sizeable percentage of people are likely to continue wearing masks in crowded places and cities where pollution levels are high, a study by Dubai-headquartered Future Market Insights (FMI) says. The global surgical masks market is forecast to surge past valuation of $4.2 billion by 2030. Basic surgical masks and fluid/splash resistant surgical masks are expected to collectively account for 80 per cent of market value, each holding a share of near-equal proportions. Europe is poised to capture the lion's share in market value, accounting for a share little below two-fifths of the market value.

The world has also witnessed a rising trend of surgical masks for personal use. Though health authorities in several nations have recommended the use of N95 masks only by healthcare workers, the public is also buying these masks to minimise the risk of infection. Such factors are significantly boosting sales.

However, high prices and the rise in popularity of face masks have led to the emergence of counterfeit brands, according to Allied Market Research, which said counterfeit brands are usually available in developing economies with highly price-sensitive customers. This hampers the sale of the original brands there. Counterfeit brands are of low quality and often lead to inconvenience and safety issues that subsequently develop negative perceptions among customers. Online distribution channels are one of the major platforms where transaction of counterfeited brands is easily concealed. Thus, the counterfeited industry's growth is anticipated to hamper the face mask market growth.

According to Grand View Research, which has its headquarters in San Francisco, the global disposable face mask market size exceeded $74.90 billion in the first quarter of 2020 and is expected to grow at a CAGR of 53 per cent from 2020 to 2027. The unprecedented spread of the pandemic drove the demand for disposable face masks, which are typically made from nonwoven fabrics and available in a two or three-layer form. Asia Pacific emerged as the largest market for disposable face masks in 2019, having accounted for a market share of 33.7 per cent in 2019.

China, for long the largest respirator mask producer and exporter, made half the world's masks before the coronavirus emerged there. It has raised production by nearly 12 times since then by expanding its output of surgical and respirator masks on a war footing. Daily production rose from about 10 million at the beginning of February to 115 million at the end of the month, according to the Chinese government.

The US government ordered Honeywell International to expand its production of N95 masks. 3M is committed to producing 50 million masks for the US medical authorities during the pandemic. Rich countries in the West and Middle East also procured masks from manufacturers from several developing economies. For example, Vietnam's Dony Garment Factory supplied face masks to around 30 US states, Japan and several countries in Europe and the Gulf region.

Dozens of companies and start-ups around the world claimed their face masks or technology used therein inactivated most varieties of coronavirus in the shortest possible time. US apparel manufacturer Renfro's face masks use DuPont's Silvadur 930 antimicrobial technology.

Hong Kong-headquartered InnoTier, owned by the Julius Group, manufactures InnoShield reusable masks using material blended with US ionic technology. The mask harnesses the power of 99.9 per cent pure silver woven directly into the fabric to reduce the viability of viruses and microbes on soft surfaces. Pandemic has not affected its production capacity much and it can easily manufacture 300,000–500,000 pieces of mask a month, with the flexibility to expand further. Being a new brand, it has been focusing on the domestic market. However, it is exploring to set up offices in Southeast Asian nations and the United States to serve those markets better. The mask can be used 200 times, it claims.

Companies offering anti-viral treatment technology had a field day by partnering with mask producers. Canadian firm Stormtech, with presence in Americas, Europe, Asia Pacific, Russia and Middle East, launched face masks with the ViralOff technology of Swedish firm Polygiene. "With ViralOff, over 99 per cent of the microbes in the textile are reduced within two hours, which means that you can let the product rest and within two hours it is good to go again," says Polygiene chief executive Ulrika Bj′rk.

Germany's Maloja Clothing harnessed its knowledge of functional sport clothing to manufacture face masks in its units in Portugal and Bulgaria. According to its founder-CEO Klaus Haus, the three-layered reusable mask is made of breathable polyester fabric and is finished with Polygiene's ViralOff treatment. The company faced problems in March and April and was forced to use stock fabric to fulfill mask production. It normally sources fabrics in Italy but with the shutdowns, it had to shift sourcing to Portugal. Its supply chain issues are over now.

Switzerland's Keller Trading SA and KT Home SA in October launched the reusable Testex community mask, which adheres to the new specifications of the Swiss government and the Swiss National Covid-19 Science Taskforce.

European fabric expert Wise Protec too launched new washable and reusable face masks with an anti-microbial formula certified as skin safe and which does not include heavy metals like silver or zinc. The long lasting, positively-charged anti-microbial coating attracts negatively-charged virus and bacteria. On contact with the treated surface, the novel coronavirus' protective membrane ruptures, destroying the virus, the company claims.

Click here for more details

Source: fibre2fashion.com – Dec 05, 2020

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Bangladesh: Apparel exporters dealt a fresh blow: Rising raw material prices

After order cuts and lower prices from buyers, they have a fresh problem at hand

	October	December
Synthetic fabrics	$1.5/yard	$1.2/yard
Lining fabrics	$0.43/yard	$0.47/yard
Nylon fabric	$2.20 (per yard)	$2.30 (per yard)
30-single cotton	$2.5/kg	$2.9/yard
Polypropylene fabrics	$1,035/tonne	$1,060/tonne
Sewing thread	$1.9/kg	$2.10/kg
Gum tape	$290/roll	$420/roll
Kraft liner	$535/tonne	$630/tonne
Duplex board (gray back)	$575/tonne	$650/tonne
Duplex board (white back)	$650/tonne	$720/tonne

There seems to be no end to Bangladesh's apparel exporters' problems.

After order cuts and lower prices from buyers, they have a fresh problem at hand: the rising process of raw materials. The development means the road ahead for the country's apparel exporters would be well bumpy.

On average, the prices of raw materials such as fabrics, yarns, cotton and packaging materials, edged up 5 to 10 per cent in the last couple of months, according to industry people. The rise in cotton prices, the low productivity caused by the pandemic and a stronger Chinese yuan are largely to blame for the price ticking up.

“Every week, the prices of materials are rising,” SM Khaled, managing director of Snowtex, told Dhaka Tribune. The buyers' nominated suppliers are asking for higher prices with each new lot and the regular suppliers in China are frequently changing their prices.

Seeing that the demand is comparatively low, one would think that the prices of raw materials would stay low. “But that is not the case. As a result, the manufacturers are suffering a lot,” he added.

China is the global manufacturing hub for raw materials but the production capacity there is lower than the pre-Covid level. Besides, the importers are ordering more ahead of the Chinese New Year holidays in February, which is another reason for price rise, Khaled said.

“The prices of apparel raw materials went up at a time when the exporters are facing several challenges such as price cuts by the global buyers, fewer work orders than capacity and work orders cancellations,” said Fazlee Shamim Ehsan, owner of Fatullah Apparels.

Right now, the manufacturers are under pressure from buyers to accept orders at lower prices.

“In this context, the prices of raw materials going up has left us with one too many survival challenges,” he added. In last three months, the price of cotton went up by 8-10 cent per pound, which impacted the prices of yarn, Monsoor Ahmed, secretary of the Bangladesh Textile Mills Association (BTMA) told Dhaka Tribune.

Yarn accounts for as many as 60 per cent of the production cost for denim fabrics, according to Mobasher Ahmed, assistant general manager of marketing at Square Denim. For fresh orders, Square will be charging 5-10 cent more per yard as the production costs have gone up, he told Dhaka Tribune yesterday.

All international benchmark prices of cotton have increased over the past month with the largest increase in prices in China. Bangladesh exports mainly five items: T-shirts, sweaters, trousers, jackets and shirts, which together constitute more than 70 per cent of the orders, according to Mostafiz Uddin, managing director of Denim Expert.

“The basic raw materials of these 5 items are cotton and Bangladesh does not produce any cotton that could be used in apparel manufacturing.” So, an increase in the cotton price will indeed contribute to the rise in the production cost.

“Unfortunately, we have seen in the past years that though the production costs have increased manifold for different reasons, many buyers did not increase the prices. So, ultimately the manufacturers have to bear the brunt, which should not be the case,” he added.

The accessory suppliers of the apparel industry, who form its backward linkage, have also been sucked into this predicament: the apparel manufacturers are offering lower prices for their product in the face of price squeeze from Western retailers.

“The buyers have cut the prices of clothing products, so they have passed that on to us,” said Md Abdul Kader Khan, managing director of Khan Accessories and Packaging Company.

On the other hand, the raw material prices increased, which left manufacturers in severe trouble and they are incurring huge losses, said Kader, also the president of the Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA).

The price of raw materials increased 10 to 20 per cent in the last few months, according to BGAPMEA’s estimates.

“In this context, global buyers and local manufacturers should adjust the prices for the sake of sustainability. If the local suppliers and buyers do not help us, the accessories sector will fall into a debt trap,” Khan added.

Source: dhakatribune.com – Dec 06, 2020

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Vietnam: Textile exports to fall for the first time in 25 years

Vietnam's textile and garment exports is set to fall 15 percent to $34 billion this year, the first drop in 25 years, over Covid-19 impacts.

With the Covid-19 situation remains serious in the U.S. and some European countries, exports to these markets will continue to face difficulties due to a shortage of orders, the Ministry of Industry and Trade said in a recent report.

The 15-percent decrease, however, is still lower than the 20-25 percent plunge in global demand this year, it said, adding that domestic companies have been making efforts to pump up revenue by producing lower-added value products to ensure cash flow.

HCMC-based Dony Garment is focusing on small orders. Pham Quang Anh, CEO, said that in the beginning of the Covid-19 outbreak, his company took on orders of millions of masks from buyers in the U.S. and the E.U, but now the company is accepting orders as low as 36,000 units.

Even though the value of masks is 10 percent or 5 percent of other products made before the pandemic, many customers have reached out to the company and asked for them, which has helped keep the business running, he added.

The company's revenues in the first 11 months actually surged 2.7 times year-on-year thanks to masks, he said.

Other companies expect new trade pacts will help boost exports.

Vu Duc Giang, Chairman of the Vietnam Textile and Apparel Association (VITAS), said that the recently-signed Regional Comprehensive Economic Partnership (RCEP) is likely to boost China's demand for garments made in Vietnam.

Japan is another potential market. The East Asian giant requires Vietnamese companies to prove their products are sourced from other ASEAN countries or from Japan to enjoy incentive tariffs while most of Vietnamese products are made from materials imported from China, he said.

But when the RCEP takes effect, even products with materials from China will enjoy incentive tariffs, he added.

Than Duc Viet, CEO of Garment 10 Corporation Jsc (Garco10), said the scrapping of tariffs on many textile and garment exports to the E.U. thanks to the EU-Vietnam Free Trade Agreement (EVFTA) will push the sector's growth.

Source: e.vnexpress.net– Dec 06, 2020

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Pakistan: Exports jump 7.67pc to $2.161bn

Pakistan's exports grew for the third consecutive month in November to $2.161 billion, up 7.67 per cent from $2.007bn in the corresponding month last year, data released by the Pakistan Bureau of Statistics showed on Friday.

The increase in exports is mainly driven by double-digit growth in proceeds from textile and non-textile commodities. Meanwhile, during the month under review, imports also increased 7pc leading to a slight increase in trade deficit.

Data showed a significant growth has been seen in the exports of home textiles (20pc), pharmaceutical products (20pc), rice (14pc), surgical goods (11pc), stockings & socks (41pc), jerseys & pullovers (21pc), women's garments (11pc) and men's garments (4.3pc), as compared to Nov 2019.

Between July to November, exports slightly increased by 2.11pc to $9.737bn, from $9.536bn over the corresponding months of last year.

Exports in the new fiscal year started on a positive note but witnessed a steep decline of 19pc in August before rebounding in September, October, and November.

To promote exports of textile products, the Ministry of Commerce on Friday released Rs1.78bn for the textiles sector under Drawback of Local Taxes and Levies (DLTL) scheme. "I hope this will resolve the liquidity issues of our exporters and enable them to enhance exports", said Adviser to PM on Commerce and Textile Razak Dawood.

He said the DLTL for non-textile sector are also being released shortly. Razak also disclosed that the export of animal casings from Pakistan to Japan has resumed after a ban of four years. “I commend the efforts made by our trade section in Tokyo. I advise our trade missions to actively engage with importers,” he said.

“I urge exporters to take benefit of this opportunity and move full speed ahead”, the adviser added.

In FY20, exports fell by 6.83pc or $1.57bn to $21.4bn, compared to $22.97bn the previous year. Data shows visible improvements in export orders from international buyers, mainly in the textile and clothing sectors since May.

On the other hand, imports also rose by 7.77pc in November to $4.229bn, as against $3.924bn over the corresponding month of last year. During 5MFY20, the overall import bill slightly increased by 1.29pc to $19.422bn, up from $19.175bn over the corresponding months of last year.

The continuous decline in imports has provided some breathing space to the government in managing external accounts despite a downward trend in exports. However, imports are now expected to increase further in the coming months following the abolishment of regulatory duty on imports of raw materials and semi-finished products.

In FY20, the import bill witnessed a steep decline of $10.29bn or 18.78pc to $44.509bn, compared to $54.799bn in the previous year.

The country’s trade deficit also went up by 7.88pc in November, mainly due to a growth in imports proceeds. In absolute terms, the trade gap stood at $2.068bn, as compared to $1.917bn over the corresponding month of last year.

In the first five months, the trade deficit edged up 0.48pc to $9.685bn, as against $9.639bn over the last year. During FY20, it narrowed to $23.099bn, from $31.820bn.

Source: dawn.com – Dec 05, 2020

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Antidumping duty on Chinese fibers impedes Pakistan's exports growth

Pakistan couldn't benefit from the US trade restrictions on China to increase exports due to much reliance on cotton-based textiles contrary to the growing global demand of manmade fibres, analysts said on Saturday.

Ehsan Malik, chief executive officer of Pakistan Business Council (PBC) said the country's export portfolio is largely cotton based, whereas there is a fastest growth in demand of manmade fibres in the international market and the US, , the biggest destination for Pakistani goods.
Malik said China is the cheapest supplier of manmade fibres, "but Pakistan has not been able to benefit by importing this to make apparel as it is not feasible after paying anti-dumping duty, which even exporters have to pay."

"We have not benefited as much from the US trade restrictions on China as others have," he said. "Countries like Vietnam and Bangladesh import Chinese and other makes of manmade fibres to become substitute suppliers to China in the US."

In April, the US imposed new trade restrictions on China after the infection outbreak.

Although exports have recovered to pre-COVID monthly level of $2 billion in September, October and November, this recovery was due to low value-added apparels and home textiles.

"The improvements in textile exports seem to be compensating for lower food imports," said Faizan Ahmed, head of research at BMA Capital. "The improvement trend in monthly exports is likely to continue going forward. Appreciation in value of Bangladeshi Taka, timely refund disbursements, availability of cheap financing and support to the sector is resulting into improved numbers."

Exports rose 7.7 percent to $2.2 billion in November from $2 billion in the same month of last fiscal year, according to the Pakistan Bureau of Statistics. In July-November, exports increased 2.1 percent to $9.7 billion.

Total exports are expected between $23 to 24 billion this fiscal year, according to industry estimates. Improvements are mainly coming from textile exports, both in terms of quantity and prices.

The central bank projects export values in the range of $23.4 to 23.8 billion in FY2021 – higher than the $22.5 billion recorded in FY2020. The government set an annual export target of $22.7 billion.

“The sustainability of this momentum will depend on how the world aggregate demand improves and the global economies recover from coronavirus pandemic,” said Malik.

“Demand in the west for the cheaper spectrum of apparel has not suffered as much as it has for higher value-added textiles. Also people working and staying at home are renewing towels, bed-sheets more often than they did hitherto.”

PBC chief said growth sustainability depends on normalcy in western markets following the rollout of coronavirus vaccines.

Exports to the United States rose to $1.4 billion in July-October FY2021 from $1.4 billion a year ago, according to the State Bank of Pakistan, which has not released July-November data.

Exports to China fell to $462.2 million in July-October FY2021 from $586.3 million in the corresponding period of last fiscal year.

Source: thenews.com.pk– Dec 06, 2020

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Pakistan: Govt Released Rs 1.78b For Textiles Sector, Says Abdul Razak Dawood

Adviser to Prime Minister for Commerce and Investment, Abdul Razak Dawood has informed that the government has released 1.78 billion rupees for textiles sector under Drawback of Local Taxes and Levy scheme.

Taking to Twitter, Abdul Razak Dawood said that he was hopeful that this would resolve the liquidity issues of our exporters and enable them to enhance exports.

The Advisor also informed that that export of animal casings from Pakistan to Japan has resumed after a ban of four years.

He said he advised trade missions to actively engage the importers for promotion of Pakistan's exports.

The Adviser to PM also hailed the significant growth observed in country's export in different sectors for the months of November 2020.

He said that this was in line with our policy of promotion of value added exports and reflects a healthy trend.

Source: urdupoint.com – Dec 04, 2020

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NATIONAL NEWS

Economy to reach pre-Covid-levels by end of FY2022: Niti Aayog

India's economic growth is likely to reach pre-COVID-19 levels by the end of the 2021-22 fiscal as the GDP contraction in this financial year is expected to be less than 8 per cent, Niti Aayog vice chairman Rajiv Kumar said on Sunday.

The Reserve Bank of India (RBI) has also revised its forecast of economic growth for the current fiscal year (2020-21) to (-)7.5 per cent as against its earlier forecast of (-)9.5 per cent.

"We should reach pre-COVID-19 levels at the end of fiscal year 2021-22 for sure," Kumar told PTI when asked about growth projection for the next financial year. He added that the GDP contraction this fiscal is expected at less than 8 per cent.

India's economy recovered faster than expected in the September quarter as a pick-up in manufacturing helped GDP clock a lower contraction of 7.5 per cent and held out hopes for further improvement on better consumer demand.

Replying to a question on asset monetisation, he said this is ongoing work and it has received attention at the highest level. "We will continue to pursue this and make sure that the targets of asset monetisation are reached," Kumar stressed.

The government is looking to raise Rs 2.10 lakh crore through disinvestment in the current fiscal. This includes Rs 1.20 lakh crore from Central Public Sector Enterprise (CPSE) stake sale and Rs 90,000 crore from sale of government stake in financial institutions.

Talking about banking reforms, he said the sector needs further expansion and an increase in competition because India's private debt to GDP ratio remains limit to mid 50s.

Stating that in case of other emerging economy, private debt to GDP ratio is well beyond 100 per cent, Kumar said that "so we need to increase private debt and this will happen when our banking sector will expand".

”On the Indian agriculture sector,”he said the Niti Aayog now is very strongly pushing the programmes for chemical free natural farming which has a potential to reduce cost for agriculture production dramatically and also has very positive impact on the environment.

Kumar said the expansion of natural farming all over the country will make Indian agriculture more competitive and it also promises to have a significant positive impact on farmers’ income.

Source: financialexpress.com– Dec 06, 2020

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Rise in raw material price hits struggling MSMEs hard

‘Those placing orders want consignments at older rates’

Paralysed during the pandemic, the Micro, Small and Medium Enterprises (MSME) sector in Tamil Nadu is facing a new challenge — the rising raw material costs.

Several MSME unit owners have said that those who place orders are not willing to shell out more and want the consignments at pre-pandemic rates. For instance, one of the units in Coimbatore had supplied machinery to a textile unit last year. It got a repeat order, recently, at the same price. When the MSME unit owner asked for a price revision, the textile unit was not willing to pay a higher amount.

“With the steep hike in raw material prices, how will MSME units supply machinery or components at the earlier prices? This is a difficult situation,” said M.V. Ramesh Babu, president, Coimbatore District Small Industries’ Association.

“Those who get government orders take three to six months to execute them. If they are unable to honour the commitment, they face the risk of being black-listed. But the units will suffer a loss if they execute the orders at the agreed price,” he noted.

According to various trade associations, in the last five months, the price of stainless steel increased by 32%, to ₹200 a kg, aluminium by 26%, to ₹210 a kg, and natural rubber by 52%, to ₹156 a kg. Copper, a key component for many in the MSME sector, has touched ₹600 a kg, an increase of nearly 77%. R.G. Chakrapani, secretary, Thirumazhisai Industrial Estate, said there was a shortage of raw material.

Though the prices of certain raw materials have gone up, industries giving orders are not able to match the prices, said K. Baskaran, secretary of the Kakkalur Industrial Estate Manufacturers' Association. "We are forced to shrink our margins to stay afloat," he said.

While many MSMEs argue that increasing the product price will not help, pumpset and wet grinder manufacturing industries in the Coimbatore region have already revised the product price. "We [pump manufacturers] went in for a 5% revision last month. However, to survive, pump manufacturers will have to increase the end product price by at least 10%," said K.V. Karthik, president of the Southern India Engineering Manufacturers' Association.

"The price of electrical steel, the main raw material used by pump makers, was increased by ₹12,000 a tonne on Saturday. If there are such huge spikes in raw material prices, units will slow down or even stop production," he rued.

K.E. Raghunathan, convener of the Consortium of Indian Associations, explained that companies will not be able meet their overhead costs, which will result in defaults and non-payment of benefits and salaries to employees.

"Consumers will have to bear the higher price, if passed on, and that will shrink the demand further. Both situations are dangerous now," he said.

R. Selvam, secretary of the Thirumudivakkam Industrial Estate Manufacturers' Association, wanted the government to help by forming separate MSME clusters or a special-purpose vehicle to consolidate requirements and negotiate with raw material suppliers for better pricing.

He also wanted the government to reduce import duty, and, immediately, ban the export of certain commodities, based on inland demand.

Source: thehindu.com– Dec 07, 2020

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India commits to ASEAN integration, connectivity agenda

Indian Minister of State for External Affairs V.Muraleedharan affirmed India's commitment to the ASEAN integration and connectivity agenda at the 6th India-CLMV Business Conclave held online on December 3-4.

He said Indian looks forward to the ASEAN countries for the utilisation of 1 billion USD credit line for enhancement of physical and digital connectivity.

He took the occasion to invite CLMV countries to join the International Solar Alliance and Coalition for Disaster Resilient Infrastructure, and participate in activities of seven pillars of Indo-Pacific Oceans Initiative, which has synergies with ASEAN Outlook on Indo-Pacific.

He highlighted it is India's firm belief that promotion of businesses and private investments is essential for growth in the CLMV (Cambodia, Laos, Myanmar and Vietnam) region.

Towards this end, a project development fund titled PDF-CLMV with total capital of 5 billion INR (some 68 million USD) has been created by the Indian government in order to catalyse investments from Indian private sector to the CLMV countries by setting up manufacturing hubs in the nations.

Currently, two projects in Myanmar, one in Vietnam and one in Cambodia are identified for collaboration with the Indian private sector.

Along with discussions on infrastructure, healthcare, pharmaceuticals, energy, IT, agriculture, an online international fair was held in the framework of the forum. The Vietnamese Embassy in India's trade office organised a booth to support Vietnamese firms to popularise their products and services at the event.

In addition, the trade office joined hands with the Confederation of Indian Industry to organise an online trade conference themed "establishing partnership to improve competitive capacity in automobile industry, garment and textile, machine and equipment".

Representatives from the Ministry of Agriculture and Rural Development, Ministry of Planning and Investment, Ministry of Information and Communications, Vietnam Chamber of Commerce and Industry, and

Vietnamese business community took the occasion to hold discussions with Indian partners on business opportunities and shared business experience in agriculture, food, materials for seafood, supporting industry, garment and textile, clean energy, infrastructure, and transport, among others.

Source: en.vietnamplus.vn– Dec 06, 2020

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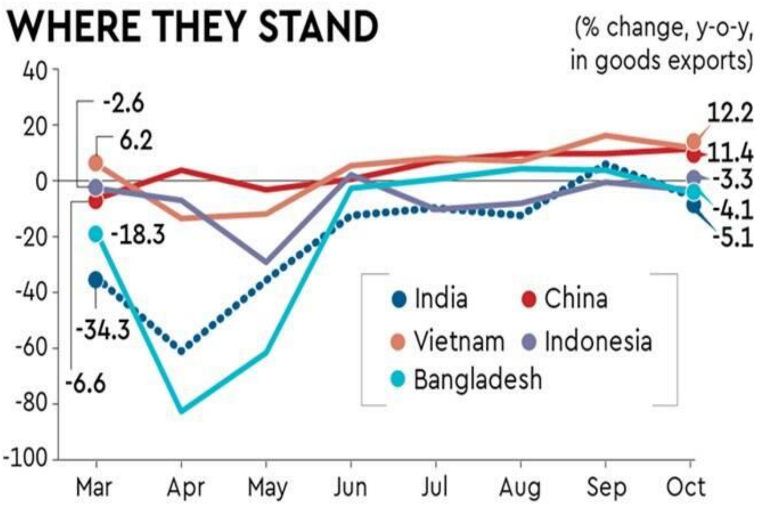
Covid-19 aftermath: India lags behind Asian peers in export growth

India has emerged as the worst performer among key developing economies in Asia in merchandise exports in the aftermath of Covid-19, trailing not just the usual stars China and South Korea but also Vietnam, Indonesia, Malaysia and even Bangladesh.

Between March and October, India's exports grew year-on-year, in only one month (September), while both China and Vietnam recorded expansion in six of these eight months and Bangladesh in three months, according to the official data of these countries.



Malaysia posted expansion in four months (based on export value in its local currency, and not dollar). Although outbound shipments from South Korea and Indonesia, too, faltered in seven of these eight months, their slide was far less steep than India's.

The data show that while India's exports, on an average, contracted in excess of 20% a month in the March-October period from a year before, China and Vietnam, in fact, saw a rise of about 4% each. Exports from South Korea slid by an average of about 9% a month during this period, while those from Indonesia shrank by more than 7% and Malaysia by over 4%.

Only Bangladesh, thanks to its excessive reliance on garment exports, saw the pace of decline closer to India's, as dozens of large retail outlets in its biggest importers, the US and the EU, either went bankrupt or shut shop temporarily in the wake of the pandemic.

Not surprisingly, India is set to record a slide steeper than 9.2% forecast by the WTO for global exports in 2020 if the current trend holds through.

To be sure, India imposed a much more stringent lockdown (from March 25 until it was eased gradually from June) than any of these nations. A domestic demand compression battered its imports much harder than its exports. Consequently, import-sensitive export segments, too, saw a sharp drop. Also, India was among the last set of nations where the pandemic spread its tentacles, which means it should be among the last to stage a rebound. To that extent, the contraction in its exports is understandable.

But what signals a deeper problem in India's export resurgence story is the loss of momentum since the 6% expansion in September, the first since February. Its outbound shipments faltered by 5.1% in October and, according to preliminary estimates, the contraction just exacerbated to 9.1% in November.

Exporters complain that a combination of a spike in shipping costs since August, the rupee appreciation and a huge reduction in government benefits when they are struggling to cope with the pandemic has eroded their competitiveness. The allocation under the Merchandise Exports from India Scheme for the first three quarters of this fiscal has been cut to less than 40% of last year's total.

The rupee was "over-valued" by close to 21% vis-à-vis a basket of 36 export-sensitive currencies in September, against almost 19% in the previous month and just over 17% in March, according to the RBI's real effective exchange rate index.

The government and the central bank have stepped in to boost liquidity for cash-strapped firms. But credit flow still remains stunted. Moreover, as the economy goes through a "reset" phase following the unlock and the government launches production-linked incentive schemes, manufacturing may see a sustained pick-up in the coming months and exporters will likely respond. But that revival will take time to materialise and is contingent upon sustained — and substantial — government benefits, exporters say.

The government is supposed to roll out a scheme from January 1, 2021, to reimburse various embedded taxes on inputs consumed in exports and replace the MEIS (the latter is considered by some wings of the government to be an inefficient programme that only drains the exchequer). But the extent of benefits under the proposed scheme is shrouded in uncertainty. Given the structural bottlenecks, including high logistics costs, exporters await the next foreign trade policy, which will remain in effect for five years from April 1, 2021, for a breather.

Source: financialexpress.com– Dec 07, 2020

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India's textile sales drop 51 in Q1 as COVID 19 mutes demand Wazir study

India's textiles sales dropped 51 per cent from 130.9 to 56.4 per cent in the first quarter of the current financial year, compared to the corresponding quarter of the last fiscal, reveals Wazir Textile Index done by Wazir Advisors. Arvind, Vardhman Textiles, Welspun India, Trident, Raymond, KPR Mill, Filatex, RSWM, Sutlej Textiles, Nahar Spinners emerged the top 10 players during the quarter.

Among these, Arvind's sales declined 72 per cent from Rs 1,742 in Q1 FY20 to Rs 493 crore in Q1 FY21; Vardhman Textiles' declined 51 per cent from Rs 1,558 crore to Rs 771 crore while those of Welspun India dropped 16 per cent from Rs 1,435 crore in Q1 FY 20 to Rs 1,202 crore in Q1 FY21.

Declining EBITDA margins

EBITDA margins of the top 10 players declined almost 88 per cent from 96.6 to 11.9 during the quarter. Arvind' s EBITDA margins dropped from 9 per cent in Q1 FY20 to -6 per cent in Q1 FY 21; Vardhaman's dropped from 15 per cent to -1 per cent while that of Welspun India from 24 per cent in Q1 FY 20 to the corresponding quarter of current fiscal.

Raw material and manpower costs of all top 10 players increased 60 per cent and 31 per cent respectively. Of these, Arvind's percentage of raw material costs to total sales declined 46 per cent in FY 21. Similarly, the percentage of raw materials costs to sales for Vardhaman Textiles increased from 53 per cent to 55 per cent while Welspun India saw a drop from 48 to 39 per cent.

Average raw material costs of all top 10 companies decreased 4.3 percentage points in the first quarter of the current financial year as compared to that in corresponding quarter last fiscal.

Rising employee costs

The average employee cost of all 10 players increased 6.6 percentage point during the quarter compared to same quarter last fiscal. Arvind's employee cost jumped from 12 per cent to 25 per cent. For Vardhman Textiles' cost increased from 9 to 16 per cent while for Welspun India saw an increase from 9 per cent to 12 per cent.

Other expenses increased by 7.2 percentage points during on an average for all 10 companies in the quarter. The Average Industrial Production (IIP) Index for apparels decreased by 51 per cent in Q1 FY21 as compared to Q1 FY20 while the IIP Index for textiles declined 75 per cent.

The Wholesale Price Index (WPI) Index for apparels remained constant during the first quarter of FY21 while that of textiles declined by 3 per cent.
Exports register a drop

The economic slowdown induced by COVID-19 outbreak led to a 56 per cent decline in textile and apparel exports in Q1FY 21 compared to Q1 FY20. Filament witnessed the biggest decline of 67 per cent in textile exports while apparel exports dropped 65 per cent. US had the highest 31 per cent share in textile and apparel exports.

However, its share declined 3 per cent from 34 per cent in Q1 FY20. It was followed by EU-28 and UAE with 26 per cent and 23 per cent shares respectively. Combined together these three regions had 56 per cent share in India's textile and apparel exports during the quarter.

Source: fashionatingworld.com– Dec 04, 2020

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Shipping costs skyrocket, exporters feel the heat

Ahead of the crucial Christmas season, shipping costs have skyrocketed since August, compounding woes of exporters already grappling with a string of adversities this year — from a Covid-induced cancellation of orders and exodus of migrant labourers to a drastic cut in government benefits.

Freight for a 20-foot container for shipments from Mumbai to Dubai zoomed 25 times, from just $10 before August to $250 now, said Vivek Aggarwal, director (sales and marketing) of major food exporter Capital Ventures and vice-chairman of the food and beverage committee of the state-backed Trade Promotion Council of India (TPCI).

Similarly, the freight rate has shot up by more than seven times for Singapore and five times for Hong Kong since August. It surged 282% for Australia, 117% for Qatar, 185% for Stockholm, 181% for New Zealand and 108% for New York, Agarwal told FE. A slide in imports in recent months and the consequent decline in the number of vessels entering India for unloading supplies has been a major contributor to the shortage of containers, exporters say.

This has inflated the shipping bills of exporters, who used to book these containers at reasonable costs for onward delivery. The shortage is particularly more troubling for farm and food product exporters, many of whom are small and medium businesses and who are mandated to comply with stricter quality standards.

Importantly, the sudden spike in freight calls for a grand shipping strategy, as the government plans a sustained push to domestic manufacturing to trim imports and boost exports.

On an average, the freight cost has gone up by 190% for various destinations in West Asia and by 159% and 54% for those in Europe and the US, respectively, since August, forcing exporters to seek government intervention. No wonder, having grown by over 6% in September, the first year-on-year rise since February, exports dropped again in October. “While orders, especially in food and farm products are flowing in, the shipping costs have forced exporters to review their contract value.

Of course, analysts partly attribute the higher September shipments to exporters rushing to honour earlier commitments upon the gradual lifting of lockdown curbs since June.

In its presentation to commerce and industry minister Piyush Goyal at the Board of Trade meeting on Wednesday, the Federation of Indian Export Organisations, too, highlighted the issue. It pitched for the expansion of the Shipping Corporation of India or wooing key private players to set up large national shipping companies.

At the same time, it wants Indian Shipyards to manufacture containers to address short supply . It also pushed for a regulator in the shipping sector to approve levy of any charge by the shipping lines.

Source: financialexpress.com– Dec 05, 2020

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Cargo volumes at state ports decline 10.53% in April-November

Containers alone dip by 13.98 per cent

India's dozen state-owned ports handled a combined 414.304 million tonnes (mt) of cargo from April to November, 10.53 per cent lower than the 463.054 mt handled during the same period last year.

With the exception of Mormugao Port Trust, all the other 11 ports continue to suffer from volume declines triggered by the coronavirus-induced demand destruction. However, the extent of volume decline year-on-year has been reducing since July, suggesting a gradual recovery in India's external trade driven by higher exports.

Drastic drop

Petroleum, oil and lubricants (POL) cargo comprising crude oil, petroleum products, LPG and LNG, other liquids, thermal and steam coal, coking coal and containers reported double-digit declines during the April-November period compared to last year.

Container volumes declined 13.98 per cent to 5.767 million twenty-foot equivalent units (TEUs) from 6.704 million TEUs a year ago.

Jawaharlal Nehru Port Trust (JNPT), India's biggest state-owned container gateway, handled 2.762 million TEUs during April-November, down from 3.360 million TEUs last year.

Thermal and coking coal voulmes plunged 17.22 per cent and 14.71 per cent, respectively, during the period to 48.160 mt and 31.519 mt, respectively, from a year ago. However, iron ore including pellets jumped 31.01 per cent to 44.487 mt during the period compared to 33.958 mt last year.

Finished and raw fertiliser cargo witnessed an increase between April and November registering 7.49 per cent and 15.08 per cent growth respectively to 7.308 mt and 4.906 mt respectively from a year earlier.

Mormugao Port Trust handled 12.209 mt between April and November from 10.384 mt a year ago.

Source: thehindubusinessline.com– Dec 04, 2020

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Cotton Prices Drop As Arrivals Flood Markets, Mills Go Slow On Buying

Cotton prices in India have dropped by Rs 200 per candy (356 kg each) as arrivals begun flooding the markets and spinning mills cut down purchases.

"Daily arrivals have increased to 2.5 lakh bales (of 170 kg each). Till November 30 from October 1, arrivals would have been 85-95 lakh bales," Cotton Association of India (CAI) president Atul S Ganatra said.

This year's arrivals estimate compares to arrivals of about 55 lakh bales during the year-ago period.

The reason for the higher arrivals is that the Cotton Corporation of India (CCI) has been procuring a good quantity from the market this year. Since the CCI procures at the minimum support price (MSP), farmers are eager to sell to it, Ganatra said.

According to a Press Information Bureau release, CCI had procured 32.85 lakh bales of cotton till December 2.

The Centre fixed an MSP of Rs 5,515 a quintal for raw cotton (kapas) this season (October 2020-September 2021). Thanks to CCI procurement, kapas prices almost touched Rs 6,000 a quintal on November 23 before declining. Kapas is selling at around Rs 5,215-5,405 in Gujarat's Rajkot district.

In Maharashtra's Akola market, prices rose to Rs 5,725 before slipping to Rs 5,684 during the same period.

Kapas prices have declined after cotton lint prices dropped from around Rs 42,500 a candy to Rs 40,500 currently.

In the global market, cotton prices ruled lower on December 3 at 71.25 cents for March contracts on concerns over US ban on a Chinese producer for using child labour. Worries over the second wave of novel coronavirus are also keeping a leash on the market.

According to online platform Trading Economics, cotton prices gained a meagre 0.4 percent year-or-year as the textile industry has been hit by the pandemic.

"CCI is purchasing at least 50 percent of the arrivals in most markets. In some markets, it is purchasing even more. This has encouraged farmers to bring more cotton to markets," said Anand Poppat, a Rajkot-based trader of raw cotton, yarn and spinning waste.

Farmers in Maharashtra rushed to the markets with their produce because they feared another shutdown due to coronavirus, he said. The trend was the same in other parts of the country too, barring Saurashtra in Gujarat.

"Spinning mills have slowed down their purchases as they have 30-45 days cotton stocks with them. Enquiries for yarn have also slowed," Poppat said.

Ganatra said the arrivals were in tune with CAI's cotton production estimated of 356 lakh bales this season against last season's 360 lakh bales.

In its first advance estimate of commercial crops for 2020-21 season (October-September), the agriculture ministry pegged cotton production at 371.18 lakh bales.

The CCI could be carrying at least 100 lakh bales of cotton, including about 60 lakh bales carryover stocks from last year.

CCI has fixed a target of procuring 125 lakh bales of cotton this season but Ganatra said that going by its procurement pace, it could end up buying 150 lakh bales.

“The problem for CCI now is that while its purchases have increased, sales have slowed down as buyers await a drop in prices,” said Poppat.

He estimated that at least 150 lakh bales were lying in stock in various parts of the country, including with the CCI, while the CAI president pegged it at 145 lakh bales. The stock is in addition to what the growers are holding.

In view of the price fluctuation, cotton exports, too, have slowed down.

“Exports slowed after prices increased from Rs 38,000 to Rs 41,500 a candy,” said Ganatra.

“China, one of the main buyers, is waiting for the prices to drop. But exports to Bangladesh and Vietnam are continuing,” Poppat said, adding that Indonesia and Turkey were also buying Indian cotton.

Ganatra said India sells its cotton at 5-7 percent discount to global prices. But since Indian prices are hardly 5-7 percent higher than global prices, there was no export parity.

The CAI president said it would be tough for Indian exporters to ship the targeted 60 lakh bales this season against 50 lakh bales exported last season.

“At least one lakh bales are exported every week currently. Till November 28, 18 lakh bales have been exported,” said Poppat.

If the exports target is not achieved, then it could put pressure on the domestic market, Ganatra said.

It will also result in the carryover stocks from this season being higher than the estimated 87.50 lakh bales. This is against 107.5 lakh bales carryover stocks last year.

Carryover stocks are higher as the textile industry had to shut during the lockdown announced. The textile industry resumed operations fully only after September.

Source: moneycontrol.com– Dec 04, 2020

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CCI's COTTON DAY 2020 – India on December 16

Cotton Council International (CCI), the export promotion arm of the US National Cotton Council, is organising COTTON DAY 2020 – India, a unique virtual event to gain insights on the Indian textile and fashion industry, on Wednesday, December 16, 2020. This would be the very first Cotton Day to be observed in India, according to the CCI.

COTTON USA 2020 COTTON DAY would also be hosted virtually on the same day.

"Cotton has played a pivotal role in the success of Indian textile industry since many decades and the accomplishments of cotton goes beyond any other fibre. We sincere acknowledge Indian textile industry's contribution in strengthening the legacy of cotton," CCI said in a statement.

"Now, more than ever, the COTTON USA team believes that relationships matter. Our cotton day theme, 'Leading Through Change, Your Partner for a New World', embodies the role that our team, and our US cotton industry believe will lead to a brighter future for all of us together," the statement added.

The general session of the virtual event will include the presentations on leadership during a time of crisis, opportunities for Indian cotton textile industry, and information on the global cotton market, sustainability and technical solutions offered by COTTON USA.

Click here for full agenda of the event.

Source: fibre2fashion.com– Dec 04, 2020

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'Technical textiles' EPC to boost exports: Industry

Centre's decision to form a dedicated Export Promotion Council (EPC) for 'Technical Textiles' will boost exports and strengthen the domestic manufacturing capacity, industry players said.

In terms of parlance, this category comprise of utility based textile products such as Personal Protective Equipment (PPE).

In February 2020, Cabinet Committee on Economic Affairs (CCEA) had approved the setting up of a National Technical Textiles Mission (NTM) with a total outlay of Rs 1,480 crore which will be implemented during 2020-21 to 2023-24.

Setting up of a dedicated Export Promotion Council is one of the four components of the NTM which is aimed mainly to achieve a 10 per cent growth rate every year until NTM ends.

Currently, India's export is $93 mn whereas global market is estimated to be $11 bn for 12 apparel products under technical textiles.

The Apparel Export Promotion Council (AEPC) Chairman A. Sakthivel said: "Of the 207 items notified as technical textiles in January 2019, there are 12 products of apparel. The global market for these 12 products is estimated to be $11 billion, though India's exports is only $93 million."

"This indicates a huge potential in these products if dedicated export promotion activities are undertaken for these products."

He said the inclusion of technical textiles in the Production Linked Incentive (PLI) scheme will usher in overall growth via this sunrise sector.

Besides, Confederation of Indian Textile Industry's (CITI) Chairman T. Rajkumar said that 'Technical Textiles' is being seen as the sunrise sector which has received significant attention worldwide.

"With the increasing usage of technical textile products among segments like automobiles, civil engineering and construction, agriculture, medical, shipping, industrial safety, sports and personal protection etc., the technical textile has a bright and promising future in India," According to Rajkumar: "Government has set up a target of the market size of US$ 350 billion to be achieved by 2024-25 from the current level of US$ 167 billion, for the T&C Sector. The said target cannot be only achieved by showing growth in the conventional segments like Cotton and MMF segments. Until and unless, we go for out of box solutions and show tremendous growth in the technical textiles, achieving the market size of US$ 350 billion looks highly unlikely."

"Hence, in the present backdrop, the decision of setting up of a dedicated Export Promotion Council is a step in the right direction."

He pointed out that "till now, India has been a net importer of technical textile products and the penetration level of technical textiles in India is very low at 5-10 per cent against 30-70 per cent in advanced countries."

Source: smetimes.in– Dec 05, 2020

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Raymond CMD cautiously optimistic about biz recovery amid pandemic

Diversified group Raymond, which has its majority business interests in textile and apparel sectors, is “cautiously optimistic” about recovery amid the COVID-19 pandemic, its Chairman and Managing Director Gautam Hari Singhania has said.

Looking at the 2020-21 fiscal as a “total washout”, the group expects this fiscal to end on a flat note in terms of growth prospects with businesses being hit in the first six months of the current fiscal by the pandemic-related disruptions.

On being asked about growth expectations, Singhania told PTI “the group has passed through a very tough phase for the last six months when everything was closed” due to the pandemic, so there would be no growth this fiscal.

On being asked about business recovery going ahead, Singhania said: “I think there would be cautiously optimistic recovery”. He, however, said that the group has already achieved pre-COVID-19 sales numbers in some of the business segments and even more in some other verticals, though it expects a longer time for the recovery of its textile and apparel business.

“We have a mix bag sector to sector and I think the textile and apparel sector would take a little longer to recover because the wholesale markets were closed for a long time. It took a little longer but I think that we are in the right direction.

The good thing is that every week or two weeks, we are seeing little more sales,” he said. “People slowly, slowly are back to buying and I am confident that the sales will come back,” he added. The Raymond group operates in segments such as FMCG, Engineering and Prophylactics besides in the textile and apparel sectors.

The group had a revenue of Rs 3,186.39 crore for the financial year 2019-20. It reported a revenue of Rs 24.03 crore in the April-June quarter of 2020 and Rs 254 crore in the July-September quarter of 2020. “This year is a total washout. So I don’t think we will meet 2020 levels but moving forward, a lot of companies have reshaped themselves.

They have set new benchmarks and moving forward, I think there is a lot of opportunities for the companies that survived this pandemic, they will come out much stronger,” he said. The company is also confident to get a pie into the recent trend of change in attire from formal dressing to causal as working from home is catching up under the new normals post pandemic.

According to Singhania, Raymond’s portfolio has changed dramatically with strong brands such as Colorplus and Parx from 10 years ago, when it only made worsted fabrics for suiting. “In fact, even Raymond’s portfolio itself has changed a lot with a lot of casual wear. So the whole dynamics is changed and our product offering also has changed, he said adding even there is a move from formal to casual, we still got a share of the pie. Besides, the company which has also manufacturing operation in Ethiopia is cautiously optimistic about it.

Ethiopia is very depended on the US market, which has gone in a slowdown. But we have seen Ethiopia orders coming back, he said. On the investment, Singhania said the company would continue with its regular Capex and maintenance Capex. Singhania also refuted the recent report that the group is exiting from the FMCG business.

The group is also expanding its digitisation in retail and adopting omnichannel approach, however, Singhania said that physical retail would not go down as shopping is still an experience and people would continue to shop outside.

Raymond will continue to expand retail presence targeting the smaller tier III, IV and V markets besides the key cities.

Source: financialexpress.com– Dec 06, 2020

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EPC seeks major changes in Special Advance Authorisation scheme

The sector needs self-certification and ratification for faster clearance, says Chairman Sakthivel

The Apparel Export Promotion Council (AEPC) has sought key changes in the Special Advance Authorisation scheme, resolution of operational issues for Ease of Doing Business and redressal of duty disadvantage in overseas markets by entering into early negotiations of Free Trade Agreements (FTA)/ Comprehensive Economic Partnership Agreement (CEPA).

"The Special Advance Authorisation scheme is specifically meant for the apparel sector. AEPC suggests issuance of Special Advance Authorisations to the apparel sector on self-declaration and self-ratification basis," said A Sakthivel, Chairman, AEPC, at the virtual meeting called by Board of Trade to seek suggestions on a new Foreign Trade Policy.

Piyush Goyal, Union Minister for commerce and Industry chaired the meeting.

"At present, self-certification and self-ratification, available under Advance Authorisation scheme to other sectors, is not available to the apparel sector. In cases where Standard Input-Output Norms (SION) are not there, exporters in the apparel sector have to wait for a longer period for getting SION fixed in the norms committee. The sector needs self-certification and ratification for faster clearance."

The Council has sought changes in the Export Promotion of Capital goods scheme to take care of the growing need for capital, a protocol for transparent flow of information and the need for addressing the issues of duty disadvantage in the overseas market through FTA.

"India has been facing duty disadvantages against competitors in major overseas destinations like the UK, EU and Canada. Indian apparels face a 9.6 per cent tariff disadvantage in the UK and EU, and 17.5 per cent in Canada against countries like Bangladesh and Cambodia due to the Generalised Scheme of Preferences.

AEPC has also proposed FTAs with the UK, EU and the US, and Comprehensive Economic Partnership Agreement with Canada and Australia for better market access.

Source: thehindubusinessline.com– Dec 04, 2020

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EXIM trade hit by logjam at Kattupalli port

The movement of containers into and out of Kattupalli port has been hit by delays, forcing trade to seek intervention from the Customs Department to ease the situation.

The "abnormal delay' in the movement of container-laden vehicles at Kattupalli port has been attributed to the long queue waiting to offload export boxes into, and delay in evacuation of import containers from, the port, according to trade bodies.

The shortage of rubber tyred gantry (RTG) equipment operators at the terminal to cater to export and import containers has been cited as the major reason for the delays.

"This has severely impacted EXIM trade as vehicles have been stranded at various places and are also unable to move within the port itself," R N Sekar, Secretary, Chennai Customs Brokers' Association, wrote in a December 4 advisory to members.

Though export containers are moved into the terminal to meet the vessel loading schedule, last-minute cancellation of ships and delayed berthing of vessels due to cyclone has led to the accumulation of export containers, further adding to congestion at the port.

Continuous heavy rains since last week has also affected port operations, Sekar wrote to Association members, adding that the management of Kattupalli port “has not taken the matter effectively and most of the enquiries have remained unattended”.

The Chennai Customs Brokers’ Association, according to Sekar, has urged Chennai Customs to intervene as many import containers are incurring ground rent and the delay in evacuation of containers has hurt the turn around time of trucks and increased trucking costs.

Vehicle turn around has been severely compromised because of delay in handling inside Kattupalli port and it has cascaded into a long road-queue of tractor trailers waiting to offload export containers into the port, Captain Avnash Iyer, Chairman, National Association of Container Freight Stations, Chennai Chapter, wrote in a December 4 advisory to members.

“Trucks which ideally should complete the return trip in six hours are now taking upwards of 39 hours for the same trip and this will consequently have an impact in service levels to the EXIM trade,” Iyer wrote.

Source: thehindubusinessline.com– Dec 04, 2020

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RBI extends its pause: What lies ahead for borrowers, depositors and bond markets

As was widely expected, the RBI paused and held its key policy repo rate at 4 per cent on concerns over sticky inflation. With the inflation forecast now revised substantially upward from earlier estimates, the RBI appears to have ruled out further rate cuts this fiscal.

As against the earlier inflation forecast of 5.4-4.5 per cent for the second half of the current fiscal, the RBI now expects inflation to be at a high 6.8 per cent in Q3 and 5.8 per cent in Q4. This more or less closes the window for conventional rate cuts in the current fiscal.

However, contrary to expectations of a review of the excess liquidity situation, the RBI maintained status quo and assured continued liquidity support to the market. This should continue to ease bond market yields (particularly on the short-end) further. Given that bond yields get transmitted to other segments of the market, and to loan rates, borrowing costs should remain sanguine.

However, given the unfavourable risk environment, banks will continue to charge higher lending rates for riskier borrowers as has been evident in the sudden jump in average lending rates of private banks in October.

Borrowers: Relief despite no rate cut

The cumulative 250 bps repo rate cut since January 2019 (135 bps in 2019 and 115 in 2020 so far), has indeed aided borrowers. Lending rates have fallen substantially over the past two years, along with the reduction in policy repo rate. The RBI mandating banks to link loans to external benchmarks such as repo rate from October last year has helped bring down lending rates at a faster pace.

From January to October this year, weighted average lending rates on fresh loans has fallen by about 98 bps (against repo rate reduction of 115 bps). While this is heartening, the recent uptick in lending rates of private banks need a watch.

According to the latest data released by the RBI on banks' lending rates, the weighted average lending rate on fresh loans for private banks has gone up by 36 bps in October to 9.02 per cent from 8.66 per cent in September. The final lending rate is a function of the benchmark rate and the spread that banks charge over it.

Banks decide the spread over the external benchmark, depending on their assessment of the borrowers' credit risk premium. Given the lingering uncertainty in the business environment and higher credit risk, it is possible that few private banks are charging higher spread on certain loans. This, aside from uptick in lending activity, could be reason for the lending rates to increase in October.

What is evident is that high rated corporates are able to raise funds at a much cheaper cost both from banks and the bond market.

The RBI's continued liquidity support and the move to extend the on tap TLTRO facility to more sectors, should help in bringing down borrowing costs further. Hence despite no cuts in repo rate, certain segments of the market should see lending rates come down.

Depositors: Pain could continue

Savers have been hit hard over the past two years, with deposit rates falling sharply. In fact, since March this year, bank fixed deposit rates have fallen by 175-200 basis points across many banks, even higher in some cases. Depositors are already feeling the heat, grappling with negative real returns on their deposits.

Currently public sector banks are offering about 4.9-5.25 per cent on 3-5 year deposits. With inflation raging above the 7 per cent mark, further deposit rate cuts (triggered by surplus liquidity and low bond yields) will only pinch depositors more.

However, private banks offer higher rates of 5-7 per cent.

While the RBI is in for a long pause on rate action, deposit rates could continue to fall.

Bond markets: A sigh of relief

The surplus liquidity has led to a steep fall in short-term interest rates. In fact, most of the rates are even below the prevailing reverse repo rate of 3.35 per cent. This distortion in the short-term rates had triggered expectations of a review in the RBI's liquidity stance.

But the RBI assuring the market of steady and easy access to liquidity, has cheered bond markets.

Foreign inflows have been strong and are likely to continue. The RBI has been buying dollars since April, to manage the rupee appreciation. This has been a major reason for domestic liquidity to increase sharply. But the RBI in its policy said: "while it is mindful of the consequences of these actions for domestic liquidity and inflation, the injections of liquidity through forex interventions are being sterilised by absorptions through the reverse repo". This implies that bond yields could continue to remain soft on the back of surplus liquidity. Three-month T-bill can continue to trade below the reverse repo rate of 3.35 per cent.

The 10-year G-Sec yield has been maintained below the 6 per cent mark through RBI's liquidity measures, operation twists and the recent outright OMOs.

However, it is still about 190 bps above the repo rate of 4 per cent, on the back of concerns over the government's borrowing programme and high inflation.

The RBI assuring that it would continue with its OMO purchases (despite leading to higher liquidity) and operation twists, should offer comfort to bond markets in the near-term.

Source: thehindubusinessline.com– Dec 04, 2020

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