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INTERNATIONAL NEWS

RCEP to boost textile trade in the region, China to gain substantially

Offering zero tariffs on over 90 per cent goods, the Regional Comprehensive Economic Partnership (RCEP) agreement promises to reduce trade tax within the in the region in the next 10 years.

As per a CCF Group report, the agreement was signed by China and 14 other countries on November 15. As mandated by this agreement, all RCEP members except Japan have signed free trade agreements with China, with limited marginal improvement.

However, for the first time, China and Japan have reached a bilateral tariff reduction arrangement. This entail, Japan to reduce import tariffs on Chinese textiles and apparels to zero. This will encourage local Chinese mills to export textiles and apparels to Japan. In addition, it will also reduce its textile and apparel export limit to South Korea, Australia, New Zealand and other countries.

Encourages investments in the ASEAN region

Besides promoting export of high-value added Chinese products, RCEP also encourages textile and apparel export mills to increase investments in ASEAN countries. With this agreement, China can export 20 per cent of functional fabrics produced in Jiangsu Suzhou mill to Southeast Asia.

The main products exported by this mill to Vietnam market include functional down jacket fabrics whose exports may increase by 40 per cent after the signing of RCEP. In addition, the agreement will also lead to a drop in prices of high-end looms imported from Japan.

Unifies trade rules in ASEAN

Earlier, one of the biggest hurdles in export of textiles and apparels overseas in terms of non-tariff measures was the varying nature of international trade standards of different countries. These trade agreements were changeable, such as the original rules of origin and investment policies. However, signing of RCEP will unify these rules in the region and improve the level of trade facilitation.

The agreement will also facilitate the clearance of suppliers, logistics and customs in China's textile and apparel export mills. To determine rules of origin, RCEP uses the principle of regional accumulation to accumulate the value components of products of origin in the region composed of 15 members, and the value components from any party of the RCEP.

The rules of origin of previous bilateral free trade agreements recognized a product whose origin country could not be recognized as the regional origin of RCEP after its regional value was accumulated. This enabled the product to enjoy RCEP's preferential tariff, reduce production cost of the final product, and effectively avoid trade barriers of European and American countries.

Now, companies aim to retain part of the labor-intensive section in Vietnam for processing, and transfer the latter process to China for further processing, so as to maximize the benefits through regional coordination and cooperation.

Enriches certificate of origin

The RCEP also enriches the types of certificate of origin. It allows the declaration system for country of origin to be changed from the official authorized visa agency's issuing mode to the enterprise's credit guarantee independent declaration mode. This allows the government to save administrative management and enterprise's operating cost to further improve the clearance time of goods.

Another benefit of RCEP is that it stimulates the flow and complementarity of goods, technology, services, personnel and capital among members. In the long run, the agreement will help to enhance the ability to resist global systemic economic risks.

RCEP is beneficial for not only China's textile and apparel exports, but also for Vietnam and other ASEAN countries. The agreement helps these countries increase their market share in RCEP region. It also helps China's textiles and apparel to compete with Japan, South Korea and Australia. Hence, the strategic significance of RCEP is greater than the promotion of exports.

Source: fashionatingworld.com– Dec 09, 2020

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Apparel retail to bounce back in 2021: Moody's

As per a 2021 outlook report from Moody's Investor Services, apparel retail is set to bounce back. The report expects operating profit of department stores, including Macy's, Nordstrom and Kohl's, to rise over 500 per cent; at off-prices like TJX Companies and Ross more than 450 per cent; and at apparel and footwear retailers brands like those at Tapestry, Gap Inc. and L Brands by over 100 per cent.

The report says, casualization accelerated by the pandemic will continue, as will online sales and healthy living trends, benefiting companies like Nike, Under Armour, VF Corp and Wolverine World Wide.

Work and formal attire will continue to decline but companies like PVH Corp. and G-III Apparel Group will prosper thanks to their diversity of merchandise and "ability to tactically evolve product mix. The analyst expects strong profit improvement" next year thanks to international sales and sales growth, cost cutting and inventory management.

Moody's analysts also describe 2021 ripe for a comeback for some apparel retailers, who had to react not just to the pandemic's disruption of their front and back operations, but also to swiftly changing consumer behavior.

As per the report, many of those behaviors are set to last beyond the pandemic. Migration online will continue to pressure profit margins. However, it will also increase price competition to gain market share.

The lingering economic troubles will hit financially weaker retailers especially hard and erode the positive effects of low interest rates on debt servicing capacity, said Moody's. Despite the sales recovery, helped along by the upcoming year-over-year comparisons, more stores are expected to shut down, the analyst warned.

Source: fashionatingworld.com– Dec 09, 2020

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Canada introduces bill to implement post-Brexit trade agreement with UK

The Canadian government has introduced a bill to implement the newly inked post-Brexit trade agreement with the United Kingdom, Global Affairs Canada said in a statement.

Earlier on Wednesday, UK Deputy High Commissioner for Canada David Reed and Canadian Deputy Minister for International Trade John Hannaford signed the trade agreement, which keeps existing trading arrangements in effect while the two nations engage in negotiations on a more advanced trade deal.

"Today, the Honorable Mary Ng, Minister of Small Business, Export Promotion and International Trade, introduced Bill C-18, An Act to implement the Canada-United Kingdom Trade Continuity Agreement (Canada-UK TCA), in the House of Commons," the statement said on Wednesday.

The agreement is expected to enter into force on January 1 after the United Kingdom formally leaves the European Union.

The trade agreement will ensure the continued levy-free exchange of more than USD 22 billion in goods between the two countries, according to Canada's foreign ministry.

Source: business-standard.com– Dec 10, 2020

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Value of Canada's apparel imports increases by 15.21

As per Apparel Resources, after a temporary setback in September '20 both on M-o-M and Y-o-Y basis, Canadian apparel import values improved significantly in October.

The report estimates the import value of Canada to have increased by 15.21 per cent from October '19 to $ 960 million in October '20, and by 5.39 per cent as compared to September '20. Imports increased with the onset of festive season in November and this surge is expected to continue till December.

Of all, the value of knitted garments imports increased to $508.97 million while that of woven garment categories reached $ 451.03 million. Imports of woven garments increased by 27.95 per cent in October '20 over October '19 while those of knitted garments increased by 5.87 per cent.

As far as January-October '20 period is concerned, Canadian apparel import declined by 17.57 per cent to $7.23 billion, making a total loss of $1.54 billion for exporters from a year earlier.

As per estimates import recovery benefitted partner countries and all top Asian apparel manufacturing destinations. China's share increased 31.84 per cent from October'19 to $381 million in October '20. The country's share has been falling for last two months as it stood at 45.63 per cent in August which fell to 42 per cent in September and has gone further down to below 40 per cent in October.

On the other hand, Bangladesh's shipments increased 1.25 per cent to $106.94 million worth of garments to Canada in October '20, noting 9.79 per cent growth from a year earlier.

However, as compared to September '20 figures, Bangladesh shipped just 1.25 per cent more garments in the subsequent month. India exported $25.19 million worth of garments to Canada in October, noting 17.61 per cent growth from October '19 and 39.72 per cent surge from September '19.

Source: fashionatingworld.com– Dec 09, 2020

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USA: 2020's Cargo Imports Close to Tying 2018 for Busiest Year on Record

Cargo imports remained strong in October, setting new "peak-season" records as retailers stocked up stores and warehouses for the holiday season, and met new demands for quick delivery of online orders, according to the monthly Global Port Tracker report released Wednesday by the National Retail Federation (NRF) and Hackett Associates.

"The pandemic has made the past year one of the most trying the supply chain has ever seen, but retailers have met that challenge," Jonathan Gold, vice president for supply chain and customs policy for NRF, said. "We've gone from not knowing whether we would be able to get merchandise from China to having a surplus of goods when stores were closed to having to meet pent-up demand as consumers returned. At this point, retailers have seen a successful holiday season so far and goods are reaching the shelves. We hope 2020 is a one-time experience, but we've learned a lot."

Hackett Associates founder Ben Hackett said the retail inventory-to-sales ratio soared to 1.68 in April, when most stores were closed, then plummeted more than 25 percent to 1.22 in June and has remained at about that level since then. That drove record imports as retailers replenished inventories and prepared for the holidays.

"With inventories low but demand growing, we have witnessed a surge in imports as retailers try to keep up," Hackett said. "The dramatic shift to online shopping coupled with the expectation of next-day delivery is also spurring the growth of imports at warehouses for major online sellers, who need to have enough stock on hand not just to meet demand but to meet it instantly."

U.S. ports covered by Global Port Tracker handled 2.21 million 20-foot equivalent units (TEU) in October, a 17.6 percent year-over-year increase and up 5.2 percent from 2.11 million TEU in September, the previous record for a single month since NRF began tracking imports in 2002.

October's number brought the total for the "peak season"–the period from July through October when retailers rush to bring in merchandise for the winter holidays–to 8.3 million TEU. That was an increase of 8.8 percent over the same time last year and beat the previous record of 7.7 million TEU set in 2018.

Even with most holiday merchandise already in the country, November imports remained strong at an estimated 2.07 million TEU, a 22.4 percent jump year-over-year and the fourth-busiest month on record. December is forecast to rise 11 percent over last year to 1.91 million TEU.

As recently as a month ago, 2020 was expected to total 20.9 million TEU, a drop of 3.4 percent from last year and the lowest annual total since 20.5 million TEU in 2017 based on low imports earlier this year, the report noted. But with the recent string of record months, 2020 is now expected to come in at 21.8 million TEU, up 0.8 percent over 2019. That would tie 2018 as the busiest year on record.

January cargo imports are forecast at 1.86 million TEU, up 2.4 percent from a year earlier, while February shipments are seen rising 2.6 percent year over year to 1.55 million TEU. Cargo imports for March at projected to increase 17.8 percent to 1.62 million TEU compared to March 2020, when factories in China failed to reopen after the Lunar New Year holiday due to the COVID-19 outbreak, and April shipments are forecast at 1.74 million TEU, up 8.3 percent year-over-year.

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 – Dec 09, 2020

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USA: Researchers Investigate New Life for Post-Consumer Cotton

A research collaboration between Cotton Incorporated and North Carolina State University (NCSU) addresses the issue of the tons of discarded clothing that end up in landfills, by determining whether post-consumer cotton textiles can be transformed into cellulosic building blocks for new and usable products.

According to a 2020 study, every year the average American disposes of nearly 70 pounds of used clothing, or 16 million tons for the entire U.S., Cotton Inc. noted.

Close to 40 percent of U.S. consumers say they donate unwanted apparel to charities, which on the surface appears beneficial to those in need, as well as the environment. However, data suggests that 85 percent of those donations will wind up in a landfill.

Compared to other fibers, cotton is inherently unique from a chemical and biological perspective because it is essentially pure and natural cellulose. As a result of this composition, cotton clothing has the potential for near complete hydrolysis into bio-based building blocks such as glucose, or more simply, cotton clothing has the potential to be utilized as a post-consumer biomass for the production of new value-added products, the group said.

For the past few years, research at Cotton Inc. led by Matt Farrell and Mary Ankeny in the Textile Chemistry Research Department has focused on developing a facile chemical and enzyme-based cotton-to-sugar concept that could be easily adapted in the commercial realm. Cotton Inc. is collaborating with North Carolina State University researchers to investigate the technical and economic feasibility of this approach.

“In research, we are constantly introduced to the next best idea,” Farrell said. “Typically, these ideas are accompanied by unrealized technical or economical challenges that mitigate the practicality of the idea. The idea and developments of the NCSU professors not only showcases practicality but highlights the powers of collaboration, the power of a sustainable chemistry mindset and the power of cotton as a ubiquitous material to be used and reused in nearly all facets of everyday life.”

This collaboration led the NCSU team to propose and then research and develop a highly efficient and simple process to degrade cotton fabric. The project at NCSU, sponsored by Cotton Inc., is supporting a state-of-the-art research project to efficiently convert recycled cotton textiles to bio-based building blocks suitable for the manufacturing of sustainable chemicals and additives.

The NCSU project team led by Ronalds Gonzalez, Hasan Jameel and Ronald Marquez has been working in the development of a chemical free, low energy consumption and low CAPEX conversion process. The technology has been proven at bench scale and the team is working toward a pilot scale demonstration in 2021. This research is at the heart of the circular economy enabling the transformation of waste materials for further utilization.

Source: sourcingjournal.com – Dec 09, 2020

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Ethiopia's war risks leaving manufacturing dreams in tatters

When Bangladeshi textile firm DBL set up shop in Ethiopia two years ago, the African nation was the garment industry's bright new frontier, boasting abundant cheap labour and a government keen to woo companies with tax breaks and cheap loans.

Last month, as fighting raged in the northern Tigray region, DBL's compound was rocked by an explosion that blasted out the factory's windows, radically altering its business calculus.

"All we could do was to pray out loud," said Adbul Waseq, an official at the company, which makes clothes mainly for Swedish fashion giant H&M and is one of at least three foreign garment makers to have suspended operations in Tigray.

"We could have died," Waseq told Reuters.

For over a decade, Ethiopia has invested billions of dollars in infrastructure such as hydro-electric dams, railways, roads as well as industrial parks in an ambitious bid to transform the poor, mainly agrarian nation into a manufacturing powerhouse.

By 2017, it was the world's fastest growing economy.

A year later, Prime Minister Abiy Ahmed took office, pledging to loosen the state's grip on an economy with over 100 million people and liberalise sectors such as telecoms, fuelling something akin to glasnost-era headiness among investors.

But for two years Ethiopia has been pummelled by challenges: ethnic clashes, floods, locust swarms and coronavirus lockdowns.

Now, fighting which erupted on Nov. 4 between the army and forces loyal to Tigray's former ruling party, and fears it could signal a period of prolonged unrest, have served investors with a harsh reality check.

Any hesitation by investors could spell trouble as the country's manufacturing export push isn't yet generating enough foreign currency either to pay for all the country's imports or keep pace with rising debt service costs. Even before the pandemic, the International Monetary Fund (IMF) had warned that Ethiopia was at high risk of debt distress.

Abiy's government said that, amid the crises it's facing, Ethiopia was pushing ahead with reforms that will build the foundations for a modern economy.

"Despite the unprecedented shock from COVID and continued insecurity in different parts of the country, the Ethiopian economy showed remarkable resilience," Mamo Mihretu, senior policy adviser in the prime minister's office, told Reuters.

PRODUCTION SUSPENDED

Ethiopia is a relatively small textiles producer with exports in 2016 of just $94 million compared with $29 billion for Vietnam and $253 billion for China in the same year, World Bank trade data showed. Its top exports are agricultural, such as coffee, tea, spices, oil seeds, plants and flowers.

But Ethiopia's push into the textile industry over the past 10 years has been emblematic of its manufacturing ambitions.

As fighting neared Tigray's regional capital, Mekelle, textile companies began shutting down and pulling out staff.

"It seemed that the conflict was getting closer to the city, and our worry was that we wouldn't be able to leave," Cristiano Frati, an electrician evacuated from a factory run by Italian hosiery chain Calzedonia, told an Italian newspaper.

Calzedonia said on Nov. 13 it had suspended operations at the plant, which employs about 2,000 people, due to the conflict. It has declined to comment further.

DBL, meanwhile, has flown its foreign staff out of Ethiopia.

"Everything has become uncertain," its managing director M.A. Jabbar said. "When will the war end?"

Another foreign company, Velocity Apparelz Companies - a supplier to H&M and Children's Place - has also temporarily shut down, a company official told Reuters.

H&M said it was "very concerned" and was closely monitoring the situation.

"We have three suppliers in Tigray, and the production there has come to a halt," the company told Reuters, emphasising that it would continue to source from Ethiopia where it has about 10 suppliers in total.

Indochine Apparel, a Chinese firm that supplies Levi Strauss & Co, said its operations in the Hawassa industrial park in the south of the country were unaffected.

Levi Strauss said it was monitoring the situation and confirmed there had been no impact on its supply chain so far.

'NOT A PRETTY PICTURE'

Ethiopia's apparel sector was struggling even before the fighting in Tigray because of the economic fallout from the COVID-19 pandemic. Some facilities did not survive the collapse in orders while others slashed wages or laid off staff.

The malaise has not been limited to the garment sector.

Even before the conflict, insurance companies underwriting political risk had stopped providing cover beyond Ethiopia's northern Amhara region

and the federal capital Addis Ababa, a risk consultant who advises corporate clients said.

Click here for more details

Source: reuters.com – Dec 09, 2020

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UK and Kenya sign trade agreement

The UK has signed an Economic Partnership Agreement with Kenya, benefiting UK-Kenya trade which was worth £1.4 billion in 2019. The trade agreement will ensure that all companies operating in Kenya, including British businesses, can continue to benefit from duty-free access to the UK market. The provisions of the agreement will apply from January 1, 2021.

The deal was signed in London on December 8 by UK international trade minister Ranil Jayawardena and Kenya's Cabinet Secretary for trade Betty Maina. It will support jobs and economic development in Kenya, as well as avoid possible disruption to UK businesses such as florists who will be able to maintain tariff-free supply routes for Kenya's high-quality flowers.

As one of the largest economies in East Africa, Kenya is an important trading partner for the UK. The deal also recognises the importance of the wider region, and the agreement is open for other members of the East African Community (EAC) to join.

"This deal makes sure businesses have the certainty they need to continue trading as they do now, supporting jobs and livelihoods in both our countries," said Jayawardena. "Today's agreement is also a first step towards a regional agreement with the East African Community, and I look forward to working with other members to secure an agreement to forge ever-closer trading ties."

"This agreement will provide the strongest possible platform for the United Kingdom, Kenya and, ultimately, the whole EAC, to expand our trade relationship in future," said UK minister for Africa James Duddridge. "We will use this agreement as the catalyst to deepen our mutual prosperity alongside the other areas of cooperation in our strategic partnership with Kenya that includes security, sustainable development, climate change, and cultural pillars."

Source: fibre2fashion.com – Dec 09, 2020

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Cambodia closes 110 garment factories by September

Cambodia closed around 110 garment factories in the first nine months of this year, leaving 55,000 employees without jobs, though union leaders fear that the figures maybe even higher.

As per a Textile Focus report, Ngoy Rith, Undersecretary of State for the Ministry of Labor and Vocational Training, the country has closed 111 factories in the clothes, footwear and travel goods sector by early September.

The number of these closures is equivalent to the first nine months of last year when 110 factories were closed, Rith said. According to him, these closures left 55,174 jobs unemployed.

However, the government has enforced suitable step to keep factories though COVID-19 pandemic and other causes had effectively shut down the global demand for garment goods.

The number of suspended job contracts had steadily subsided while the number of frozen work contract garment factories had declined to 52, impacting the incomes of nearly 14,000 employees, says Rith.

However, Fa Saly, President, National Trade Union Confederation, says, the real statistics may be higher than the estimates published by the Ministry of Labor and that more Cambodian employees every day were losing their employment and incomes.

Source: fashionatingworld.com – Dec 09, 2020

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Bangladesh: Govt takes $40m infrastructure project for exporters

Govt takes $40m infrastructure project for exporters
The scheme will develop infrastructure for clusters, not single firms

The government yesterday launched a Public Investment Facility for Infrastructure Constraints (Pific) project to provide infrastructure support to hundreds of export-oriented firms.

Commerce Minister Tipu Munshi launched the $40 million project through a virtual meeting, to facilitate the light engineering, plastics, leather and leather goods, footwear and any other sectors which need such support.

The project will also create jobs for many, he said.

Pific is one of the major components of the Export Competitiveness for Jobs (EC4J) Project to facilitate the exporters by meeting the demand for infrastructure, said Md Obaidul Azam, the EC4J director.

The government will support some 20 potential export-oriented sectors, create jobs and fuel exports as part of a plan to meet the Sustainable Development Goals, he said.

Such an initiative will help the exporters become more compliant and competitive globally, he added.

The SMEs which have been contributing in the export value chains will be benefited from the project, said Hosna Ferdous Sumi, private sector specialist for trade and competitiveness at International Finance Corporation.

Many of the informal sector SMEs, which lack necessary facilities, will also be benefited from the project, she said.

The fund would not be used for facilitating any individual firm but on a cluster basis so that all the industrial units of a particular area can avail the facilities, said Lutfur Rahman, project manager of EC4J, who moderated the launch meeting.

Under the project, the implementing agency will build access roads to reduce transport costs and upgrade water and wastewater services, treatment plants and connections.

It will also develop waste management facility, recycling centres, power transmission, telecom connectivity lab services and warehouse facilities, according to project papers.

However, all these infrastructure facilities would be built upon applications by the potential beneficiaries in any industrial cluster areas.

For instance, there is a big cluster of 50,000 light-engineering firms only at the Dholaikhal area in Dhaka.

Many of the small and medium enterprises (SMEs) are involved in the export of light-engineering products from this area, but they have been facing a lot of troubles for poor infrastructure.

If the problems of infrastructures in this particular area are resolved, the exporters will be able to ship their goods with little effort and cost, the project papers read.

Currently, there are many light-engineering industrial clusters across the country to meet both domestic and international demand.

"So the government should also include the industrial firms, which are producing goods for the local markets as well," said Abdur Razzaque, president of Bangladesh Engineering Industry Owners' Association (BEIOA).

He demanded establishment of a testing lab, international standard accreditation board and a separate office of the BEIOA at Dholaikhal area to ease export of light-engineering products and lower the cost.

This little help from the government will encourage many small entrepreneurs to dream big, create thousands of jobs for others and boost exports, he said.

Nearly 80 per cent of the country's small and medium plastic toy factories are located at Lalbagh and Islambagh areas in Dhaka, said Md Jashim Uddin, president of the Bangladesh Plastic Goods Manufacturers and Exporters Association.

"Many of them export goods directly from their factories," he said.

Currently, Bangladesh exports over $950 million worth of plastics products a year.

He said a separate plastic industrial park was going to be built at Keraniganj area as the demand for the plastic goods from both local and international buyers were increasing.

In the past six consecutive years, the leather and leather goods sector has been exporting over $1 billion worth of products, said Md Saiful Islam, president of the Leathergoods and Footwear Manufacturers and Exporters Association of Bangladesh.

Last year, it missed the $1 billion-mark because of the shifting of tanneries from Dhaka's Hazaribagh to Savar Tannery Industrial Estate.

Moreover, the lack of a central effluent treatment plant in the estate has limited the amount of quality tanned leather available for making exportable goods, leading to a loss in business opportunities worth a few billion US dollars, he said.

The timely supply of raw materials from eco-friendly tanneries will help a lot in shortening the lead time set by the international retailers and brands, Islam also said.

Commerce Secretary Md Jafar Uddin said the government has taken such an initiative mainly to help the local exporters become competitive globally.

The competition in the global market has increased a lot over the years keeping pace with the demand from the local markets, he said.

The government wants market and product diversification for exports, said Commerce Minister Tipu Munshi.

"Depending on a single product like garment will not be wise for a long time. So, product diversification is a must."

He said some potential sectors like light-engineering, leather and leather goods and plastic goods could turn into big export sectors in the future.

The government has been encouraging export diversification of other goods, keeping its priority on the garment sector, he said.

Pharmaceuticals, jute and jute goods and leather goods sectors also have the potential to grow big like the garment sector, the minister said.

Source: thedailystar.net– Dec 10, 2020

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Pakistan's cotton imports surge as textile exports recover

Pakistan's textile sector is on track towards swift recovery following the devastation caused by COVID-19 as the country has witnessed a sharp surge in its cotton imports. Textile exports from Pakistan grew 16 per cent and 9 per cent in September and October 2020 on a monthly basis compared to a massive decline in August 2020 owing to torrential rains, explains Muhammad Saad Ziker, Analyst, Insight Securities.

In his research report, the analyst pointed out the much-needed growth was being achieved through import of cotton and man-made yarn. The government is also pushing hard for exports growth as it aims to lift them to $50 billion by 2030, according to the textile policy 2020-25.

The 5 per cent regulatory duty on the import of cotton has been eliminated; subsidized energy to industries is ongoing and loans under the Long-Term Financing Facility (LTFF) have been facilitated. The value added segment is expected to grow on the back of huge export orders, which will be delivered by May 2021.

Mahmood Nawaz Shah, Senior Vice President, Sindh Abadgar Board emphasized that Pakistan's weather and environment suited cotton production the best. Apart from growers, ginning and allied businesses would also bear the brunt of imports as their cost would soar, said Shah.

Source: fashionatingworld.com – Dec 09, 2020

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NATIONAL NEWS

'Container equipment shortages can be addressed by reducing free period'

According to industry sources, cutting the line detention to 3-7 days from 14-21 days currently will improve availability

The acute inventory (container) shortage facing Indian exporters can be reduced by half if the shippers (exporters) and consignees (importers) agree to shorten the free period for boxes to 3-7 days from 14-21 days, shipping industry sources said.

The free period, also known as 'line detention' in shipping, allows a cargo-laden container to be shifted to a container freight station (CFS) after unloading from a ship where it lies for 14-21 days at the expense of the carrier.

If the free period is reduced to seven or three days, the turnaround of containers will be faster and inventory will become available, the sources said.

Referring to the recent outburst from exporters on equipment shortages and rising freight rates, the sources said: "Those complaining about inventory shortage and freight rates going up are partly responsible for this situation. They want to use the cargo container as a warehouse. Reefer (refrigerated) containers are asking for 7-10 days line detention".

While the impact of the free period and its effect on cargo clearance was prevalent even before the outbreak of Covid-19, the situation has become "worse" now with the industry facing inventory shortages. "They should consciously reduce the free period and clear cargo immediately. They want somebody else's container to be used as a warehouse and want to cry also," the sources said.

"Free period has now become a birth right. If they find there is inventory shortage, they should release the container fast, then the turnaround will be faster and inventory will be available and 50 per cent of the inventory shortage can be reduced by reducing the free period," the sources said.

Shipping lines are also reluctant to give customers containers for the Far East and South-East Asian trade lane.

Lines prefer to re-position empties from India to China rather than give a 14-21 day free period and earn very nominal freight charges of $80-90 per container from India to the Far East and South-East Asia.

"Lines are saying let us reposition our empties back to China and earn more freight revenue on the return leg from China. That is also hurting Indian exporters as containers are getting re-positioned and they are not able to get containers," the sources said.

Indian exporters and consignees should desist from asking for longer free period for containers, only then will the inventory position will improve, they added.

Source: thehindubusinessline.com – Dec 09, 2020

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Cotton arrivals rise on fears of fresh Covid-19 wave

Fears of a fresh Covid wave have led to a rise in daily cotton arrivals to 2.5-3.00 lakh bales, with farmers wanting to sell their stocks on hand before another lockdown happens.

This has resulted in cotton prices testing levels of between Rs 5,300 and 5,850 per quintal, from Rs 6,000 in the last week of November. The drop in prices has led to a fresh surge in buying by the Cotton Corporation of India (CCI), which stands at 40 lakh bales till date, top officials of CCI said.

In the latter part of November, the CCI purchased only 28 lakh bales since prices were near the MSP and farmers preferred selling to traders. The picture has changed in the last 10-12 days, with farmers fearing another wave of Covid as a result of which the pace of arrivals has almost doubled, PK Agrawal, CMD of CCI, said.

Last year, till November 30, daily arrivals of kapas were to the tune of 56 lakh bales, and this has gone up by 40% to 92 lakh bales, Atul Ganatra, president, Cotton Association of India, said. By the end of December, nearly

45-50% of the total crop would arrive in the market, causing pressure on prices, he felt.

The Centre has fixed an MSP of Rs 5,850 per quintal for raw cotton (kapas) this season (October 2020-September 2021). Due to CCI procurement, kapas prices almost touched Rs 6,000 per quintal on November 23 before started declining.

“The CCI is purchasing at least 50% of arrivals in most markets. In some markets, it is purchasing more. In Telangana and Andhra Pradesh, the CCI purchase is around 70% of total arrivals, while is purchases are around 40% in Maharashtra,” Agrawal said.

The Maharashtra State Cooperative Cotton Growers Federation has so far purchased some 6 lakh bales.

In global markets, cotton prices ruled lower in the first week of December at 71.25 cent for March contracts. The demand from the US and Europe has gone down due to a rise in Covid cases and Indian prices are no longer the cheapest, Ganatra pointed out.

“Exports slowed down after prices increased from Rs 37,000 to Rs 41,500 a candy,” he said, adding that said spinning mills have slowed down purchases as they have 30-60 days of stocks with them. “India sells its cotton at 5-7 % discount to global prices.

But since Indian prices are hardly 5-7% higher than global prices, there is no export parity.”. The CAI president said it would be difficult for Indian exporters to ship the targeted 60 lakh bales this season, against 50 lakh bales exported last season.

This will also result in the carryover stocks from this season being higher at nearly 100 lakh bales, compared with the estimated 87.50 lakh bales. Agrawal said the market sentiment is currently driving farmers to bring their produce to the market. Terming this as a temporary phenomenon, he said news regarding speeding up of the vaccine would again lead to prices firming up.

In its first advance estimate of commercial crops for the 2020-21 season (October-September), the agriculture ministry pegged cotton production at 371.18 lakh bales. The CAI has pegged production at 356 lakh bales.

Source: financialexpress.com – Dec 09, 2020

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GST compensation shortfall: Centre disburses another Rs 6,000 crore to states

The central government has released the sixth weekly instalment of Rs 6,000 crore to the states to meet the GST compensation shortfall, the government said on Wednesday. This amount has been borrowed at the interest rate of 4.2%.

The government has so far disbursed Rs 36,000 crore to states in back-to-back loan arrangement after borrowing the amount on behalf of states. The average interest rate for the borrowing under special window so far stood at 4.71%, the government said.

"Out of this, an amount of Rs 5,516.60 crore has been released to 23 states and an amount of Rs 483.40 crore has been released to the 3 union territories with legislative assembly (Delhi, Jammu & Kashmir and Puducherry) which are members of the GST Council," the government said.

The government has calculated the GST compensation shortfall on account of implementation to be Rs 1.1 lakh crore this fiscal, an amount that would be paid to states by the end of FY 21 though borrowing as the designated cess fund is inadequate.

In addition to providing funds through the special borrowing window to meet the shortfall in revenue on account of GST implementation, the government has also granted additional borrowing permission equivalent to 0.5% of states' GSDP to those choosing option-1 to meet GST compensation shortfall.

So far, permission for borrowing an additional amount of Rs 1,06,830 crore has been granted to 28 states under this provision, the government said.

Source: financialexpress.com– Dec 10, 2020

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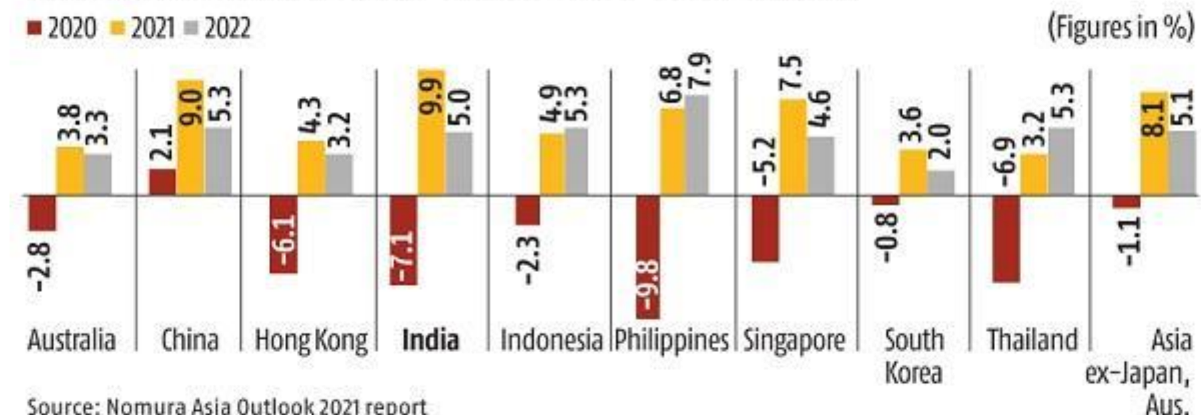
Nomura says India would be fastest growing Asian economy in 2021

India could well be the fastest-growing Asian economy in calendar year 2021 (CY21) if Nomura's forecasts are to be believed. The foreign research and brokerage house expects the Indian economy – as measured by gross domestic product (GDP) – to grow at 9.9 per cent in 2021, eclipsing China (2021 GDP growth pegged at 9 per cent) and Singapore (at 7.5 per cent) during this period.

Nomura has turned positive on India's cyclical outlook for 2021, and believes the country is on the cusp of a cyclical recovery. The change in stance comes after nearly two years (end-2018), when it had turned negative on India's growth.



"We project GDP growth to remain in negative territory in Q1-2021 (- 1.2 per cent), pick up to 32.4 per cent in Q2 on base effects, before easing to 10.2 per cent in Q3 and 4.6 per cent in Q4. Overall, we expect GDP growth to average 9.9 per cent in 2021 versus -7.1 per cent in 2020, and 11.9 per cent in FY22 (year ending March 2022) versus -8.2 per cent in FY21," wrote Sonal Varma, managing director and chief India economist at Nomura in a December 8 report titled Asia 2021 Outlook, co-authored with Aurodeep Nandi.

A sharper-than-expected rebound by India's economy in the second quarter has taken most analysts by surprise. Fitch Ratings, for instance, now expects the GDP to contract at 9.4 per cent in the current financial year, down nearly 1 percentage point (pp) from 10.5 per cent forecast in September 2020.

Given the uncertainty surrounding the Covid-19 vaccine, Nomura expects the Reserve Bank of India (RBI) to maintain an accommodative stance in the first half of calendar year 2021 (H1- 2021) and a gradual withdrawal of liquidity in the first/second quarter (Q1/Q2) of 2021, shift to a neutral stance in Q2/Q3CY21, followed by higher policy rates in early 2022. It expects inflation to average at around 5.5 per cent in H1-2021, before easing to 4.1 per cent in the second half.

Key risks

The fastest-growing tag in 2021, however, will come with its own challenges. A key concern in 2021 and beyond, Nomura said, is the implication of the K-shaped recovery seen till now. A slower pace of recovery in the informal sector, according to them, implies the cyclical recovery maybe a jobless recovery and can lead to lower per-capita income, higher inequality, pressure for more populist spending by the government and social tensions.

It also cautions against the structural balance sheet challenges, particularly elevated non-performing assets (NPAs) in the financial sector, constrained fiscal space and a corporate sector focused more on deleveraging than capex.

"Owing to the lack of job creation, the cycle’s durability could be on shaky ground. For 2021, however, we believe risks are skewed towards an upside surprise on both growth and inflation, relative to consensus and the RBI's projections," Varma and Nandi said.

A rise in infection cases due to crowding during recent festivals; fading of pent-up demand after the initial reflex; fiscal drag from expenditure compression in Q1, as the government struggles to keep the deficit under control; and weaker growth in Europe and the US due to the pandemic are the four risks it cites that could trigger a slowdown in economic growth going ahead.

At a macro level, Nomura expects global growth to pick up from negative 3.7 per cent in 2020 to 5.6 per cent in 2021, with growth in H1-2021 averaging around 7.8 per cent y-o-y (owing to base effect).

Source: business-standard.com– Dec 09, 2020

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Interview | Exports may drop almost 12% this year: FIEO President Sharad Saraf

With the outbreak of COVID-19 and the ensuing collapse in economic activities have hurt Indian trade more than what the numbers are showing.

"... whatever exports have taken place, they are mostly commodities like rice, cereal and so on. The manufactured products are still suffering. For example, engineering goods, chemicals, then labor-oriented industries like handicraft, leather, carpet, these are all suffering huge downfall," Sharad Saraf, President - Federation of Indian Export Organisations, told Moneycontrol in an interview.

He also said that for the last three years, India's exports have been about $330 billion. However, this year, India may not be able to do $300 billion, or even $290 billion worth of trade, as things stand.

Edited excerpts:

With the outbreak of Covid and it becoming a reality now, what are the challenges facing Indian trade in such a backdrop?

The macro picture is visible from the figures of GDP, core growth and IIP and so on, which are all in public domain. But the underlying situation in the grassroot levels at the moment is very bad. For example, you say that export is down by. say, 20 percent from April to October 31.

But, if you see in real analysis, then we are down even more than that, because whatever exports have taken place, they are mostly commodities like rice, cereal and so on. The manufactured products are still suffering. For example, engineering goods, chemicals, then labor-oriented industries like handicraft, leather, carpet, these are all suffering huge downfalls.

So, therefore, if we see sector-wise, then obviously joblessness will increase substantially. The export sector improvement is very weak. It is not sustainable for various reasons. One of the main reasons is freight and availability of empty containers.

The ministry says we have no power to regulate freight. What we have suggested is that there should be a regulatory agency for shipping to ensure some kind of discipline is there. The shipping companies are not only

increasing the freight on a month to month basis, but they are levying all kinds of additional charges. Terminal handling charges are being charged by the port and to be paid by the shippers. So, how does the shipping company come into picture? They are forcing exporters to pay two three times the port charges and when this issue was raised, they said we have to take responsibility for the container, we have to incur some cleaning charge.

The other problem, and the more long-term one is MEIS (Merchandise Exports from India Scheme). We have pointed out that MEIS is a duty remission scheme, reimbursement of embedded duty. The issue of WTO came up because of that letter I. They should not have used incentive in the scheme. It is not an incentive. Calculations of Remission of Duties and Taxes on Exported Products (RoDTEP) scheme is certainly higher than MEIS.

For the last three years, our exports have been about $330 billion. This year, we will not do $300 billion or even $290 billion as things go.

So, how much of it is a COVID impact?

The volumes have also come down. Particularly in textiles as most the shops are closed. These are all Covid affected - textiles, handicrafts, carpets. The export of all consumer goods are all Covid-affected. I would think the entire economy would be impacted by as much as 15 percent. Now, that may not translate to GDP, because GDP calculations are different.

But if you see joblessness as one of the effects on the economy, then we would be down by 15 percent.

How do you evaluate the issue of dependence on China?

We had a great bonhomie with China till about two years back. We merrily depended on China for everything. So, we are now so badly dependent on China and we have not done anything to ease starting a business in India, which is different from starting to do business in India. If you allow me to start the business in three, four years time if I survive, I will know how to run it. So that ease of doing business comes much later. First is ease of starting business.

Today, ease of starting business is the worst in India. It is the most difficult country to start a business in. It is not so difficult to run the business once it's started.

To better this, the involvement of the state government is a must. We had suggested that each district should have an industrial hub, like in Germany, or in Japan. Every district needs to have an industrial hub. I must compliment the UP government for taking this up. They are going to make every district of UP industrial up and they've given FIEO (Federation of Indian Export Organisations) 75 districts in UP for helping them out. Each district of UP can be an agro-processing unit.

Unless we do massive industrialization, which cannot happen overnight, we will continue to depend on China.

There is a pre-Covid reality now and a post-Covid reality. in a post-Covid world, how do you think that the nature of trade between countries would change?

Yes, one thing that has happened during the Covid period, which is also significant, which may impact India significantly, is the RCEP (Regional Comprehensive Economic Partnership). It will entirely go to Chinese advantage. A lot of even foreign investment was to come to India for manufacturing for domestic, as well as to ASEAN, will go there.

In Vietnam, the land cost has doubled. Workers availability has gone down completely. Same thing in Myanmar, in Thailand. Unless we do our own FTA (Free Trade Agreement) with the US, EU and Japan, we will be at a very serious disadvantage. The Comprehensive Economic Partnership we have, is not helping. We need a stronger, proper FTA.

Since we're talking about FTAs, coming to the US presidential elections. Now with Joe Biden coming in, how do you see US-India trade changing?

Certainly it will improve because President Trump was more protectionist while Biden is not. So it will definitely come to our advantage. Our trade will improve clearly under the Biden dispensation.

How should India bargain with US and EU for FTAs?

FTA is entirely bilateral. Therefore, there has to be a given take. Essentially we have to see what products we can allow them to put duty on. Say for wine. Indian wine sale there is miniscule while there's sale here is large. So, we have to see how we can negotiate this situation.

Doing FTAs with the US or EU is much easier than doing RCEP. I am happy we did not participate in RCEP. We cannot be sitting at the same table as China with respect to trade. We are no match with them. But in the case of the EU and the US, whatever market access we give them, it will be only in our favour. There is no way in which they can flood India with cheap products the way China does.

Source: moneycontrol.com– Dec 10, 2020

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Cotton prices firm up as government procurement increases

Cotton prices in wholesale mandis have firmed up due to government procurement by the Cotton Corporation of India (CCI). Wholesale prices are now between Rs 5,300 and Rs 5,400 per quintal with trade sources not ruling out further price rise fueled by export demand.

On Monday, the Cotton Association of India (CAI) revised its earlier export estimates for the cotton marketing year (October to September 2020-21) to 54 lakh bales of 170 kg each from the previous 60 lakh bales. But some traders said exports might cross 65 lakh bales given the demand in international markets, especially in Bangladesh.

Indian cotton at present has a price advantage in international markets with the Indian candy (346 kg of ginned combed cotton lint) selling at Rs 40,000 per candy, as compared to Rs 41,000 per candy from other major cotton producers in the world.

Pradeep Kumar Jain, founder chairman of the Khandesh Cotton Gin/Press Owners and Traders Development Association, said the majority of buying at present is by government agencies. "Private buyers are finding it difficult to get buyers given the slowdown in textile sector. So, the rally in the market is mostly due to government procurement," he said.

While Indian cotton is enjoying a rare price parity in international markets, Jain said favourable tail winds like demand from other countries or further increase in international price would see a price rise in domestic markets.

The immediate cause of concern for many is the sudden dip in demand and prices of cotton seed. “In case the Rupee depreciates, the Indian exporter would see more consignments going out of the country,” said a trader.

Meanwhile, the CCI has accelerated its procurement with 390 of the 450 procurement centres of the corporation actively buying cotton at the government-declared Minimum Support Price of Rs 5,825 per quintal.

Source: indianexpress.com– Dec 09, 2020

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India ‘critically dependent’ on China in imports across 86 tariff lines, GoM report says

There are nearly 86 ‘line items’ in which India is “critically dependent” on Chinese imports, and different administrative ministries should explore the possibility of setting up domestic production facilities or diversifying import supplier base, a group of ministers (GoM) has recommended.

Line items include consumer electronics, computer hardware, telephone equipment, electronic items, and air conditioners and refrigerators, said the GoM that was set up to promote manufacturing in India. The GoM headed by Textiles and Women and Child Development Minister Smriti Irani submitted its report to the government in October. India’s share in global manufacturing is at a minuscule 2.8 per cent.

China has the largest share in India’s imports — more than 18 per cent in April-September 2020. This share has risen over the last year despite the pandemic, with China managing to curb the spread of Covid-19 and keep its factories open.

The GoM report said there were 119 tariff lines in which India’s imports exceeded $100 million annually in 2018-19. Further, imports from one country were more than 50 per cent of the total imports of that commodity in these line items. Of these, while 86 tariff lines were dominated by China, 17 tariff lines were dominated by South Korea and six by Vietnam.

“These lines may be shared with concerned (sic) administrative ministries for exploring the possibility of setting up domestic production facilities or diversifying import supplier base,” the GoM report said.

“Furthermore, by way of identifying tariff lines where India is critically dependent on one country for its imports, the same could become the key lines for setting up and expanding domestic production capacity,” it added.

‘Atmanirbhar’ challenge

The findings of the report present the challenge the Narendra Modi government faces in pushing for India to become self-reliant or Atmanirbhar.

China’s comparative advantage in low-cost manufactured goods means that India’s dependence on China may continue in the near term, especially in items like electrical machinery and equipment, even though it could reduce imports of items like plastics and toys.

The GoM report suggested reducing imports of finished goods like refrigerators, and pointed out how this alone could result in identifying $2 billion of components for substitution.

It has also flagged how the ‘One Nation, One Ration Card’ scheme and the rollout of 5G technology could result in an exponential rise in India’s imports of point-of-sale (POS) machines and optical fibre in the near future.

“The POS machine-related imports stand at over $400 million (Rs 2,800 crore) (thermal paper + cash register + POS machine) in FY 2018-19. With the push under the ‘One Nation, One Ration Card’ scheme, e-POS will have to be installed at over 500,000 fair price shops as a condition for all states to access additional borrowing limits,” the report stated.

“The market is expected to grow by Rs 5.25 billion (Rs 525 crore or $70 million). A similar opportunity was missed in case of optical fibre cables, which witnessed a 250 per cent growth in imports due to high demand,” it detailed.

The GoM also suggested that high-volume low-technology products like artificial flowers and festival items should be curbed to reduce India’s import bill.

Source: theprint.in– Dec 09, 2020

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Cabinet approves Atmanirbhar Bharat Rojgar Yojana

The Union Cabinet, chaired by Prime Minister Narendra Modi, has given its approval for Atmanirbhar Bharat Rojgar Yojana (ABRY) to boost employment in formal sector and incentivise creation of new employment opportunities during the COVID-19 recovery phase under Atmanirbhar Bharat Package 3.0. ABRY scheme will entail expenditure of ₹22,810 crore.

As per the scheme, Government of India will provide subsidy for two years in respect of new employees engaged on or after October 1, 2020 and upto June 30, 2021.

Further, the government will pay both 12 per cent employees' contribution and 12 per cent employers' contribution i.e. 24 per cent of wages towards EPF in respect of new employees in establishments employing upto 1,000 employees for two years.

In respect of new employees in establishments employing more than 1,000 employees, the government will pay only employees' share of EPF contribution i.e. 12 per cent of wages for two years.

An employee drawing monthly wage of less than ₹15,000 who was not working in any establishment registered with the Employees' Provident Fund Organisation (EPFO) before October 1, 2020 and did not have a Universal Account Number (UAN) or EPF Member account number prior to October 1, 2020 will be eligible for the benefit.

Any EPF member possessing UAN drawing monthly wage of less than ₹15,000 who made exit from employment during COVID-19 pandemic from March 1, 2020 to September 30, 2020 and did not join employment in any EPF covered establishment up to September 30, 2020 will also be eligible to avail benefit.

EPFO will credit the contribution in Aadhaar seeded account of members in electronic manner, an official statement said. For ABRY, EPFO shall develop a software and also develop a procedure which is transparent and accountable at its end.

EPFO shall also work out modality to ensure that there is no overlapping of benefits provided under ABRY with any other scheme implemented by EPFO.

For the current financial year 2020-21, Cabinet has approved an expenditure of ₹1,584 crore, while the total expenditure approved for the entire scheme period, i.e. 2020-23 is ₹22,810 crore.

"The scheme is beneficial to Tiruppur exporting units, as these units are now providing employment to new employees due to improvement in exports since June 2020," said Tiruppur Exporters Association (TEA) president Raja M Shanmugham.

Source: fibre2fashion.com– Dec 09, 2020

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CII, Amazon India join hands to boost MSME business

Industry body CII and Amazon India on Wednesday signed a pact to increase export potential of micro, small and medium enterprises (MSMEs) in 10 states and help them leverage e-commerce to boost domestic trade.

As part of the memorandum of understanding (MoU), Amazon India will work with the Confederation of Indian Industry (CII) to train MSMEs in 10 states into building and scaling their business in India and globally.

They will also help the enterprises leverage technology to reach out to customers in India through the adoption of e-commerce.

As part of the MoU, Amazon and CII will conduct trainings, workshops and masterclasses to enable MSMEs to sell online.

In January 2020, Amazon made three key announcements – digitising 10 million MSMEs; enabling USD 10 billion in e-commerce exports; and creating 1 million jobs by 2025.

Amazon and CII will also work to create a special exports module to make exports simple for MSMEs across India.

The pact was signed at the 17th CII Global SME Business Summit.

“MSMEs are important job creators and form the backbone of our economy.

In the next 5 years, technology and e-commerce will play a key role in enabling this growth and ensuring the success of millions of MSMEs in domestic as well as international markets," Union MSME Minister Nitin Gadkari said.

Addressing the summit virtually, he said the combined efforts of the government and the industry will bring us closer to realising the vision of an Aatmanirbhar Bharat (self-reliant India).

CII and Amazon will also publish regular reports that will include market analysis and insights for MSMEs on promising categories, marketing and branding of their products.

CII Director General Chandrajit Banerjee said, "Education about e-commerce and e-commerce exports will enable MSMEs to identify opportunities that help them access national and global customers."

Amazon India Senior VP and Country Head Amit Agarwal said, "Through this collaboration, we aim to bring about a digital transformation for MSMEs in 10 states across India."

At the summit, CII also launched the Digital Saksham initiative along with Mastercard's Centre for Inclusive Growth and the National Institute for Micro, Small and Medium Enterprises (ni-msme) to enable over 3 lakh MSMEs across India with digital know-how and acceptance.

Gadkari said, "I am pleased to note that the project Digital Saksham by CII, Mastercard and ni-msme entails a scale of reaching out to more than 3 lakh MSMEs in 25 cities, including rural and peri-urban clusters. This will help drive systemic transformation and further accelerate achievements towards meeting our goals and ensure financial inclusion."

Mastercard Co-President (Asia Pacific) Ari Sarker said, "Small businesses play an enormous role in rebuilding local communities and supporting economic recovery."

He added that it is critical to look for solutions that do not only focus on how we can support SMEs but also those that are designed to enable SMEs to support themselves.

The programme is an extension of Mastercard's global and India commitment to empower, enable, and enhance small entrepreneurs making them more competitive, he added.

The implementation of the project is proposed from January 2021 and execution of trainings among the MSMEs from June 2021, said CII Deputy DG Amita Sarkar and Mastercard's Center for Inclusive Growth Vice-President Alison L Eskesen.

Source: financialexpress.com– Dec 09, 2020

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