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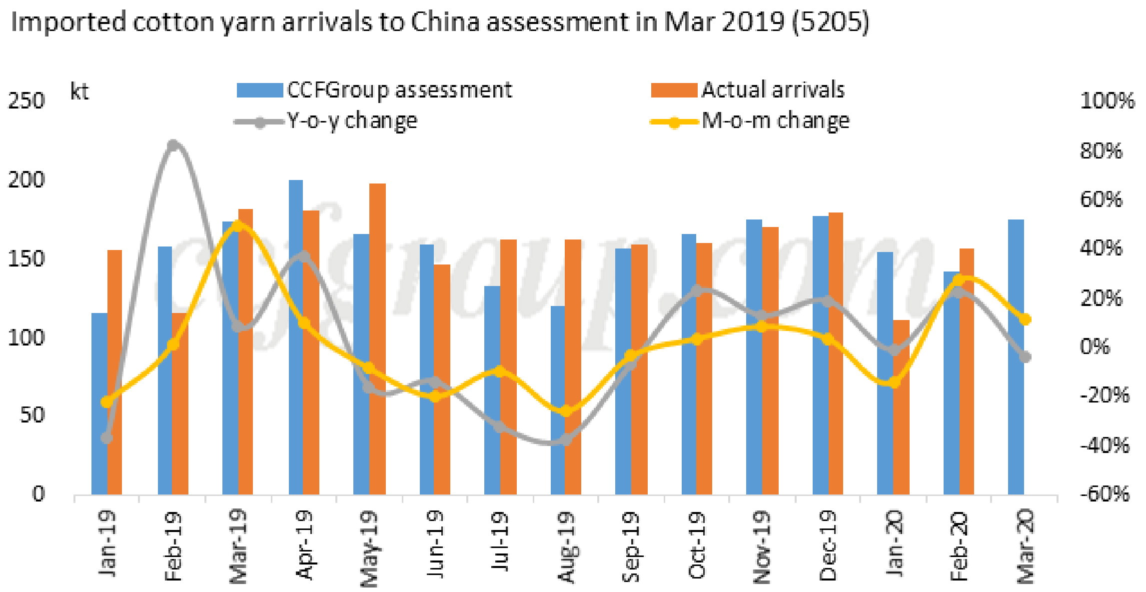
NEWS CLIPPINGS

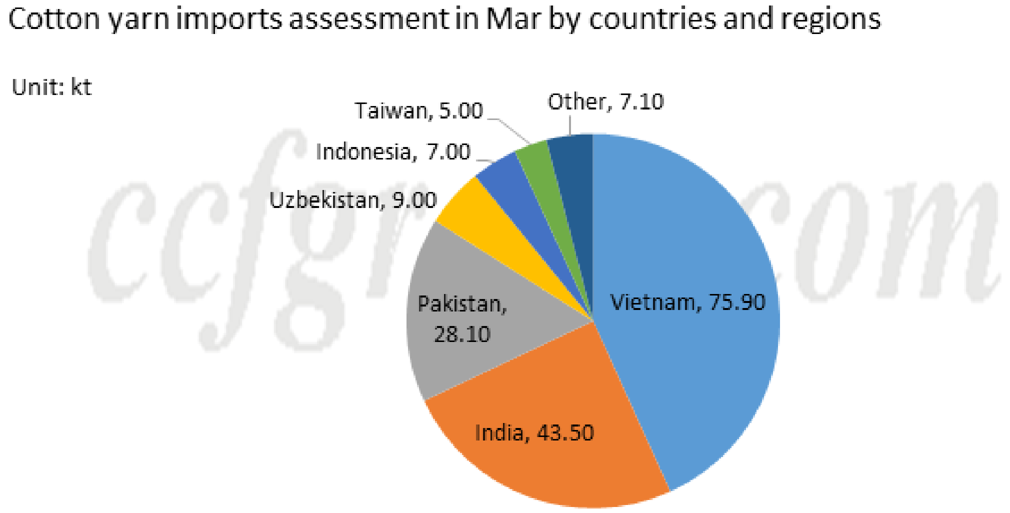
INTERNATIONAL NEWS

China: Mar'20 cotton yarn imports may move up 11.85% m-o-m to 175.6kt

1. Imported cotton yarn arrivals to China assessment

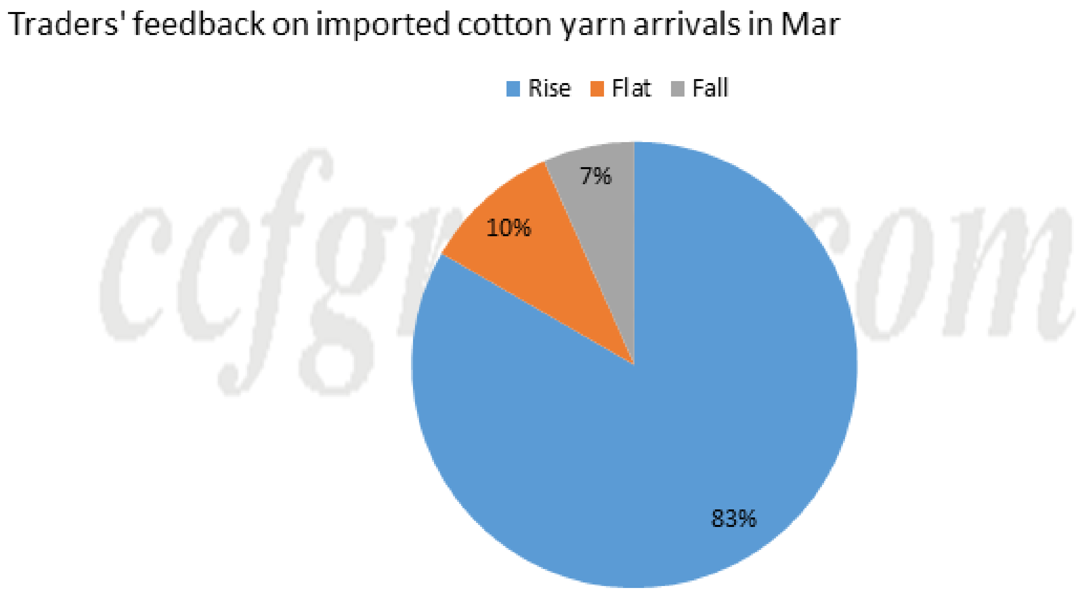


Cotton yarn imports to China in Mar 2020 are estimated at 175.6kt, down 4.95% y-o-y and up 11.85% m-o-m. It was mainly attributed to favorable expectation before Spring Festival holiday and the cargos ordered arrived intensively. This data has considered the reduced arrivals by delayed delivery.



According to foreign shipment data in Feb, arrivals of Vietnamese cotton yarn are estimated at 75.9kt; that of Indian cotton yarn at 45.3kt; Pakistani cotton yarn 28.1kt, Uzbekistani cotton yarn at 9kt (most traders of Uzbekistani cotton yarn reported less arrivals in Mar); Indonesian cotton yarn at 7kt, Taiwanese cotton yarn at 5kt and that of other regions and countries at 7.1kt.

2. Traders' reflection



Major traders and L/C issuing companies expected more arrivals of imported cotton yarn in Mar.

3. Imported yarn stocks and supply and demand outlook in Apr

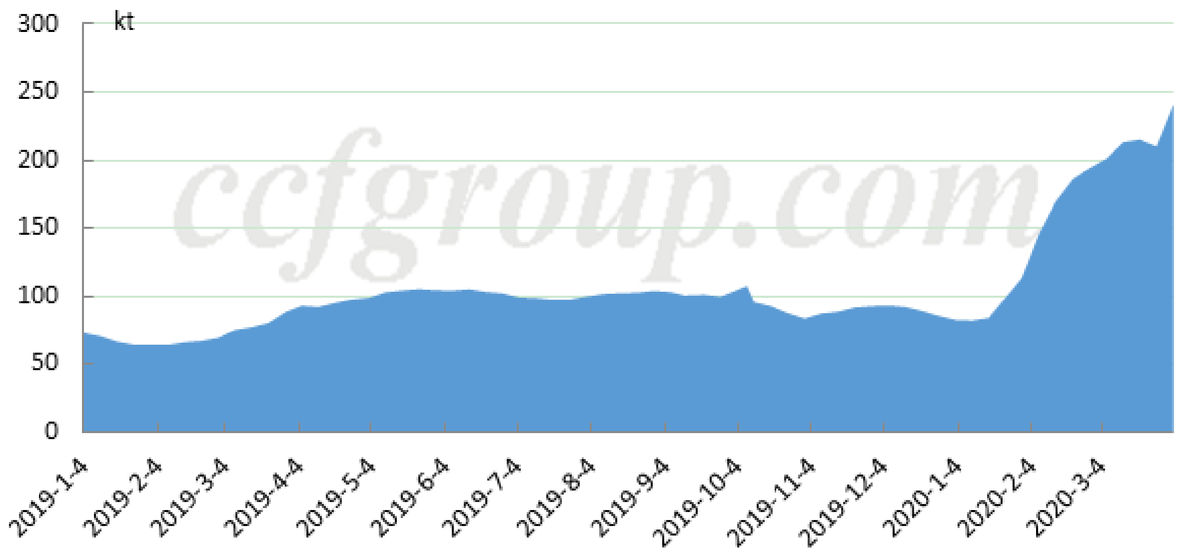
In terms of supply, Mar arrivals of imported cotton yarn are estimated at about 175.6kt. Due to the favorable expectation to post-holiday peak season, the ordering of forward imported cotton yarn by traders was moderate and Mar arrivals were at normal level, but the stocks increased by 47kt to about 241kt due to poor sales.

Looking from demand, entering Mar, operating rate of fabric mills retreated from high and traders sold actively, but it was not very effective. In early Mar, operating rate recovered further, especially in Jiangsu and Zhejiang with that in Lanxi improving to 60-80% fastest. Run rate in Shandong and Hebei recovered slowly and that of fabric plants resumed to 35-45%.

In Guangdong, it reached 40-50%. Since mid-Mar, many export orders and some local orders were canceled, and market sentiment worsened, causing some weavers to cut production. As a result, their procurement for cotton yarn reduced further.

As for later market, the supply will mainly come from the 240kt if stocks in the ports and 30-day inventory of foreign cotton yarn in Vietnam, India and Pakistan. According to current sales speed, it can sustain over one month. In addition, it may take 10-25 days for foreign stocks to be transported to China. Affected by the pandemic, a lot of orders are delayed or canceled, and Apr arrivals in China may nosedive, but there is no problem in supply. If the pandemic shows turning point in Apr, the consumption may see retaliatory increase. At that time, due to worldwide shutdown of spinning capacity, the market sources may be snatched, and short supply may appear.

Imported cotton yarn stocks in China



As for the pandemic, it continues to spread in Europe and the US, and turning point has not been seen. Optimistically, it may be well controlled as summer comes in the Northern Hemisphere. In Q2, the market may welcome a wave of rebound. If the pandemic does not improve, global consumption will be burdened further. The long pandemic may cause large-scale shutdown which has been occurred in cotton textile industry and bring long-term macro issues. Under this background, counter-cyclical adjustment policy is noteworthy.

Source: ccfgroup.com - Apr 07, 2020

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USA: March Cargo Imports Hit Five-Year Low

Cargo imports at U.S. retail container ports plunged to their lowest level in five years in March, according to initial estimates.

The Global Port Tracker report released Tuesday by the National Retail Federation (NRF) and Hackett Associates shows imports are projected to remain significantly below normal levels through early summer as the coronavirus pandemic continues.

“Even as factories in China have begun to get back to work, we are seeing far fewer imports coming into the United States than previously expected,” Jonathan Gold, vice president for supply chain and customs policy at NRF, said.

“Many stores are closed, and consumer demand has been impacted with millions of Americans out of work,” Gold added. “However, there are still many essential items that are badly needed and because of store closures, cargo may sit longer than usual and cause other supply chain impacts.”

While actual numbers for March are not yet available, estimates show that imports plunged to 1.27 million TEU, down 21.3 percent year-over-year and the lowest level seen since 1.21 million TEU in February 2015 during a labor dispute that bogged down West Coast ports.

The largest drop in cargo imports is forecast for the first half of this year, “but with uncertainty about the length of the lockdown and extent of the pandemic, the second half may not be in better shape,” Hackett Associates founder Ben Hackett said.

U.S. ports covered by Global Port Tracker handled 1.51 million 20-foot equivalent units in February. That was down 17 percent from January and 6.8 percent below a year earlier. A TEU is one 20-foot-long cargo container or its equivalent.

February numbers are normally lower than January due to annual factory shutdowns in China for Lunar New Year celebrations, the report noted. But the shutdowns lasted longer than usual and continued into March because of the coronavirus outbreak.

With thousands of stores closed across most of the country and consumer discretionary purchasing severely depressed, April shipments are forecast to drop 17.6 percent to 1.44 million TEU, while May cargo arriving at U.S. ports is seen dropping 20.1 percent to 1.48 million TEU. Looking beyond that, cargo container imports are projected to fall 21.4 percent in June to 1.41 million TEU, 18.2 percent in July to 1.61 TEU and 12.5 percent in August to 1.72 million TEU.

Before the coronavirus began to have an effect on imports, February through May had been forecast at a total of 6.9 million TEU, but is now expected to total 5.7 million TEU, a drop of 17.3 percent. As recently as last month, monthly numbers had been expected to hit the 2 million TEU mark beginning in May. The last time monthly totals fell below 1.5 million TEU was in February 2017.

The first half of 2020 is forecast to be down 15.1 percent from the same period last year to 8.93 million TEU. Before the extent of the pandemic was known, the first half of the year was forecast at 10.47 million TEU.

Imports during 2019 totaled 21.6 million TEU, a 0.8 percent decrease from 2018 amid the trade war with China, but still the second-highest year on record.

Global Port Tracker provides historical data and forecasts for the U.S. ports of Los Angeles-Long Beach and Oakland, Calif., and Seattle and Tacoma, Wash., on the West Coast; New York-New Jersey; Port of Virginia; Charleston, S.C.; Savannah, Ga., and Port Everglades, Miami and Jacksonville, Fla., on the East Coast, and Houston on the Gulf Coast.

Source: sourcingjournal.com - Apr 07, 2020

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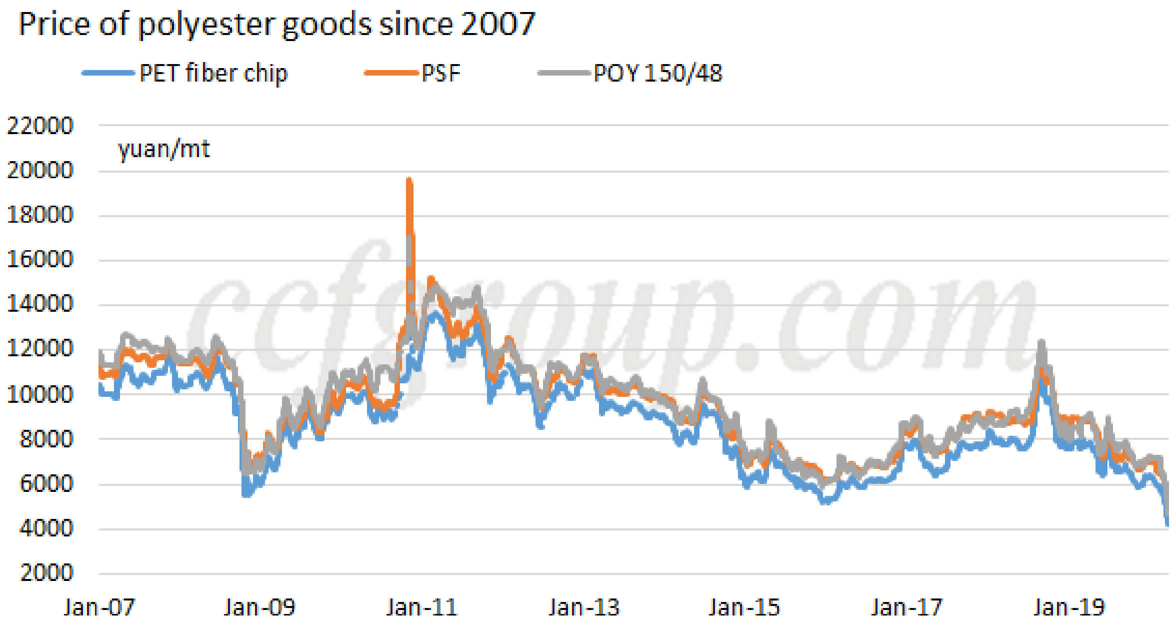
China: Rigid demand on polyester market still faces test in Apr

Downstream players of the polyester industry chain faced insufficient orders but rising feedstock price recently, hesitate in procuring.

Large orders for PFY and PET fiber chip appeared since last week, belonging to bargain hunting of buyers. Producers saw improving sales from Mar 31 to Apr 4. Sales ratio of PFY exceeded 500% for many days, even higher at 1000%. PFY companies witnessed rapidly decreasing stocks, and the polyester market was also buoyant.

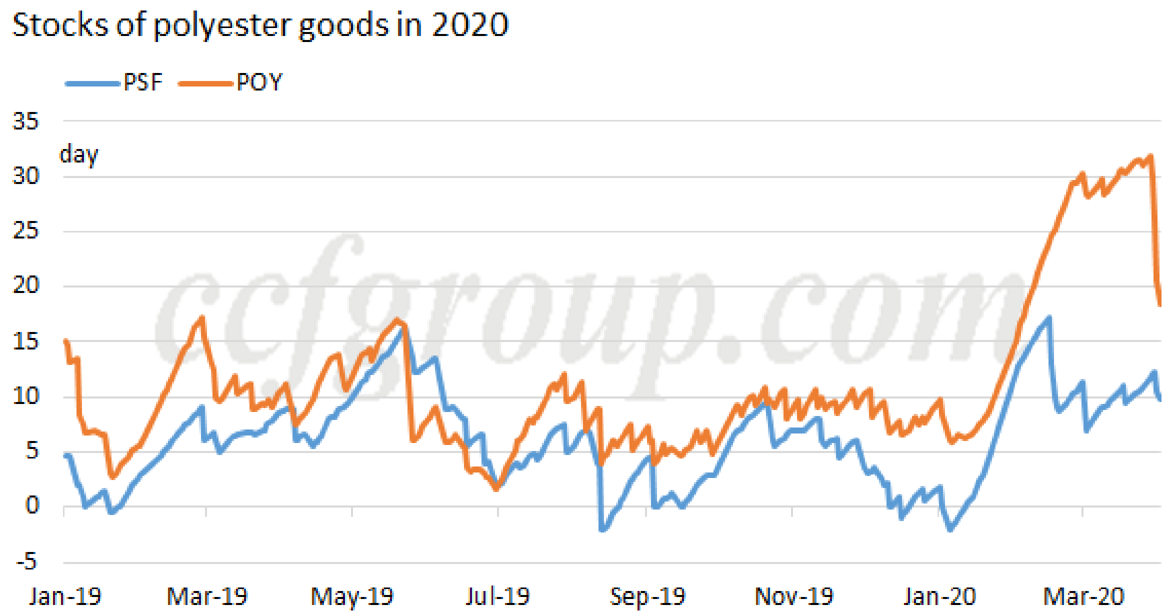
Market players had bottom-fishing in expectation of production cut at OPEC+ meeting, while the major reason was the historic low price was attractive to speculators. Which product is appropriate for the bargain-hunting is analyzed in Polyester market: which product appropriate for bottom-fishing now?



The speculators of this round of procurement was not only traditional downstream customers and traders of the industry.

Stocks of PFY slipped rapidly among polyester products. Comprehensive stocks of POY, FDY and DTY was averaged at 30-35 days near Mar 20 (especially high in big companies, mainly around 30-50 days) and decreased to 13-13 days, 16-17 days and 22-23 days by Apr 4. The average stocks of POY, FDY and DTY were around 10-20 days. Feedstock prepared by downstream fabric mills and twisting units was divided, mainly around

30-60 days, fewer at around 15 days, and the comprehensive feedstock inventory was near 25 days now. Except for the procurement from fabric mills, twisting units and traders, some owners of hardware, architecture and restaurant also had bottom fishing for speculation.



Polyester companies did not encounter pressure to cut output after the speculative purchase, and the production is likely to accumulate. In addition, the cash flow also recovered after price rose. Price of PFY increased by more than 400yuan/mt on Apr 4-5, and totally rose by 650yuan/mt coupled with the growth of 250yuan/mt on Apr 3. Price of POY has ascended by near 15%.

Price of spot PTA increased to 3,350yuan/mt, 3,380yuan/mt and 3,410yuan/mt on Apr 4, with trading volume at around 190-200kt. Offers were at 3,410yuan/mt on Apr 5. Trading of MEG did not appear during the Tomb-sweeping Festival (Apr 3-5), and the 3-day average price rose to 3,295yuan/mt, higher traded at 3,390yuan/mt.

The melting cost was at 4,051yuan/mt based on PTA at 3,410yuan/mt and MEG at 3,390yuan/mt, and the cash flow of POY150D has been around 200-300yuan/mt instead of during negative territory.

The speculation supports the polyester polymerization rate in Apr, but the rigid demand still should be noted.

Feedstock has prepared, but sales turned worse. The operating rate of fabric mills in Zhejiang and Jiangsu was around 20-50% during the Tomb-sweeping Festival, which meant sales would be stunted in some independent twisting units.

The finished goods will occupy the warehouse later, but small twisting units mainly have small storage capability. Actually, high feedstock inventory has possessed some space. Therefore, the buying interest of later period may be depressed.

The demand for fabric is still affected by the COVID-19 abroad, and that for textiles and apparels will not improve much before the sales and the transportation abroad resumed.

The demand tendency of polyester products should pay attention to the results of OPEC+ meeting. Some speculators will enter if the outcome is bullish. Otherwise, eyes are suggested to the destocking of downstream market in end-Apr.

Source: ccfgroup.com - Apr 07, 2020

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Covid19 Impact: Locked Down

The covid-19 pandemic has brought the global textiles-apparel-fashion industry down to its knees. The world will never be the same again, and neither will be the industry. Fibre2Fashion sifts through the chaos.

In just a matter of weeks, the world has changed. Towards the end of January, shortly before the World Health Organization (WHO) declared the novel coronavirus outbreak from China to be a global emergency, that country was reeling under the infectious disease. The city of Wuhan in Hubei province from where the disease was said to have originated was shut down, as were many other cities and provinces in that country where the disease had menacingly spread to. Manufacturing groaned to a halt, and big brands were reported to be closing down stores in lots.

Yet, few could gauge the real import of the situation. As the toll skyrocketed in China, the world seemed callous to the dismal state of affairs there, as experts and leaders kept twaddling about this indeed being an opportunity.

The subjects for discussion ranged from how this signalled the beginning of the end for China as a manufacturing hub to how India could upstage China in the aftermath, from how Vietnam or Bangladesh could make the best of the Chinese predicament and emerge as flourishing economies to how the world could move ahead without China.

Eight weeks later, economies have been crumbling like nine pins against the vicious onslaught of the novel coronavirus. The global death count has passed 50,000, and the total number of confirmed cases is about to cross one million. The US, which confirmed its first covid-19 fatality only on March 1, has already surpassed China in confirmed cases. The Italian and Spanish landscapes lie devastated. Worldwide, the numbers keep surging.

Recession is in and is being reckoned to be worse than what the world had seen in 2008–09. Manufacturing has dropped precipitously across the globe, and trade has come to a virtual standstill. Brands are cancelling orders, and retailers are shuttering down stores. For suppliers, it is as if tomorrow shall never come. In the US alone,47 million people could lose their jobs by the end of the second quarter of 2020,which could be more than three times worse than the peak of the Great Recession. Smaller economies which have depended overwhelmingly on exports to North America and Europe are staring at a desolate future, with millions of workers on the brink of losing their livelihoods.

But, that's not the bad news. The bad news is that the pandemic is showing no sign of slowing down–in fact, in some countries it is spreading at a feverish pace, and the most optimistic possibility of a vaccine puts it at least a year away. The worst is yet to come.

In Spotlight (2015), the no-nonsense, matter-of-fact Boston Globe editor Marty Baron reacts during an editorial meeting to a blunder committed long ago by a senior colleague: "Sometimes it's easy to forget that we spend most of our time stumbling around the dark. Suddenly, a light gets turned on and there's a fair share of blame to go around." It is important to heed Baron's sobering remarks in today's context before one blurts out in utter dismay: how did it come to this (Theoden shortly before the invasion of the Urukkai; The Two Towers, 2002)?

There would be a time to ruminate on the state of affairs, work out alternative business models and restructure the entire fashion ecosystem so that things don't come to this ever again. But one can do that only after the ongoing pandemic subsides, or at least begins to ebb out. The current situation is way too fluid and chaotic to be able to, in a manner of speaking, even begin counting the dead. The extent of the industry is so vast and the enormity of the situation so deep that one can offer only a snapshot; anything yonder would not be humanly possible and would also be beyond the scope of this magazine.

According to a research note sent to clients, investment firm Cowen and Company has estimated total traffic to US retailers was down 97.6 per cent for the week through March 27 compared to the same time last year. It has come to a “near complete halt,”

Cowen said, following the outbreak. Most retailers across the US are closed to protect workers and help slow the virus’s spread. Almost 630,000 outlets in the US have been forced to close due to fears about covid-19 and restrictions on movement to contain its spread, according to Coresight estimates. The National Retail Federation (NRF) has estimated that $430 billion in industry revenues could disappear by July. This is only in the US. But as every sector grapples with disturbing realities, most attention is possibly being focused on brands at one end and garment workers on the other.

At one point brands were reported to have cancelled orders worth $2.8 billion from Bangladesh alone, indirectly putting the lives of close to 4 million apparel workers at risk. According to a survey of 319 garment factory owners conducted by the Centre for Global Workers’ Rights between March 21 and 25, when cancelling orders over 70 per cent of buyers had refused to pay for the raw materials (fabric, etc) that had already been purchased by the supplier. Over 90 per cent of the buyers had refused to pay for the cut-make-trim cost (production cost) of the supplier.

However, just as March was to end, Swedish apparel giant H&M came to the rescue of Bangladeshi exporters while agreeing to take delivery of the already produced garments as well as goods in production. "We will stand by our commitments to our garment manufacturing suppliers by taking delivery of the already produced garments as well as goods in production," the H&M Group said in a media statement. The company did not mention any particular supplier from any particular country.

"We will, of course, pay for these goods and we will do it under agreed payment terms. In addition, we will not negotiate prices on already placed orders," H&M said. At this point, it was necessary to temporarily pause new orders as well as evaluate potential changes on recently placed orders. "We will start placing orders again as soon as the situation allows," the group added.

Subsequently, "few brands namely Spanish clothing company Inditex, British multinational retailer Marks and Spencer, French retail company Kiabi and US retail company PVH and Target have come forward and have informed us of their decision to take the ready goods along with the goods in production," Bangladesh Garment Manufacturers and Exporters Association president Rubana Huq told a newspaper. Bangladesh is the world’s second-largest apparel exporter after China. More than 4,600 garment factories in that country produce shirts, t-shirts, jackets, sweaters, and trousers. The garments are mostly shipped to Europe and North America.

While Bangladesh has been in the limelight, other small apparel-exporting countries are in as much a spot. The rapid spread of covid-19 in the European Union (EU) bloc is affecting demand for garments manufactured by Myanmarese companies. More than 70 per cent of Myanmar’s garment products are exported to the EU. The dependence on the EU is high even though Myanmar also exports to Japan, South Korea, Canada, the US and China, among others. This would be a double whammy for Myanmarese apparel manufacturers who were already facing a raw material shortage as a result of the slowdown in Chinese production.

The pandemic has forced 15 per cent of manufacturing companies in Vietnam to cut production, with the apparel industry hard hit, state media reported citing data from the country’s labour ministry. This has directly impacted 2.8 million workers in the labour-intensive textiles-apparel industry as firm have reduced shifts and stopped overtime, Vietnam News Agency reported.

Time of Reckoning

The only sector of the textiles industry that remains open is nonwovens, with the demand for masks and suits being a matter of exigency. The ongoing pandemic has already highlighted the importance of face masks, disinfecting wipes and personal protective clothing, besides the need to keep the supply chain going to ensure the production and supply of those products, according to EDANA, the European nonwovens industry association.

In a statement, EDANA said on March 30: "In these unprecedented times, the nonwovens and related industries are proving to be an essential partner in the fight against the coronavirus pandemic. Consequently, EDANA has been working closely with the European Commission, the nonwoven supply chain and other associations to find solutions to the continued provision of the essential medical and protective equipment and to any bottleneck in the supply chain."

There has been a shocking shortage of personal protective equipment (PPE) in most countries hit by covid-19, especially in Italy and Spain. Photographs of doctors and healthcare workers at the job without any protection worth the name have sent alarm bells ringing.

On March 22, a coalition of iconic American apparel brands and textile companies, responding to the call of the White House for medical supplies came together to build a supply chain virtually overnight and fast-track the manufacturing of medical face masks to help hospitals, health care workers and citizens battling the spread of the covid-19 disease.

Parkdale Inc, the largest yarn spinner in the US, is leading the effort to build the coalition with Hanesbrands, Fruit of the Loom and six other companies to set up a manufacturing supply chain and begin ramping up production of the masks. American Giant, Los Angeles Apparel, AST Sportswear, Sanmar, America Knits, Beverly Knits and Riegel Linen are also part of the coalition.

The companies have already begun production on March 30 and were expected to make the first deliveries as this edition goes to the press. Once the process is properly put in place, the companies can produce up to 10 million facemasks per week in the United States and in Central America.

According to a wire report, 3M Co will ramp up US monthly production of N95 respirator masks to 50 million in June. The company is also looking to produce 2 billion N95 respirators globally within the next year, doubling the capacity to produce the masks designed to filter 95 per cent of airborne particles. 3M is working with several sterilisation companies to find a way for hospitals to safely clean, reuse and extend the life of the respirators, apart from boosting production of its air-purifying respirators by six times within the next 60-90 days through its partnership with Ford Motor Co.

The automobile industry, which has been an important client of the nonwovens sector, is itself in the business now. General Motors has brought in two dozen paid volunteers to make millions of face masks at a closed plant in Michigan. By April 8, the first lot of 20,000 face masks are expected to roll out. GM would be manufacturing 50,000 masks a day, 1.5 million a month.

Automobili Lamborghini too has begun the production of surgical masks and medical plexiglass shields. The automobile giant is converting departments of its super sports car production plant in Sant'Agata Bolognese for the purpose. The masks will be donated to the Sant'Orsola-Malpighi Hospital in Bologna. Those working on the project would be personnel who produce the interiors and specialty customisation for Lamborghini cars. They would be manufacturing 1,000 masks a day.

Prada will produce 110,000 masks by April 6, Gucci will make 1 million, and Yves Saint Laurent and Balenciaga—both like Gucci, owned by Kering—will also be producing masks. Spanish giant Zara has already donated 10,000 masks and another 300,000 would be dispatched soon. The H&M Group too is reworking its supply chain to produce PPE. Luxury conglomerate LVMH, which owns Dior, Fendi, Louis Vuitton and Givenchy, will be supplying more than 40 million face masks in the next few weeks to hospitals in France. Kering will procure 3 million surgical marks from China, and Mango will dispatch 2 million face masks to Spanish hospitals. French cosmetics giant L'Oreal has begun making sanitiser gel, while LVMH's perfume and makeup are producing hydroalcoholic gel to be donated to French health authorities.

What were either luxuries or esoteric, niche products are now holding centrestage in the textiles industry, and rightly so. US textile and nonwoven associations issued a joint statement in mid-March urging federal, state and local governments to deem textile and nonwoven manufacturing facilities as “essential” when drafting “Shelter in Place” orders in response to the covid-19 crisis.

The NCTO, Industrial Fabrics Association International and INDA said in the statement, "Our members make a broad range of inputs and finished products used in an array of PPE and medical nonwoven / textile supplies, including surgical gowns, face masks, antibacterial wipes, lab coats, blood pressure cuffs, cotton swabs and hazmat suits. These items are vital to the government's effort to ramp up emergency production of these critical supplies.

"If workers who produce these goods are not granted an 'essential' exemption from 'Shelter in Place' and other quarantine orders to go to their manufacturing and distribution facilities, it will cause major disruptions in the availability of these goods. This will create significant hardship to healthcare providers and consumers across the country who depend on steady and stable supplies of these critical items."

In Europe, EDANA is working closer with the European Safety Federation (ESF) and the European Apparel and Textile Confederation (EURATEX), while responding to the European Commission's estimate that no less than 250 million medical masks and 30-40 million PPE would be needed on a monthly basis in the EU alone in the battle against the covid-19 pandemic.

The Days Ahead

The time to plan for the future will come—in good time. The sands are shifting even as one writes this. It would be premature to speculate about the shape that the textiles-apparel-fashion landscape will take in the months to come. But it would be apposite to keep many points in mind, questions to which no sureshot answer can today be found.

Will the pandemic sound the death knell for fast fashion? Can the global industry finally rise to the occasion and ensure that it is truly sustainable and circular? How will the online versus brick-and-mortar confrontation pan out? What bearing will this outbreak have on manufacturing; will this speed up Industry 4.0, certainly from the points of view of automation or artificial intelligence (AI)?

Source: fibre2fashion.com - Apr 07, 2020

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Jack M. Mintz: Don't strangle trade

Better for Canada to agree with key allies to share resources during emergencies rather than create an ever-lengthening list of strategic materials and assets

With this year's Passover arriving in the midst of the COVID-19 crisis, my wife sent out a note to our kids' families that this year's Seders — the ritual services and ceremonial dinners for the holiday's first two evenings — are cancelled due to a plague. The humour, of course, is a play on the Passover story of the 10 plagues that led to the Hebrews' deliverance from Egypt thanks to "the mighty hand of the Lord."

A pandemic is not the only mighty hand in play in our lives at the moment. So is Adam Smith's "invisible hand," which leads to the social and economic benefits arising from each person's self-interested actions through market exchange.

Under the current global "stay at home" orders, we see what happens when the invisible hand clenches, choking off the economy with job losses and business bankruptcies. If we are to maintain the wealth and resilience to ward off this and future pandemics, we will need the invisible hand.

Our current medically induced economic coma should be a reminder that Adam Smith's concepts of trade and specialization in markets are powerful mechanisms leading to innovation, growth and a higher standard of living. This experience also teaches that attempts to be solely self-sufficient have significant costs. Recent proposals to make Canada self-sufficient in "essential materials and assets" could become a slippery slope to nationalistic protection for all sorts of industries, whether truly strategic or not.

Canada has always been a trading nation. Because of our weather, we simply can't make many foodstuffs — like bananas and oranges — unless we build expensive greenhouses (which was once tried in now close-to-bankrupt Newfoundland and Labrador). So we import products and services that are cheaper to produce elsewhere. To pay for these imports, we export products we have a production advantage in, like energy and forest products. With countries trading products according to their specialized advantage, world incomes arise.

That lesson was forgotten during the Great Depression. Countries protected their industries with tariffs to block imports that they believed would lead to job losses. World trade shrank and so did national economies, as the invisible hand clenched and, inevitably, countries' export markets dried up. Tariffs aren't the only protectionist measures available to governments.

There are also subsidies, regulations and state control of companies. When the world accommodated China's growth by allowing it into the World Trade Organization in 2001, that gave its large population greater access to North American and European markets. This liberalization was at the expense of other nations, however, because China used WTO developing-country exemptions, not only to make it difficult for foreign companies to participate in its rapidly growing market, but also to subsidize many of its industries in order to grab dominant market shares. The invisible hand did not work properly because of poorly devised WTO rules.

In the current pandemic, ill-prepared governments have found themselves short of key medical products, such as masks, protective gear, ICU beds, makeshift hospitals and ventilators, some of which would be imported from countries like China, Ireland and the United States. Canada, which exported masks to China early on, is angry with Donald Trump for trying to stop 3M from selling us masks, a perfect example of what can happen when nationalism undermines international trade and co-operation.
In the worldwide race for solutions, however, we may in the end find ourselves obliged to some country, whether Germany, Israel or the United States, to find the testing technologies, therapeutic drugs or vaccines that will put an end to this scourge.

The best answer to our future medical shortages is not nationalistic self-sufficiency in essential materials and assets but better planning, risk management and preparation. Canadians have spent billions of dollars on strategic defence plans, armed forces, and a stockpile of arms to prepare ourselves against a conflict of the sort that — thankfully — has not occurred for almost three-quarters of a century.

Our approach to pandemics should be the same. Governments should ensure they have medical capacity and emergency plans in place. As with defence, if there are critical goods whose production we cannot quickly ramp up in an emergency, we should build up stockpiles, whether domestically produced or imported, that we refresh periodically, because of obsolescence or — we all hope — lack of use.

Under self-sufficiency, by contrast, special interest groups will push for their favourite industry to be deemed a strategic asset. President Trump has defined manufacturing in general and aluminum and steel, in particular, as strategically important to U.S. national security. Don't be surprised if we follow suit. In many quarters, our energy industry is already considered strategic. Soon agriculture and supply management may be deemed essential since foodstuffs have to be available during emergencies.

Textiles, electricity, finance, communications and transportation may soon follow. The list will go on. In the end, we will undermine the prosperity achieved by global trade and migration as countries hunker down to protect their industries. Far better for Canada to agree with key allies to share resources during emergencies rather than create an ever-lengthening list of strategic materials and assets.

Henry Kissinger argued Saturday in the Wall Street Journal that we should "safeguard the principles of a liberal world order," not create walled countries. The modern state should provide fundamental needs such as security, justice and economic well-being. If we resort to a walled-city mentality, we give up the prosperity that comes with global trade and relatively free movement of people.

So, yes, we should insure against future health crises, not only to keep people from dying, but also to avoid what may be immense economic losses from lockdowns. But that can be done without the highly visible hand of government turning off trade flows. Seeking self-sufficiency would be the most expensive imaginable insurance policy against health risks.

Source: business.financialpost.com- Apr 07, 2020

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Turkey's Surge in COVID-19 Cases Spurs Local Denim Mills to Restrategize

The surge in COVID-19 cases in Turkey is causing more restrictions and precautions set by both the government and local denim mills.

According to the World Health Organization's April 6 situation report, Turkey has confirmed 27,069 cases of the coronavirus and 574 related deaths. On April 3, the Turkish Ministry of Health responded to the influx by instilling a curfew for people under 20 and banning all inter-province travel in the hopes of containing the coronavirus.

From April 3-18, all entry and exit for the country's 31 provinces will be banned, excluding essential deliveries such as food, medicine and certain logistics vehicles. Additionally, it is now mandatory for people to wear cloth face masks in public spaces. Just a week prior, the country instilled a curfew for people over 65, as the senior demographic is said to be one of the most susceptible to the virus.

As Turkey is a global hub for denim production, the country's latest restrictions are causing some businesses to change their strategies. Calik Denim announced in an Instagram post that it will extend its production and administrative work break from April 3 to April 11.

"In this process, we are enacting all precautions at the highest level, and preparing new action plans to keep up with developments," the post read. Other mills are continuing to produce, but doing so with a number of precautions and limitations.

Bossa had closed its facilities in Adana for two weeks and partially re-opened on April 6. At the start of each day, the workplace is chemically disinfected, and each employee's temperature is checked as they walk through the doors to monitor for signs of a fever. Employees are instructed to wear special masks and maintain the appropriate distance between one another. "We believe humans will overcome this virus, and we will meet together again in healthy days," a Bossa representative told Rivet.

Source: sourcingjournal.com - Apr 07, 2020

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Gap Inc. Halts Summer and Fall Orders as COVID-19 Threatens Business

Gap Inc. has put a pause on much of the product that would have filled its stores throughout 2020.

The American clothing retailer, which operates the Gap, Banana Republic and Old Navy brands, has reportedly asked its suppliers not to ship completed summer product, save for the items designated for its e-commerce platform, and to hold off on production for fall, Business of Fashion reported Monday. Fabric suppliers were also asked to stop production and keep all goods in their own facilities. Vendors are expected to be updated as to next steps on April 14.

Gap. Inc—which had faced financial challenges before the COVID-19 crisis—has closed all of its company-operated stores in North America and Europe, furloughed the "majority of its store teams in the United States and Canada," reduced its corporate headcount, and temporarily cut pay for its entire leadership team and board of directors.

"Stores are the lifeblood of our business and while we are still operating our e-commerce channels, they simply cannot make up for having our stores closed," Gap reportedly said in an email to vendors obtained by BoF. "As much as we want to minimize the impacts to our supply chain, the situation is fluid and we need to remain responsive."

Gap Inc. could not be immediately reached for comment.

The retailer has thrust itself into a storm of retailers taking similar actions, leaving factories fielding the cancelled orders facing the possibility of permanent closure and an inability to pay workers, who have already taken to strikes and other pleas for aid in Bangladesh, India and Myanmar.

Some retailers—like H&M, Inditex, Marks & Spencer, Kiabi, PVH Corp. and Target—facing public pressure over the position they'd be leaving their vendor partners in, have in recent days committed to take in already-made or work in progress product, though cancellations in countries like Bangladesh are still climbing. According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), order cancellations at factories in the country, had already reached beyond $3 billion last week.

It's a problematic position for both sides in the supply chain, and one already challenged retailers like Gap Inc. could struggle to see themselves through.

In reporting its fiscal 2019 results in mid-March, Gap said comparable sales were down 1 percent—and even sales at Old Navy, which has been the biggest boon for the group, were flat to the year prior. Net sales were also down 1 percent to $16.4 billion. Projections for comparable sales in fiscal 2020, even before factoring the impacts of the pandemic, were to be down low-single digits.

"These estimates could materially change if there is meaningful deterioration from current trends," Gap Inc. said at the time.

By all accounts, the deterioration thus far has been meaningful. And with the U.S. coronavirus death toll crossing 10,000 this week, according to a Johns Hopkins University tracker, conditions for retailers in the country likely won't be returning to any semblance of normalcy in short order.

"Due to the evolving coronavirus situation, we are facing a period of uncertainty regarding the potential impact on both our supply chain and customer demand," Gap Inc. CEO Sonia Syngal, said in March. "During our 50-year history, Gap, Inc. has weathered many storms.

We will benefit from our strong balance sheet and cash generation as well as our important vendor relationships during this current challenging period. We are focusing on decisive actions that will ensure we emerge well positioned to compete in the years ahead…"

Source: sourcingjournal.com - Apr 07, 2020

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Commendable decision by international garment buyers

At a time when the world is passing through an unprecedented crisis due to novel coronavirus (COVID-19) pandemic, a few international garment buyers have taken the commendable decision of not cancelling orders already placed with suppliers. This will help several apparel manufacturers producing for these companies to stay afloat.

Swedish multinational clothing-retail company Hennes & Mauritz AB (H&M) was the first to come to the rescue of exporters by agreeing to take delivery of the already-produced garments as well as goods in production.

Subsequently, other major garment buyers like British multinational retailer Marks and Spencer, Spanish clothing company Inditex, French retail company Kiabi, American retail corporation Target and US clothing retail company PVH have also come forward to state that they will not be cancelling orders that have been produced or under production.

Other major retailers and brands are also considering accepting shipments of products that were already ordered, and are reworking the terms and conditions for those work orders, according to some media reports.

For Bangladesh, apparel export is the mainstay of its economy, as readymade garments account for over 80 per cent of the country's overall exports and is a source of livelihood for nearly 4 million people and their dependents.

In India too, the textiles-apparel industry is the second largest employer after agriculture. In other Asian countries like Cambodia, Myanmar, Vietnam and Sri Lanka, the clothing sector employs a large number of people and cancelling orders by retailers and brands would directly affect employment of these people.

In such a scenario, international garment buyers are showing sagacity by taking a compassionate view. They have been demonstrating a spirit of partnership, keeping in mind the future of millions of garment workers in producer countries like Bangladesh, Vietnam, India, Sri Lanka and Myanmar, among others.

Source: fibre2fashion.com - Apr 07, 2020

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Bangladesh: 546 factories, including 98 garments, textile units open

A total of 546 factories, including 98 readymade garments and textile units, that fall under the jurisdiction of Industrial Police remained open until Tuesday amid coronavirus outbreak in the country.

According to the Industrial Police, there are some 7,602 industrial units under the jurisdiction of the IP's six zones: Ashulia in Dhaka, Gazipur, Chattogram, Narayanganj, Mymensingh and Khulna. Out of the 7,602 units, 3,371 are readymade garments and textile factories and the rest are non-RMG factories.

Two apparel trade bodies —Bangladesh Garment Manufacturers and Exporters Association and Bangladesh Knitwear Manufacturers and Exporters Association — on Monday in a statement recommended its members to keep the factories, except those that are producing personal protective equipment and urgent export items, close up to April 14 in line with the government's general holidays to slow coronavirus outbreak.

The trade bodies also requested its members to pay wages of March by April 16 to their workers. Bangladesh Textile Mills Association on Monday also asked all its members to keep their units close till April 14.

Commerce minister Tipu Munshi on Tuesday in a statement urged the factory owners not to terminate workers during the closure of factories.

He also requested factory owners to pay their workers by April 16. The IP data showed that there were 1,882 member factories of BGMEA in six zones and 54 of them were open until Tuesday.

Out of 1,101 factories registered with BKMEA, 10 remained open. A total of 388 factories are registered with the Bangladesh Textile Mills Association and 34 of them remained open until Tuesday, the data showed.

The IP data also showed that out of 364 factories under the Bangladesh Export Processing Zones Authority 363 units remained closed on Tuesday. The rest 3,867 factories belong to other sectors and 447 of them remained open on the day.

BGMEA sources said that the members of the trade bodies started paying wages of March to their workers and most of the units will pay by April 15. Meanwhile, BGMEA president Rubana Huq on Tuesday sought cooperation from banks so that small and medium factories could pay their workers for the month of March.

In a letter to Bangladesh Bank governor Fazle Kabir, the BGMEA president requested to ease the rules to finance small and medium RMG companies so that they could pay their workers. When asked, Rubana said that many of small and medium exporters were facing trouble as their shipment remained halted from March 15 due to the coronavirus outbreak in the world.

She said that RMG export declined by nearly 30 per cent in March this year compared to that of same month of last year as most of the buyers halted or cancelled orders. Now if the banks do not allow over draft loan to the exporters many of small and medium companies will not be able to pay their workers, Rubana said.

Considering the situation the BGMEA president requested Bangladesh Bank to instruct commercial banks to finance small and medium manufacturers easing the rules for OD.

Source: newagebd.net - Apr 08, 2020

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Pakistan: Textile exporters demand opening of 150 mills in Sindh

Textile exporters have demanded the Sindh government to allow operations of export-oriented 150 mills in the province while the Sindh government has prepared a list of 70 such factories.

Spokesman of the All Pakistan Textile Mills Association (APTMA) told The News that they had given the list of their 57 members in Sindh to the Sindh Chief Secretary, some of the members had more than two units while other mills were from other bodies.

He said they had suggested opening of export-oriented mills, which had orders, besides those mills that had their own labour colonies, under standard health protocols. The list included mills under the banner of Pakistan Hosiery Manufacturers Association (PHMA) as well.

Majority of mills in Nooriabad and Kotri in Sindh have their own labour colonies, he said. He said APTMA had around 300 members in the country, of which 150 were exporters.

The spokesman said that they were in continuous communication with the Sindh government on day-to-day basis while the latest meeting was held with chief secretary on Tuesday, which was attended by a number of industrialists.

On the other hand, the Sindh government has prepared a list of 70 export-oriented mills that would likely be allowed to operate after following SOPs. Representatives of these mills have told the government that they would be ready to follow the government's instructions within three to five days of preparation.

Sindh Chief Minister Syed Murad Ali Shah, keeping in view the COVID-19 threat, has constituted a committee of health experts, labour and industries department secretaries and representatives of police and Rangers to prepare Standard Operational Procedure (SOP) for factories so that could be allowed to start operation.

In a meeting, the chief minister said that he had held a meeting with the industrialists, particularly those who were producing goods for export and they had requested him to allow the operation of their factories so that they could honour the export orders. “The request is important and genuine, therefore, a way out can be made for them,” he said.

After thorough discussion and debate, it was decided that an SOP should be worked out for operationalization of the factories. The chief minister directed the additional chief secretary home to form a committee comprising medical professionals/experts, industries and labour secretaries, senior members of law enforcement agencies and other concerned to prepare a well-thought-out and workable SOP for operationalization of the factories.

Source: thenews.com.pk - Apr 08, 2020

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Pakistan: APTMA calls for rescue textile industry from COVIC-19 impact

All Pakistan Textile Mills Association (APTMA) has called for more supportive steps by the provincial government for textile industry facing serious financial issues due to impact of COVID-19 pandemic.Chairman, APTMA (Sindh and Balochistan Zone) Zahid Mazhar, in a statement here on Tuesday, said that due to drastic slowdown of domestic as well as international markets, and delay in receipt of payment from them in addition to cancellation of export orders even from big organizations, export-oriented textile industry was facing liquidity crisis.

Though the government had taken positive steps like deferring loan repayments and speeding up of refunds but more measures were needed to save our export-oriented textile industry from the COVID-19 economic shocks, he said. He requested to Sindh Government to allow running of those textile mills which have labour residences within their premises. APTMA's Zonal Chief (South),however, appreciated all the positive steps already taken by Federal and provincial governments to control wide spread of COVID-19 pandemic.

Source: nation.com.pk- Apr 08, 2020

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Ginners, growers urge government to save cotton industry

Some leading ginners and growers requested the government to save the cotton industry from disaster because workers and businessmen were facing financial losses particularly after the spread of coronavirus, market sources observed.

The official spot rate was unchanged at Rs8800, dealers said.

Rate of seed cotton per 40kg in Sindh low quality was at Rs2800, while the best quality was unchanged at Rs4100, and in the Punjab prices of low quality were at Rs2800 while the fine type was available at Rs4600, they said. In Sindh, Binola prices per maund were at Rs1400-1800, in Punjab rates were at Rs1650-1800, they said and the rate of polyester fibre was at Rs167 per kg, they added.

The KCA Official Spot Rate for Local Dealings in Pakistan Rupees

FOR BASE GRADE 3 STAPLE LENGTH 1-1/16"
MICRONAIRE VALUE BETWEEN 3.8 TO 4.9 NCL

Rate	Ex-Gin For	Upcountry Price	Spot Rate Ex-Karachi	Spot Rate Ex. KHI. As on 06-04-2020	Difference Ex-Karachi
37.324 kg	8,800	160	8,960	8,960	NIL
Equivalent 40 kgs	9,431	171	9,602	9,602	NIL

They said that the government should take immediate rescue measures to save the textile industry from total collapse owing to negative impact of coronavirus.

Cotton analyst, Naseem Usman said that we must have to appreciate all the positive steps taken by the provincial and federal governments. He also said that cotton sowing accelerated in both the Punjab and Sindh, giving an impression that arrival of seed cotton will start, condition will improve in the near future.

According to the All Pakistan Textile Mills Association (APTMA) fully support the Association also fully support the efforts and measures taken by the both federal and provincial governments and assured all cooperation to fight against coronavirus pandemic.

Neighbouring countries are trying to make some compensation for their labourers and workers, why not our government? Other experts said. Reuters adds: ICE cotton futures jumped as much as 5.6% to hit a more than one week high on Monday, helped by gains in the stock markets as coronavirus-related deaths and new cases slowed in some of the world's most affected countries.

The cotton contract for May settled up 2.07 cent, or 4.06 %, at 53.05 cents per lb. The contract touched 53.86 cents per lb earlier in the session, a peak since March 26. Total futures market volume rose by 9,979 to 52,211 lots. Data showed total open interest fell 3,392 to 192,115 contracts in the previous session.

Source: brecorder.com- Apr 08, 2020

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NATIONAL NEWS

Covid-19: Secondary sector reforms to help restart the economy post-lockdown

Kickstarting growth in agri, infra to lead the way; local currency-based trade with neighbours will help

A week ahead of the scheduled end of lockdown, India is faced with the crucial question of restarting the economy in the face of unprecedented destruction of the global value-chain by Covid-19. The scale of destruction can further rise, depending on the impact on the US.

Tasked with conducting policy-making in this evolving situation, the government is expected to keep faith on old warhorses — agriculture and infrastructure — for immediate revival of demand. As a longer-term strategy, it is likely to focus on manufacturing to strengthen domestic value-chain in select sectors.

The efficacy of the strategy will depend on scores of secondary sector reforms. The most important of these are finding a mechanism for fast-track implementation of infra projects and resolving issues with infrastructure finance, by reviving development finance institutions (DFI).

To keep the export economy going in the face of global recessionary trend, India should explore the opportunity of local currency-based trade with neighbours.

Local currency trade

The last point is crucial. Between 2013-14 and 2017-18, India's total exports were down but exports to neighbours (SAARC plus Myanmar) climbed 30 per cent. Barring Pakistan, Sri Lanka and Myanmar, India's trade with each neighbour witnessed a dramatic rise.

The trend largely remained unchaged in 2018-19. Over the last five years (FY15 to FY19), Nepal's share in India's total exports rose to 3.35 per cent from 1.47 per cent; Bangladesh to 2.79 per cent from 2.08 per cent; and Afghanistan to 0.22 per cent from 0.14 per cent.

To put it simply, at a time when exports of either raw material or finished goods to the rest of the world may suffer, neighbours can offer much-needed traction to the Indian economy. On the flipside, their purchasing power may be impacted by Covid-19.

Take the case of Bangladesh that depends on garments and remittances for forex earnings. Garment exports have already taken a $6-billion (18 per cent of annual revenue) hit and remittances are down by 12 per cent.

A possible solution to this problem is local currency-based trade as India did with Russia and lately with Iran. To the dissatisfaction of the Indian textile industry, it might increase imports from Bangladesh in the short run.

But considering India’s diversified export basket, net gains may be way larger. A bigger gain will come through long-term economic co-operation, as Bangladesh was dependent on China for raw materials.

Revive DFIs

The impact on global value chain will impact Indian industry, particularly the MSME sector, hard. The global auto sector is not expecting any revival in demand in the next six quarters and force majeures are declared indiscriminately. The wave is about to reach India.

A robust agri-economy and high infrastructure spend can act as a cushion in this situation, both by generating alternative employment and increasing spends on industrial and consumer goods.

However, the agri sector is suffering from scores of pending issues like the APMC Act (agriculture produce marketing committee), and poor agri-logistics, among others. It might be the right opportunity to iron out these issues.

Dismantling of DFIs during Vajpayee-rule didn’t augur well for India which is still scrambling for the right model to finance infrastructure projects, where the gestation period is too long for the comfort of banks. The results of lack of clarity in finance were clear during the recent NBFC crisis.

To ensure quick and heavy spend in infrastructure, the government should ready fully-funded DFIs, which can raise additional capital through issue of bonds.

Due regulatory tweaking may find banks subscribing to those bonds. A spin-off of this initiative is realising the long-pending dream of developing the domestic bond market.

Fast-track mechanism

Finance is not the only hurdle for implementing infra projects. A bigger problem is long and cumbersome procedures that needs to negotiate myriad laws and clearances. However, the most important of all is the long bureaucratic delays.

From the DPR stage, it takes a minimum three months to award a contract. This is followed by all those regulatory and legal clearances from various State and Central authorities, which may take up to two years. Can India wait for so long? The answer is a strict ‘No’. For immediate revival, we need to get going in six months.

How the government will create such a mechanism is a million-dollar question. One possible solution is involving state governments in project implementation and creating due legal framework which will limit the scope of bureaucratic and judicial intervention.

Source: thehindubusinessline.com- Apr 07, 2020

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India's textile industry reeling under COVID-19 impact

India's textile sector employs over 105 million people.

Laxmi, who works in residential societies in East Delhi, is clueless how loss of one person's income will play out for her family.

"Mujhe to lagbhag sab ne iss mahine ka pagar diya hain. Lekin mere pati ko koi paisa nahi aaya. Karkhana bhi bandh ho gaya, pata nahi kab khulega. Bohot mushkil ho rahi hain chalana (I have been paid this month's salary by most of my employers.

But my husband has got no money. The factory is also shut, don't know when will it open. It's very difficult to run the house)," she said.

Like million others in India, Laxmi's husband was employed in the textile sector. But a nationwide 21-day lockdown to contain the pandemic has resulted in unprecedented chaos in this sector.

After agriculture, India's textile sector is considered to be the next biggest employment generator in the country. It employs over 105 million people. The pandemic came at a time when the sector was battling sluggish growth.

"We have wafer thin margins in this business and global implications will affect India. Exports otherwise also for a couple of years now have stagnated at around $37 billion," a senior official working closely with the sector told Moneycontrol on condition of anonymity.

Eleven countries buy 41 percent of India's cotton yarn exports and these countries have reported COVID-19 cases, according to the Cotton Textiles Export Promotion Council (Texprocil)

In value terms, yarn exports are down 30 percent in January-February against a year ago. Cotton yarn exports to China, Iran, Korea and Vietnam have seen a steep decline. The US and the Europe are the two largest markets for Indian textile exporters. Both are imploding with new cases everyday. The pandemic has killed more than 50,000 people worldwide, with nearly three-quarters of the deaths being reported in Europe. US has reported over 10,000 deaths.

UK has announced a six-month lockdown while most of USA has social distancing and quarantine measures, with stay-at-home orders for more than a third of the population.

The pandemic has already led to big fashion labels announcing cancellation of orders and relieving labour. Macy's, the US-based retail giant, has announced that it would grant leave to most of its 1,30,000 employees. British luxury giant Burberry have predicted a steep drop in sales of about 70-80 percent.

The UK-based retailer Primark has cancelled all new orders and Inditex (the owner of popular brand Zara) has written off some $336 million worth of inventory. "The spread of the virus in China and which later got spread to EU and USA has majorly impacted us as they are huge markets for Indian textile products," said T Rajkumar, Chairman, Confederation of Indian Textile Industry (CITI).

The government's directions to close all the malls and retail outlets to tackle the outbreak has resulted in the substantial reduction in the sales of the domestic textiles and clothing.

"Until and unless we give some stimulus package to the industry, we won't be able to withstand this particular ill effect of COVID-19. We have sent presentation to the finance ministry to give us economic package because on the one side government is asking to pay salaries and all but there is no production happening and many of the migrant workers have gone back hence," said the official quoted above.

Countries across the world have extended support packages to tide over the crisis. Germany has announced a financial package of half trillion Euros for companies impacted by the crisis to boost their liquidity.

"Under this scheme, any German company hit during this crisis can borrow as much as necessary by them for a longer duration with zero interest rate till such time they completely recover; they do not have to pay back," said Rajkumar.

Source: moneycontrol.com- Apr 07, 2020

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Exporters seek PM intervention for comprehensive package do deal with COVID crisis

Seeking intervention of Prime Minister Narendra Modi, exporters on Tuesday demanded a comprehensive package as the exports sector will take an "unprecedented" hit due to lockdowns to contain the COVID-19 pandemic. In a letter to the Prime Minister, Federation of Indian Export Organisations (FIEO) President S K Saraf said that the exports sector is facing over 50 per cent cancellation due to the global lockdown on account spread of the coronavirus in the world.

"Our exports will take an unprecedented hit in such challenging times. The worst-hit are lifestyle products like leather, carpets, handicrafts, apparels etc which are having over 75 per cent cancellations. This will also put pressure on current account deficit as overseas remittance will decline so will be FDI/FIIs inflow in the country," he said.

Painting a grim picture, he added that there is a high risk of large scale unemployment after lockdown, especially in the labour-intensive sectors, if they are not accorded fiscal relief to ease their cash flow.

"Therefore, we request immediate help through rapid policy decisions to mitigate the crisis and prevent further structural damage to both industry and economy," Saraf said.

As part of the fiscal package, the organisation has demanded a host of measures including Rs 30,000 crore to exporting companies for easing their working capital liquidity issues, 2 per cent additional incentives under export promotion scheme - MEIS, subsidy on loans till March next year, and 50 per cent cut in GST rates for sectors such as hotels, aviation, and travel for next 12 months.

Besides, one-time amnesty for default in export obligations under advance authorisation, EPCG (export promotion for capital goods), and export-oriented units (EOUs) by waiving interest and penalty and charging only basic customs duty. It should also be extended to any other dispute in customs matter.

"All existing pre and post-shipment finance in Foreign Currency or Indian Rupee should be extended on maturity by additional 90 -180 days on autoroute irrespective of the nature of contract and sanctioned limit.

Moreover, no deposit of money be insisted by banks where limit granted in foreign currency is crossed due to rupee depreciation," the president said.

He also urged for providing 50 per cent freight subsidy on air freight to encourage exporters to use air freight to compensate for time loss.

"All exports related refund and statutory refunds like duty drawback, GST should be paid to exporters, including risky exporters, within 15 days so as to ease liquidity at their end. A bond may be taken from risky exporters so as to recover it, if so warranted," he said.

He also said that the directorate general of foreign trade (DGFT) must give one time amnesty to all who could not apply or get MEIS (merchandise export from India scheme) due to system failure or minor lapse in shipping bills.

"Indian exporters should be given additional 2 per cent MEIS and labour intensive sector to be provided additional 4 per cent MEIS on exports up to 31st March 2021. The MEIS should be given without realization as it will be delayed in such tight liquidity globally. This scrip should be used for payment of any statutory levy including GST, Income Tax etc," he said.

Saraf said that EPF)employee provident fund) and Employees' State Insurance (ESI) should be waived for three months as labour-intensive sectors are in "extreme pressure" to pay wages, but do not have liquidity or cash flow to pay these funds.

The waiver of these funds for three months will cost the government Rs 18,900 crore, he said adding this can be given to companies with a minimum 50 per cent export turnover.

"The loan amount should cover six months gross salary and wages, rent and electricity charges. No additional collateral or paperwork to all industrial units who have a clean record with the bank before lockdown. The repayment should be in 18 equal instalments after 6 months initial moratorium, he said.

Source: economictimes.com- Apr 07, 2020

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Moratorium option should be for all: RBI

The Reserve Bank of India (RBI) on Monday reached out to several banks and non-banking finance companies to say that borrowers should be considered 'under moratorium by default' regardless of their opting-in or otherwise.

The regulatory instruction, conveyed through emails, is very different from what many lenders have decided to follow.

Many banks are offering the option to defer the payment of loan interest and principal only to borrowers who specifically ask for it. "But, according to RBI, it's just the opposite.

The 3-month moratorium should be given to all unless a borrower informs the bank or NBFC that he/she is not interested in availing the facility," a senior banker told ET.

The move could put some of the banks with high credit- deposit ratio and NBFCs struggling to roll over liabilities in a spot. These banks may face a liquidity crunch as the reduced inflow due to non-receipt of interest and loan repayment could be far more than the extra liquidity that would be available through lower cash reserve ratio and borrowing from RBI against gilts.

NBFCs face a bigger dilemma. According to most banks, the RBI circular does not cover NBFCs.

Under the circumstances while NBFCs which have borrowed from banks cannot benefit from the moratorium, they are under pressure to offer the facility to those which have borrowed from them.

'Instructions Different from Mar 27 Circular'

"RBI is quite categorical. For instance one of the emails make it clear that no demand should be made on borrowers or any recovery procedure undertaken by the bank or its agents for non-payment of amount due during the moratorium period.

Thus, as long as borrowers fulfil the condition laid down in the recent RBI circular, they are eligible. Some of the banks were reluctant to extend the scheme to borrowers," said another banker.

Bankers say this is different from what RBI had indicated in the March 27 circular. The notification on the Covid-19 regulatory package said, "Lending institutions shall frame Board approved polices for providing the above-mentioned reliefs to all eligible borrowers, inter alia, including the objective criteria for considering reliefs."

Borrowers, however, are free to make repayments or service the loans at their own will even for dues of the moratorium period.

Source: economictimes.com- Apr 07, 2020

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Covid-19 outbreak: Textile ministry announces new PPE rules

The Union Ministry of Textiles has announced a new regulatory framework for the production of personal protective equipment (PPE) units after reports emerged that Indian manufacturers, who failed laboratory tests, have sold their rejected products to a section of private hospitals.

The ministry has laid down new norms, which require a Unique Certification Code called UCC-Covid19 and a tamper-proof sticker in indelible ink specifying details of the manufacturer.

The ministry issued a notification to this effect on April 6, saying that the code would apply to both PPE garments and fabric that pass the laboratory tests, as stipulated by the South India Textile Research Association (SITRA) and the Defence Research & Development Establishment (DRDE).

The code will record the type of garment, its test procedure and also the date of the test. The certification will be valid for a fixed time frame and both SITRA and DRDE will preserve the sample sent by the manufacturer, said the notification, accessed by HT.

The move, ministry officials said, was to tighten the production of PPE units by Indian manufacturers in line with the specifications of the World Health Organisation (WHO) and the Union Ministry of Health and Family Welfare (MoHFW). Approvals have been given by the Coimbatore-based SITRA, an autonomous body under the ministry, and Gwalior-based DRDE.

The notification stated that in case of coveralls a manufacturer needs to print in indelible ink or in tamper-proof sticker detail such as the name of the maker, code, test standard, batch number and order details.

A ministry official, on condition of anonymity, told HT that the move was prompted by media reports that some manufacturers, whose products were rejected by SITRA and DRDE, were found to be supplying their units to a section of private hospitals. The ministry's directive has been sent to states as well.

Nihar Ranjan Dash, a joint secretary in the ministry, said that the certification primarily concerns coveralls and fabric provided by certain manufacturers of PPEs. "The directive doesn't concern masks, as they're certified by the Bureau of Indian Standards. We relied on imports of masks for all this while, and their specifications were of international standards," said Dash.

The tightening of norms would help Indian manufacturers prepare for the global market, he added. The current capacity of the Indian industry is to manufacture 10,000 PPE units per day, but Dash said that in about three months, the country is likely to produce three lakh units.

An official of one of the testing agencies told HT on condition of anonymity that the two specific tests that are applied are the synthetic blood penetration for overalls and bacterial efficiency as far as masks are concerned. "A severe shortage of N-95 masks has been a cause for concern, as there are just a handful of manufacturers in the country," said the official.

Since India began domestic production of PPE in March owing to the spread of the coronavirus disease (Covid-19), these two testing agencies have approved 18 manufacturers to produce PPE units with non-woven textiles such as masks and coveralls. Later, the agencies approved 20 more manufacturers of the fabric. Only 50% of the manufacturers passed the test at the outset, the official said. "However, the success rate has come up to 80% now," he added.

M Rajaa of Coimbatore-based Saastha Textiles, one of the approved manufacturers of waterproof, laminated thermoplastic polyurethane and thermoplastic elastomers fabric in knitted, woven and non-woven fabric used in PPE units, told HT that the fabric needs to have a certain type of lamination to ensure that blood and virus do not contaminate a health care worker. "We also need to use only polypropylene virgin material to ensure that the material is protective and some manufacturers are also using reprocessed materials," said Rajaa.

Parag of Sai Synergy, another manufacturer of PPE units, said that the Indian Navy has ordered their products earlier and they always carry a sticker. "The sticker has to be put during the manufacturing process and cannot be put thereafter," he added.

Source: hindustantimes.com- Apr 07, 2020

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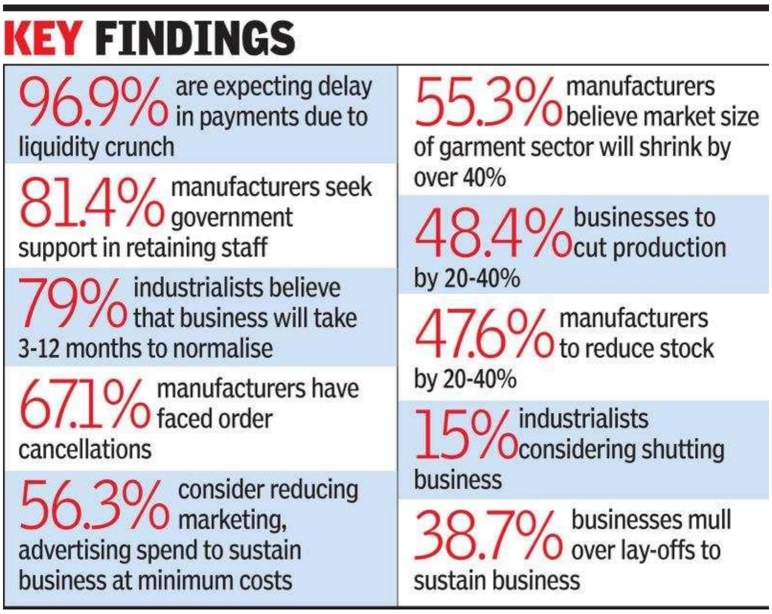
Garment makers seek help to retain staff

The 21-day nationwide lockdown has affected revenues of manufacturers in key industrial sectors with production in almost all factories, except those manufacturing essential commodities, coming to a grinding halt. The scenario in the garment manufacturing sector looks no better.



According to a pan-India survey by Gujarat Garments' Manufacturing Association (GGMA), 81% garment manufacturers have sought government support in order to not lay-off workers and staff members once the lockdown is lifted.

With production getting halted, piling up overheads, order books getting impacted and no respite in receiving payments, businesses in the garment sector are expected to reel under a major liquidity crunch. As a consequence, at least 38.7% businesses are considering laying off as an alternative to sustain business.

Explaining the scenario, Arpan Shah, honourary treasurer, GGMA, said, "Payments have been made in March to all the workers and staff members. However, if the lockdown is extended, businessmen will lay-off people and also consider imposing pay-cuts.

This is because the entire revenue cycle has been disrupted. Order books have taken a major hit with orders upto 80% getting cancelled while there is little respite in terms of repayment cycles."

Manufacturers fear that even if the lockdown is lifted after April 14, labour-shortage may pose a greater concern to industries in resuming production activity in full swing.

Source: timesofindia.com- Apr 08, 2020

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Fitch cuts India growth forecast to 2% for FY21

India's economic growth is likely to hit a 30-year low of 2 per cent in fiscal 2020-21 as recession grips the global economy following the COVID-19-related lockdown, according to Fitch Ratings, which in its previous report had projected India's gross domestic product (GDP) growth for 2020-21 at 5.1 per cent, lower than 5.6 per cent estimated in December.

Fitch said that the lockdown in China will have a broad-based effect on regional manufacturing supply-chains as the spread of the novel coronavirus has now broadened to include local discretionary spending and exports. The businesses will continue to face supply-chain disruptions even as parts of China return to work, the rating agency was quoted as saying by a newswire.

"Fitch now expects a global recession this year and recently cut our GDP growth forecast for India to 2 per cent for the fiscal year ending March 2021 after lowering it to 5.1 per cent previously, which would make it the slowest growth in India over the past 30 years," it said.

On March 20, Fitch had cut India's growth forecast to 5.1 per cent for 2020-21, saying the coronavirus outbreak is likely to hit business investment and exports.

According to the agency, micro, small and medium enterprises (MSMEs) and the services sectors are likely to be among the most affected due to reduced consumer spending.

Non-banking financial companies (NBFCs) will face liquidity crunch due to limited cash buffers, and borrower's inability to repay their loans, it said.

The challenges for NBFCs will intensify as local measures to contain the spread of the coronavirus exert pressure on their operating performance and financial profiles, it said in its latest report.

Source: fibre2fashion.com- Apr 08, 2020

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Steep volume drop could propel JNPT self-operated box terminal towards privatisation

JNPCT also has the disadvantage of single terminal status

A steep fall in volumes handled by the container terminal run by Jawaharlal Nehru Port Trust (JNPT) itself in FY20 could expedite the chances of privatising the only such facility operated by a government-owned port authority across any of the 12 state-owned major ports in India.

J N Port Container Terminal (JNPCT), one of the five container terminals operating at JNPT, handled 720,000 twenty-foot equivalent units (TEUs) in FY20 from 1.04 million TEUs in FY19. In three years, JNPCT's volumes have tumbled by more than half from 1.53 million TEUs in FY17 to 1.48 million TEUs in FY18, 1.04 million TEUs in FY19 and 720,000 TEUs in FY20.

JNPCT is an oddity among such facilities at Indian ports where container terminals are run by private specialists in the field, such as PSA International Pte Ltd, D P World Pvt Ltd, A P M Terminals Management B V and Adani Ports and Special Economic Zone Ltd (APSEZ).

D P World runs two separate terminals at JNPT, while PSA International and A P M Terminals operate one each. "We are looking at the possibility of privatising JNPCT; what can be the most suitable model to improve its efficiency and productivity," a shipping ministry official said. "Because, the business is shifting to other terminals in JNPT," he added.

PSA International-run Bharat Mumbai Container Terminals Private Limited (BMCT), the newest of the five terminals at JNPT, benefited the most from such a shift in volumes away from JNPCT.

BMCT handled 800,000 TEUs in FY20 from 503,000 TEUs last year, posting a growth of 55.51 per cent. "JNPCT has been handling container cargo by default," said a port consultant.

"It had sufficient cargo till JNPT had four terminals. But once PSA started a new terminal with huge capacity, JNPCT was destined to suffer," he said.

One big handicap

Apart from lack of infrastructure such as modern cranes to load and unload containers and compete with private rivals, JNPCT has one big handicap that is unique to it, compared to private operators. That handicap is its single terminal status with a quay length of 680 metres.

Big guns in the container terminal industry typically leverage their large terminal network presence globally to attract shipping lines, their main clients that bring business. It is common in the terminal industry for operators to ask a container carrier to call at its facility, say, in JNPT, if it wants a berthing window at any of their terminals elsewhere globally and vice versa.

"JNPCT being a single terminal operator does not have that clout to either retain a line or attract new lines to its terminal," the port consultant said. "If JNPT were to privatise the terminal, surely it would attract bidders," said an executive with one of the top global terminal operating companies. "There will be some social issues, but at least, like elsewhere in the world, privatised ports/terminals do tend to get better results.

And, the government will certainly earn more if it is done via revenue-share model," he said, adding that a sale would also attract more funding into the terminal to boost its performance.

Source: thehindubusinessline.com- Apr 07, 2020

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India-China trade in Jan-Feb down 12.4% YoY: PRC data

India-China trade in January and February was down 12.4 per cent year on year (YoY), according to Chinese official data. The novel coronavirus epidemic peaked in China during these months.

China's exports to India during this period stood at 67.1 billion yuan, down by 12.6 per cent YoY, while imports from India dropped by 11.6 per cent to 18 billion yuan.

India and China are likely to discuss steps and explore measures to boost bilateral trade as the process has been significantly affected by the COVID-19 outbreak, according to Indian media reports.

The knock-on effect of the pandemic is expected to disrupt trade in agricultural markets across the Indo-Pacific region, including China. Global prices of goods like cotton will be affected in the second half of 2020 if virus continues to spread, experts say.

According to official Indian data released in February, India's trade with China decreased from $89.71 billion in 2017-18 to $87.07 billion in 2018-19.

During this period, India's imports from China declined to $70.32 billion in 2018-19 from $76.38 billion in 2017-18, and exports to the country grew to $16.75 billion in 2018-19 from $13.33 billion in 2017-18. As a result, India's trade deficit with China reduced to $53.57 billion from $63.05 billion.

Source: fibre2fashion.com- Apr 08, 2020

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RBI gives States longer overdraft period

Move to tide over cashflow mismatches

The Reserve Bank of India has allowed a longer overdraft period for States and Union Territories (UTs) with immediate effect.

This facility to tide over the cashflow mismatches will be available till September. States and Union Territories can now be in overdraft continuously for up to 21 working days against the earlier limit of 14 working days.

Further, the number of days States and UTs can be in overdraft in a quarter has been increased to 50 working days from the current 36.

The central bank provides financial accommodation to States and UTs to tide over temporary mismatches in the cashflow of their receipts and payments by way of an overdraft under a facility called Ways and Means Advances (WMA).

This is intended to provide a cushion to the government to carry on with its essential activities and normal financial operations.

This is the Reserve Bank's latest move to deal with the pandemic. Earlier, it had increased the WMA limit by 30 per cent from the existing limit for all States and Union Territories, from April 1 to September 30.

Source: thehindubusinessline.com- Apr 07, 2020

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India's textile export, MSME hubs come to a grinding halt

Until 24 March, Ratnakala held a job at a garment factory, sewing children's frocks destined for Europe, at a factory in Sarjapur, a textile hub in Bengaluru. Over the last few weeks, she's been looking for work as a domestic help, after the factory supervisor said they were shutting operations for the duration of the lockdown.

"I'd prefer to work in the factory, but I'm not sure when it will open. I have two children. I need a job and it does not matter where," she said.

Nearly 500,000 people, mostly women, work in the garment factories near Bengaluru, including Bidadi, Chikkaballapur, Mysuru, Mandya and Ramangara. Small enterprises near Bengaluru in Karnataka, and in Tirupur and Karur in Tamil Nadu are struggling to meet wages and running costs as payments worth crores are delayed by the global covid-19 outbreak.

Prathibha R., president, Garment and Textile Workers Union, Karnataka, said: "The workers have been promised salaries for March. These factories are 100% export-oriented and until business picks up in foreign countries, we won't have fresh orders. The pending orders can be completed in a fortnight after the lockdown is lifted. After that, no one knows what we will do."

With the surge in covid-19 cases in Europe and the US, fresh orders seem unlikely even in June. "The biggest challenge is paying wages, which is almost 30% of our revenue. We want the government to cover wages for three weeks," said Harish Ahuja, managing director, Shahi Exports, which employs 100,000 people in 65 units in Karnataka. He said revenue is expected to fall 40% this year.

Tirupur, which is home to 10,000 garment units, is the country's largest knitwear manufacturing hub. The town's monthly turnover is ₹2,500 crore from exports, and the credit line they extend is 90 days. This means payments for orders sent out in December should have started coming in from March. "The immediate damages to the cluster are around ₹9,000 crore in terms of pending payments by buyers," said Raja M Shanmugham, President, Tiruppur Exporters' Association. "Our payments are delayed because buyers, particularly in Europe and the US, have shut operations."

Across sectors, SMEs have been asking Union finance minister Nirmala Sitharaman for financial support for three months. Ashok Rao, Convenor, CII Karnataka MSME Panel, said: "We have to see how things unfold once lockdown lifts, which will throw up new challenges like pressure on the supply chain, restarting production and managing funds."

Source: livemint.com- Apr 08, 2020

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Holding cost will affect apparel manufacturers

That brands may eventually not scrap orders is not necessarily good news since it comes with a rider. Even if orders already placed are not cancelled or postponed, the holding cost involved would greatly impact apparel manufacturers and exporters. The holding cost is the interest incurred on the value of the goods till the order is finally executed.

Apparel manufacturers are highly dependent on the US and Europe, the major destinations for Indian exports. "Even if buyers don't cancel the orders now, it all depends on how Europe and America recover from COVID-19. Unless they recover and even if India re-opens, exporters will find it difficult to start their factories," points out Mumbai-based Creative Garments chairman Vijay Kumar Agarwal.

"Most buyers have not cancelled orders, but they are postponing them. But this has no meaning. For example, an order might be postponed to be shipped in May. In May, they might say 'sorry'; ship it in July. In July, they can say there is no footfall in the store. So, the problem will not end until a cure is found to the COVID-19 disease," he told Fibre2Fashion.

Seeing the situation from buyers' standpoint, Ashok Rajani, founder-chairman of Midas Touch Export Pvt Ltd and a former chairman of Apparel Exporters Promotion Council (AEPC), says, "If the lockdown continues for one more month in the US, then retailers there would not be able to pay salaries, rents and may need to shut down their shops. Then, how are they going to honour the orders?" Suggesting a way to tackle the situation, he adds, "We have to keep persuading our brand's appeal to them, co-ordinate with them, and negotiate the discount."

The Indian government has urged all factories to not to cut wages of workers, but there is no capital flow at all. He cites an example, "Shahi Exports employs over 1.5 lakh people, and their combined salary would be ₹150 crore per month. How is it possible to pay such a huge amount when banks are not getting any payments?"

According to TR Vijayakumar of CBC Fashions (Asia) Pvt Ltd, who is also the secretary of Tiruppur Exporters' Association (TEA), 50 per cent of the brands have cancelled the orders, because they cannot take the summer goods and sell them in fall/winter season once they resume their operations.

On the holding cost involved, Vijayakumar says, "We do not know whether the buyers will take the goods next season or next summer. So, till that period we have to incur an interest on the goods that we hold at present—this will have a very big impact on manufacturers."

TEA, he mentions, has requested all brands not to cancel orders, but postpone and take the delivery later. "It is because cancellation will not let us sell the goods at the price we had fixed with the customers (we will have to sell them in the market at 30-40 per cent less price). We have requested our members to communicate the same to all buyers."

Premal Udani, managing director of Kaytee Corporation suggests, "The only step we can take is to engage with our buyers. And also understand their problems and issues. This is something that is to be worked out with close co-ordination of the buyers. Nobody else can do anything about it."

"We are talking to our buyers, but not getting satisfactory reverts on cancellation," complains Anil Peshawari, MD of Noida-based Meenu Creation, but quickly adds, "because even they don't know when they are going to open, i.e. if they are not generating revenue, how will they pay us?"

Raising the problem of labour that might crop up when the factories reopen, Rakesh Vaid, director of Gurgaon-based Usha Fabs Pvt Ltd says, "The workers who have gone back to their villages are not going to come back easily. The way they faced hardships while running away from the metros or production centres, our feedback is that they will not come back."

Rajani concurs, "I really don’t know how many people will come back to work because most of the workers are migrants from Bihar, Uttar Pradesh, Jharkhand and other places who have gone away. And even if they come back and we start, I don’t know what to produce."

In the current crisis situation, these apparel exporters are urging the government to come out with a stimulus package which will enable them to pay wages to their workers for the next 2-3 months.

The textiles-apparel industry employees 45 million people directly or indirectly. "The government should look into this factor very seriously, otherwise there will be huge unemployment. For the next 3 months wages, the government should either compensate or should extend an equivalent amount as loan, so employees can get wages," said Agarwal.

Making a similar pitch, Udani said: "We expect our factory to remain closed for a substantial period of time. We hope that the government understands the plight of the apparel industry and comes up with a stimulus package which will ensure that we are able to pay our workers for the next 2-3 months."

"We are a labour-intensive industry and if this industry is destroyed, then there would be huge amount of unemployment in the country," says Peshawari. "So, the government has to think about it and come out with a package where it should pay at least 50 per cent of the salaries and wages of the sector as most governments of other countries are doing, till the time the situation doesn’t get stable. Elsewhere, governments have declared stimulus packages where majority of the money is going towards payment of the wages of the people."

The government should have come up with some kind of reassurance package that won’t allow the industry to die, feels Vaid. "As of now we have no assurance from the government, only the dates of returns and other statutory have been extended."

Making an estimate of the amount of the package, Vaid said, "The US is a $22 trillion economy. The government there has come out with a package of 10 per cent of its GDP, i.e. approx $2 trillion. Similarly, we can also take 10 per cent of our GDP and over a period of 7-8 years slowly recover our deficits as every country is doing now. In that case, we will need a package of $300+ billion."

Source: fibre2fashion.com- Apr 07, 2020

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Coronavirus impact: Retailers expect around 80,000 job losses due to lockdown, says survey

Around 80,000 jobs expected to be cut by various retailers due to the ongoing coronavirus pandemic, according to a survey by industry body RAI.

The Retailers Association of India (RAI) had conducted a survey of 768 retailers, which employ 3,92,963 people across India, to gauge their view on the impact of Covid-19 on their business and manpower.

“Small retailers are expecting to lay-off 30 per cent of their manpower going forward, this number falls to 12 per cent for medium (sized) retailers and 5 per cent for large retailers. On the whole, retailers who responded to the survey expect lay-off of about 20 per cent of their manpower,” RAI said. The expectation of retrenchment of 20 per cent of employees by those featured in the survey amounts to 78,592 people.

According to the industry body, small retailers featured in the survey employ less than 100 persons and accounted for 65 per cent of the respondents. Medium retailers have 100-1,000 employees making up for 24 per cent of respondents, while large retailers employ over 1,000 people and accounted for 11 per cent of the respondents.

Revenue hit

Ever since the lockdown was imposed on March 25, more than 95 per cent of non-food retailers have closed their outlets and are looking at practically no revenues during the period and they expect to earn only about 40 per cent of last year’s revenue in the next six months, the survey said.

As for food retailers, in the next six months they expect to earn 56 per cent as compared to last year's revenues. With most of food retailers also selling non-essential goods in the same or different stores. The non-food business in the stores has come to a standstill during the lockdown, leading to revenue loss, it added.

On the business outlook, 70 per cent of retailers expect business recovery to happen in more than six months, while 20 per cent expect it to take more than a year.

Help needed

On expectations from the government, RAI said two out of three retailers employing substantial workforce want employee salary and rent support to manage their fixed costs and limit manpower downsizing. "Without this support the retailers are looking at around 20 per cent manpower reduction due to Covid-19," it added.

RAI further said two out of five retailers want concessions and relief on GST, taxes and loans to ensure business continuity in the face of the revenue downfalls and heavy losses for 2020-21.

The retailers are requesting for additional 60 days for payment of electricity charges and waiver of minimum demand charge for the same period with one out of ten retailers considering this as a key ask from the government to manage finances in this period of uncertainty, RAI said.

Source: thehindubusinessline.com- Apr 07, 2020

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