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INTERNATIONAL NEWS

Global economic outlook worsened since forecast in April, says IMF

The International Monetary Fund said that the global economic outlook has worsened since its latest forecast three weeks ago and the world can expect more waves of financial market turbulence.

Developing nations external financing needs probably will be far above the $2.5 trillion that the IMF has previously projected, chief economist Gita Gopinath said in a webcast Thursday hosted by the Council on Foreign Relations. The Fund will need all of its $1 trillion in current lending resources and isn't being shy about telling countries how much support is needed, Gopinath said.

We know this crisis isn't going away anytime soon, Gopinath said. Things can get worse. The health crisis has not been solved.

The IMF said in the World Economic Outlook report on April 14 that global gross domestic product will decline 3% this year. That baseline scenario assumed that the pandemic fades in the second half of this year and that containment measures can be gradually wound down, a scenario that looks less likely now, Gopinath said.

The IMF's April outlook also sketched out three alternative scenarios in which the virus lasted longer than expected, returned in 2021 or both. A lengthier pandemic would wipe 3% off GDP this year compared to the baseline, while protraction plus a resumption next year would mean 8% less output than projected in 2021, the Fund said.

On the same webcast, Kenneth Rogoff, a professor at Harvard University professor and one of Gopinath's predecessors at the IMF, said that some countries will face a solvency crisis and will need debt write-downs rather than just postponement of payments.

Source: thehindubusinessline.com – May 09, 2020

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In April, China Exported 21 Billion 360 Million 600 Thousand US Dollars For Textiles And Garments

According to customs statistics, in April 2020, China exported 14 billion 620 million 700 thousand US dollars of textile yarn, fabrics and products. In 2020, 1-4 months in 2020, China exported textile yarn, fabrics and articles 37 billion 311 million 500 thousand US dollars, an increase of 2.9% over the same period last year.

In April 2020, our export garments and accessories were US $6 billion 739 million 900 thousand; in 2020, 2020, China exported garments and accessories 29 billion 308 million 900 thousand US dollars, down 22.3% compared to the same period last year; in 2019 2019, our export garments and accessories were 37 billion 736 million 600 thousand US dollars.

Imported:

In April 2020, China imported textile yarn, fabrics and products 1 billion 138 million 600 thousand US dollars; in 2020 1-4, our imports of textile yarn, fabrics and products were 5 billion 103 million 300 thousand US dollars, compared with the same period last year; in 2019 1-4, our imports of textile yarn, fabrics and products were US $5 billion 101 million 400 thousand.

Source: sjfzxm.com- May 08, 2020

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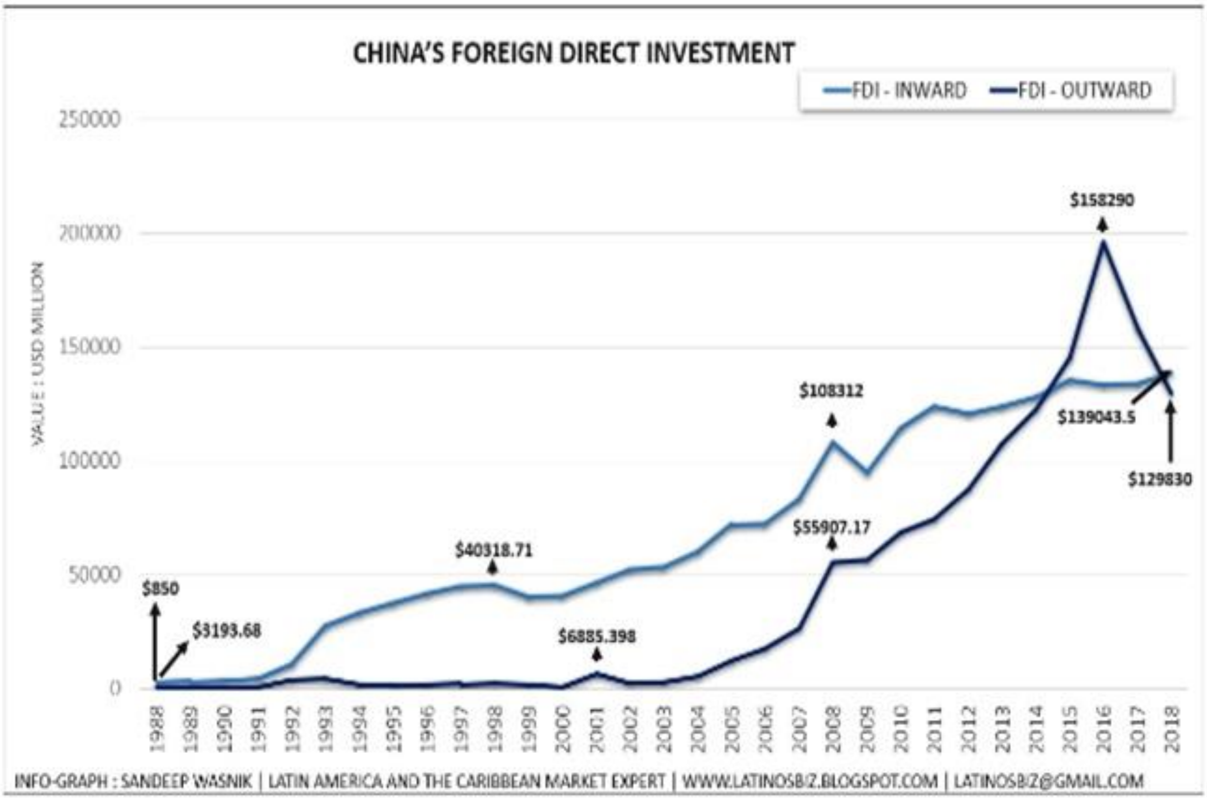
COVID-19 pandemic may be good news for India's economy or may be bad for China

Due to the adoption of free-market principles in China, it has become emerging market economy and one of the world's most hyped investment locations due to promising opportunity to many companies and investors.

Today, in China, the epicentre of the COVID-19 pandemic, it appears that its economy is to be going down. In the first two months of this year, its economy was already damaged due to pandemic and now number of foreign investors and foreign companies are stepping out from the China and looking to Invest in other Asian countries and India can grab these opportunities.

An overview on China Economy:

China is the second largest economy in the world with GDP of $14.4 Trillion (2019). But, in 1950s, China it was counted among the poor society and from 1978, under the leadership of Chinese leader Deng Xiaoping (China's Economic Reformer) and Chinese government decided to break with its Soviet style economic policies by gradually reforming the economy according to free-market principles. And opening up trade and investment with the West, in the hope that this would significantly increase economic growth and raise living standards keep focus on Heavy Industries for the economy growth. And today, China is the world leader in manufacturing and also produces almost half of the world's crude steel (World 1,869.9 Mt and China – 996.3 Mt in 2019).



Due to the Covid-19 outbreak in China, in the first quarter (Q1) of 2020, Foreign direct investment (FDI) fell to 10.8 percent Year-over-Year (YOY) to $31.2 Billion (216.19 Billion Yuan), where as in previous year 2019 of first quarter, FDI in China grew 5.8 per cent from a YOY to $ 136.71Billion (941.5 Billion Yuan).Though Outbound Investment Declined (OID) to 8.2 percent YOY to $110.6 Billion and amid continuing capital controls.

In 2019, Chinese companies signed 6,944 newly foreign contracted projects in 62 countries including “Belt and Road Routes” at a value of $154.89 Billion. And, also invested $15.04 Billion in Non-Financial Direct Investment (Non-FDI) in nearly 56 countries along the “Belt and Road Routes”, a YOY fall of 3.8%, which is total accountable for 13.6% in 2019. Info graph shows the historical data of China’s Inward and Outward Direct investments, these 30 years data shows china Outward FDI was growing from year 2004 and Inward FDI was growing from year 1992.

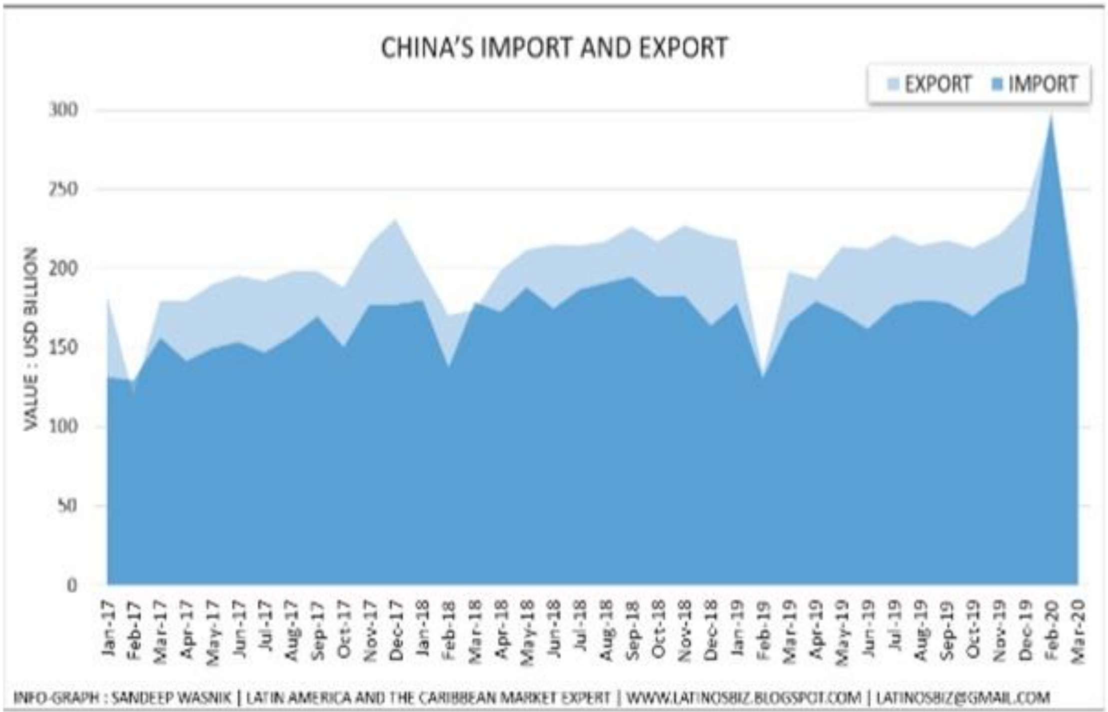
These sharp increases in China’s global FDI outflows in recent years appears to be largely driven by a number of factors, including government policies and initiatives of that country to encourage firms to “Go-Global.” The Chinese government wants to use FDI to gain access to Intellectual Property Rights (IPR), Technology, famous brands, etc., in order to move Chinese firms up the value-added chain in manufacturing and services, boost domestic innovation and development of Chinese brands, and help Chinese State-Owned Enterprise (SOEs) to become major global competitors.

After the COVID19 pandemic, Chinese Government is encouraging to re-open Factories, Business, Shops, Dinning and transport but it seems that still china economy slowdown. The problem facing China now is that it’s mostly back in business, but the global shutdown has caused clients and orders to disappear.

An overview of China's Import and Export:

China's factories are resuming production, but pandemic-triggered recessions around the world have manufacturers pessimistic about export demand. China's official index of manufacturing purchasing managers slipped to 50.8 in April. That is down from 52.0 in March, when it bounced back strongly from February's dismal 35.7.

But, on the other hand, the exports of China in past 2 months of year 2020 has been recorded in month of February was $292.45 Billion and March was $185.15 Billion, whereas the import has been recorded month of February $299.54 Billion and March was $165.25 Billion. Infographic shows the China's import and export from Jan-2017 to March-2020.



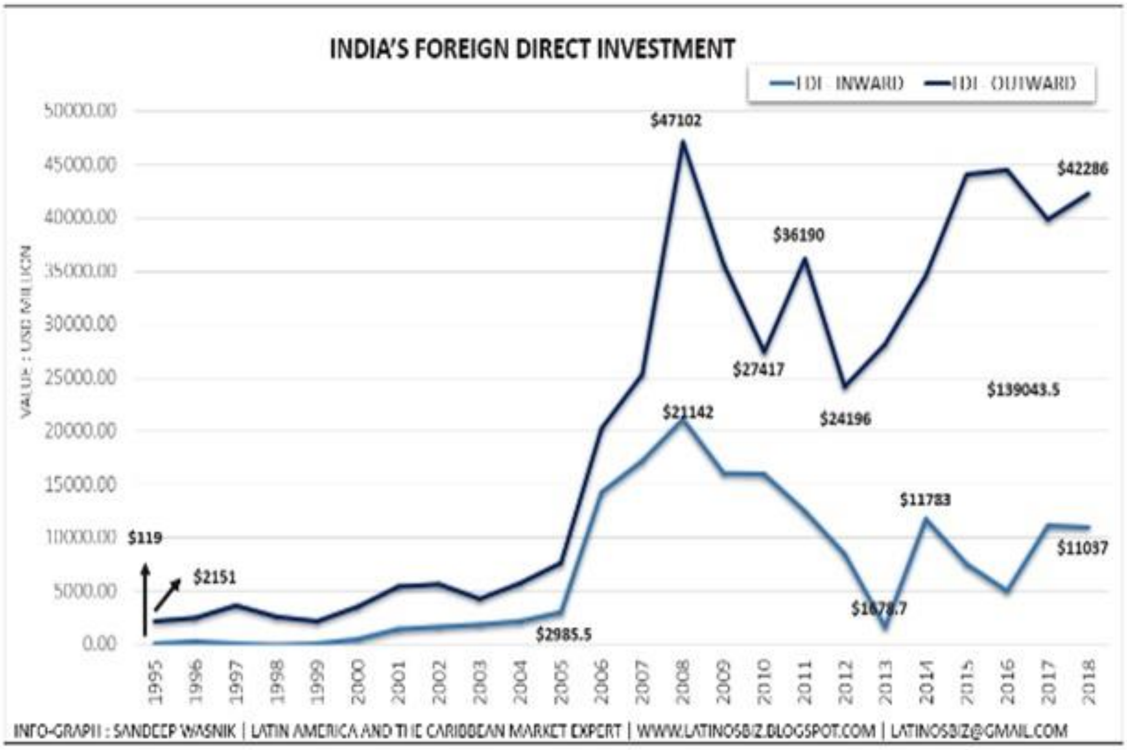
Currently, China has 24 Free Trade Agreements (FTAs) under construction, among which 16 Agreements have been signed and already implemented.

FTA is an effective approach to integrate into global economy and strengthen economic cooperation with other economies, as well as particularly an important supplement to Multilateral Trading Agreements between among three or more nations.

Current Indian Economy:

The economy will suffer in FY 2020, which started in April, due to containment measures and weaker external demand and growth projection for India to 1.9% from 5.8% projected in January, holding that the 'Extension of Lockdown' to combat the covid-19 outbreak will throw the world economy into the worst recession since the great Depression in 1930s. More positively, however, fiscal stimulus should cushion the economic blow, as should the supply of funds be expanded and easily accessible to Industries and entrepreneur to encourage economic growth (Loose Monetary Policy).

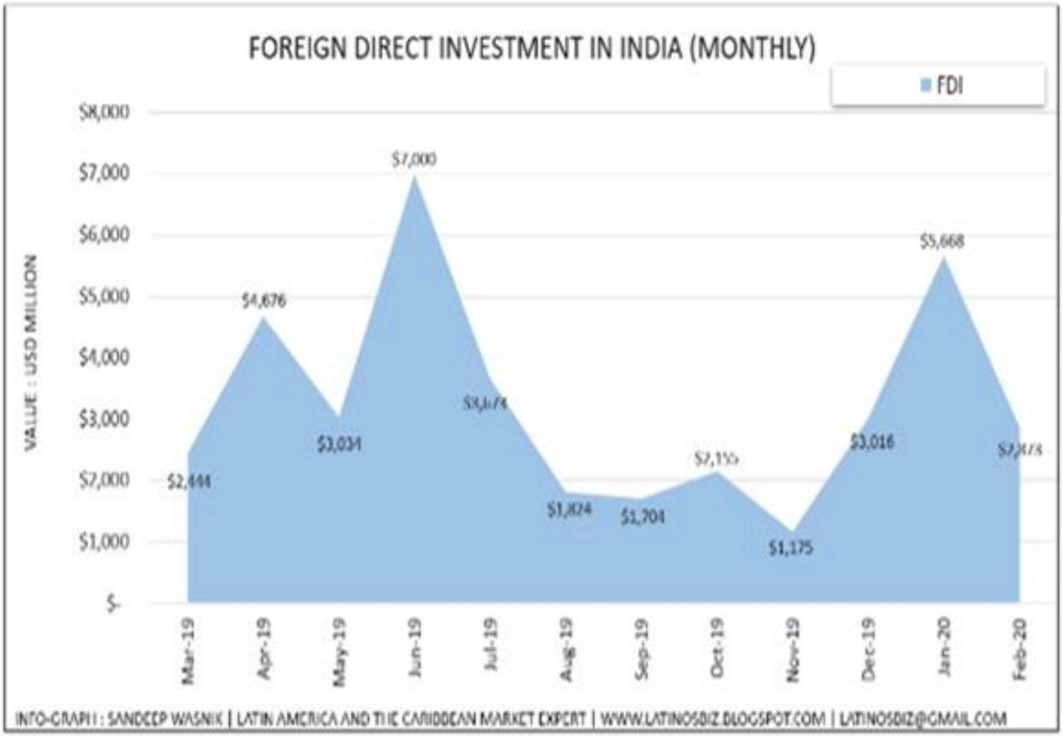
India's Manufacturing PMI fell to 27.4 in April 2020 from 51.8 in the previous month and far below market consensus of 42 and India's Services PMI fall to 5.4 in April 2020 from 49.3, and far below market expectations of 40.0. The latest reading pointed to the second straight month of contraction in the sector, due to the impact COVID19 pandemic, amid restrictions on the movement of citizens and business shutdowns.But, In the second quarter, Indian economy could pick up as industries restart their operations with the streamlining of supply chains.



There are 231 operational Special Economic Zone (SEZ) and around 355 SEZ that are notified in India. COVID-19 pandemic may be good news for Indian competitiveness and capital inflows as long as the government can match after the second quarter of 2020 recovery by providing incentives and other advantages for foreign investors that complement their business plans in India. Ultimately, however, the benefits of India's SEZ policy have been substantial as it is one of the reasons why there is an increase in the number of foreign firms operating in India.

Foreign Direct Investment in India averaged $1412.87 Million from 1995 until 2020. Although, During COVID-19 pandemic, FDI in India increased by $2873Million in February of 2020 and could be expected to 4000 Million by the end of this quarter.

An overview of Indian Industries:



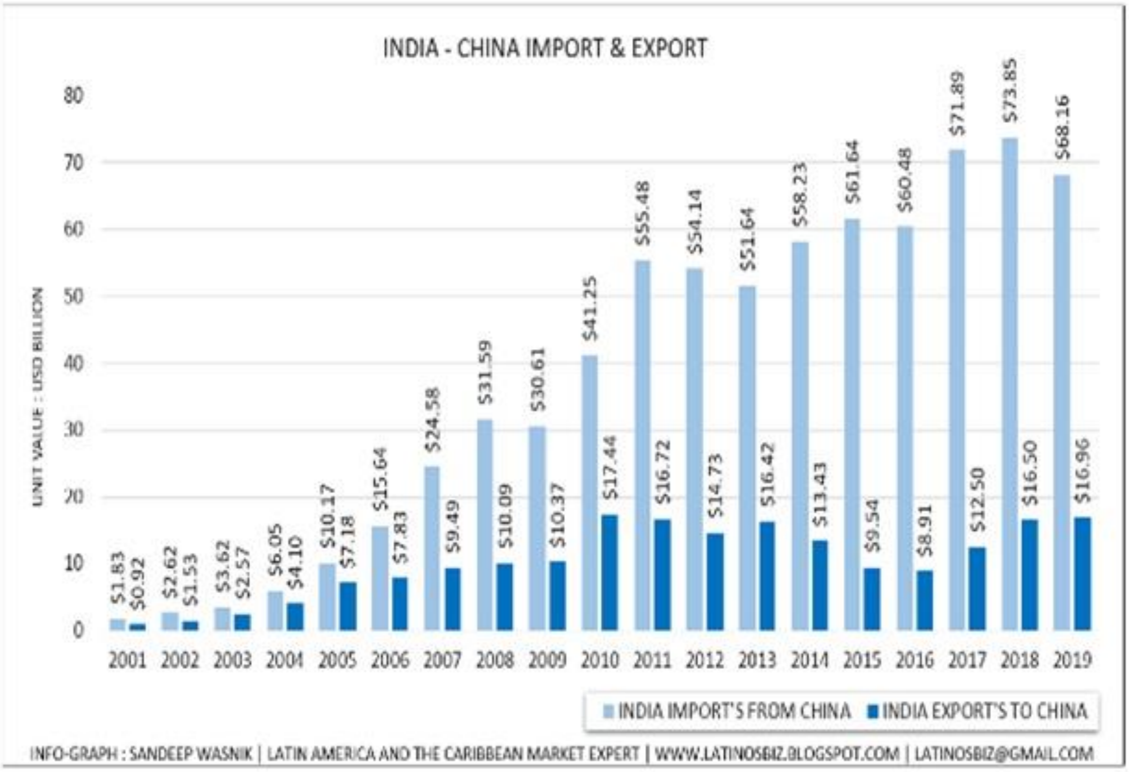
The Indian Micro, Small, and Medium Enterprises (MSMEs) sector is the backbone of the national economic structure. In India approximately 97 percent of the industries fall under the category of MSMEs and the strongest drivers of economic development, innovation, employment, and also contributes 31% of India's Gross Domestic Product (GDP). Nearly 75 Million enterprises are in India and about 45% contribute to manufacturing output, more than 45% contribute to Indian exports and creating about 114 million employments. Some Indian enterprises are engaged directly in exports and most of the MSMEs are indirectly engaged in the export's ecosystem through intermediate goods manufacturing for larger industries as well as engaged in exports to international partners.

Due to the COVID19 lockdown from March 24, 2020 in India, this has badly impacted MSMEs and the contribution of 31% of Indian GDP already gone down. Nearly 25 per cent of firms are on the way to permanently shut down, and more than 60% firm not have funds to pay salary.

"Make in India" initiative has the potential to turn the Indian economy upside down, all for better reasons. With the investment in the manufacturing sector and the advancement of technology, employment opportunities can also be generated. Such an initiative requires a well-coordinated effort from the Ministry of Commerce and Industry as well as the state governments.

India's Import and Export:

The share of MSME products to total Indian export is countable is 49.81 percentage 2019-2020 (Apr -Dec 2019), followed by 48.10% (2019-2018), 48.56% (2018-2017), 49.69% (2017-2016).



Currently, there are 70 million traders and the majority of them are MSME in India. These MSMEs are also depended on Chinese raw, semi-finished and Finished products, Like, Electronic Goods, Cellphones and its parts, Electric Machineries, Pharmaceutical API, Iron and Steel, Raw Material, Auto Parts and others. Due to the COVID19, the exports from China to India has been suddenly dropped, this hit to Indian MSMEs. India needs focus on Products manufacturing under the Make in India Programme and slowly eliminate the dependency on China Imports.

For India, China is the biggest trading partner, India imports $480 Billion valued product from around the world, in which $68.16 Billion valued of products from China, where India exports $322.786 Billion valued product to the world and exports to China $16.96 Billion valued products in 2019.

In Asia, India is one among top countries withholding maximum number of Free Trade Agreement (FTAs) and Preferential Trade Agreement(PTAs) either in operation or under negotiation or proposed and most of them existing with Asian countries which are quite different from each other in terms of the level of their economic development.

According to the Asian Development Bank Institute, India has 42 Trade Agreements (Including PTAs), where 13 are in effect, 16 are under negotiation, 12 are proposed/under negotiation/study and 1 is signed but not yet implemented.

India still needs to focus on more trade agreements to boost the bilateral trade, Although, Trade agreements are an effective approach to integrate into global economy and strengthen economic cooperation with other economies.

Source: financialexpress.com - May 10, 2020

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China slips to 4th position in denim apparel exports to USA

According to OTEXA, due to the impact of COVID-19, China has slipped from 2nd rank to 4th in its denim apparel exports to USA in Q1 of 2020.Chinese shipment of blue denim apparels plunged massively by 63.11 per cent to $67.79 million from $183.75 million in Q1of 2019.

This drastic fall has reduced China's share in denim apparel exports to USA to 9.71 per cent in this year from 22.67 per cent in the corresponding period of the prior year. Mexico, Bangladesh and Vietnam are now ahead of China in denim export values to USA.

Mexico too fell by 28.85 per cent to ship $138.89 million worth of denim apparels to USA and allowed Bangladesh to narrow the massive gap which both had in the first quarter of 2019.

In the first quarter of 2020, USA decelerated by 13.95 per cent in its import value which stood at $ 697.51 million. The major fall was recorded from China and Mexico, which allowed other countries to boost their export.

Until March this year, Bangladesh upped its denim apparel exports to USA by 30 per cent and clocked US $ 123.41 million revenue; Vietnam took benefit of fall of the Chinese shipment and grew by 35.09 per cent to ship $86.37 million worth of denim apparels to USA.

Even Pakistan saw a boost of around 16.64 per cent in its denim apparel exports to USA which valued at $62.83 million in Q1of 2020.

Cambodia too noted a solid growth in the period by 88.40 per cent to escalate its denim apparel export value to $39.39 million from $20.91 million in Q1 of 2019.

Source: fashionatingworld.com - May 09, 2020

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UK retailers find creative ways to clear unsold stocks

Excess unsold stock has become a multibillion-pound problem for fashion retailers whose trade is fast decimating as they are left with pounds of unsold spring and summer stock in their warehouses. Last week, UK-based brand Next recorded a steep decline in sales as more stocks are clogging up in its warehouses than was previously anticipated. To mitigate this risk, Next is using third-party storage facilities and holds some stock in source countries, at an estimated additional cost of £2 million. The brand has identified £330 million worth of spring 2020 stock comprising summer T-shirts and chinos – that can be carried over to next year.

Despite taking such initiatives, retailers are still likely to be left with a glut of seasonal, trend-led products that have a short shelf life. This may lead to aggressive discounting. Hence, they need to find a way to ear piled up stocks. Raffy Kassardjian, Founder, Parker Lane Group, advises retailers to take a strategic approach spanning different geographies and not flood a single international market with product, particularly as this is likely to be an issue that affects several seasons.

Selling through off-price channels A report on the impact of coronavirus on retail by management consultancy McKinsey & Company points out another option for retailers. It says, retailers can now sell through off-price channels like Chinese ecommerce giant Tmall which recently launched an online outlet, Luxury Soho to promote its premium and luxury brands.

Some brands are also launching their own off-price platforms and flash sale events to move excess stock. For example, contemporary women's wear brand Ganni launched a six-day pop-up digital sale at the end of April offering discounts of up to 70 per cent on 400 items. The brand will donate 20 per cent profits to UN Women projects that support female health workers on the frontline of the pandemic.

Another avenue open for these brands is sell their unwanted stock in countries that have been less affected by the pandemic. Business partners Sarah Curran-Usher, entrepreneur and a non-executive director at French Connection, and Nicola Mathews, a former brand director at Ted Baker and Pentland Brands, are collaborating with John Lau, founder of Chinese commerce specialist Ecargo, on a project to help brands and retailers move unsold stock from the UK into the Chinese market.

Re-evalute approach to unsold stock

However, while moving unsold stock to other countries, retailers have to think carefully about matching the stock to the right retail partner and the right consumer, views Dea Baker, founder Aqua Rock. According to her, the pandemic could provide the industry with a valuable opportunity to rethink its approach to stock.

Donating products to good causes is another option for retailers left with too much stock, argues Ronen Lazar, Co-founder and CEO of Inturn – a platform that helps retailers manage their inventory. Some brands are supporting charitable causes by moving their excess stock to social institutions. For example, Burberry has donated product to Smart Works, which provides free clothes and training for unemployed women with an upcoming job interview.

Source: fashionatingworld.com- May 09, 2020

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Inditex to reopen stores in Spain

Zara-owner Inditex will reopen some of its smaller stores in Spain, as part of a gradual reopening of the store network in its home market where shops have been shuttered for more than seven weeks.

Spain accounts for the fashion retailer's largest network of stores by far, and the country accounts for nearly 16 percent of group sales. Inditex has a stable of eight brands from Massimo Dutti to Pull & Bear, including the Zara Home homeware label.

Spain imposed one of the strictest lockdowns in Europe on March 14 as it sought to control one of the worst outbreaks of the coronavirus globally, killing more than 25,000.

The government has started to relax the terms of the lockdown, allowing small businesses like hairdressers and shops to open this week, with restrictions

Source: fashionatingworld.com- May 09, 2020

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Japanese textile and apparel imports decline by 2%

According to the latest data by CCF Group Tracker, Japanese textile and apparel imports in March declined by 2 per cent year-on-year in March to 216,500 tonne. Of these, imports from China declined by 4 per cent to 105,300 tonne. In the first quarter, Japanese textile and apparel imports totaled 605,000 tonne, down by 7.5 per cent year-on-year; the volume from China totaled 286,000 tonne, declining by 13.1 per cent year-on-year.

Japanese textile and apparel import demand weakened sharply in the first quarter of 2020, and the decline in the volume from China was larger than the total. Global textile and apparel industry has been greatly impacted hit by the accelerating outbreak. While the pandemic in China has been controlled and mills gradually returned to work, the global consumption and trade suffered comparatively in the epidemic spread outside China.

From the perspective of share, the proportion of China in Japanese textile and apparel import market has gradually declined in recent years, with the proportion of quantity falling to 47.2 per cent.The market shares of Vietnam, Indonesia, Thailand and Bangladesh have gradually increased, especially in Southeast Asia.

Source: fashionatingworld.com- May 09, 2020

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Vietnam: April garment exports plummet

Vietnam's garment and textile exports in April fell 20 percent year-on-year to $2.3 billion and could fall further as buyers cancel orders over Covid-19 pandemic impacts.

Data from the Vietnam Textile and Apparel Association (VITAS) showed that garment and textile exports in the first four months fell 6.6 percent year-on-year to $10.6 billion.

Material imports in the period fell 3 percent to $5.2 billion.

Truong Van Cam, deputy chairman of VITAS, said more dampening figures were expected as most of the canceled and delayed contracts were for May and June.

Never have export figures of many garment and textile items seen reduced growth as has happened this year, he said. "Exports of clothes, fiber and garment in the first four months fell by between 6 to 22 percent year-on-year."

Vietnam’s garment and textile industry, the country's third largest in terms of export value behind smartphones and computers, struggled to source materials from China in February due to the Covid-19 pandemic.

Starting March, producers also had difficulties selling to major markets such as E.U. and the U.S, which account for over 60 percent of total textile exports, as buyers canceled or delayed orders due to lower demand.

VITAS has forecast that in the worst case scenario, Vietnam’s garment and textile exports could fall by 23 percent to $30 billion this year.

Source: e.vnexpress.net- May 10, 2020

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Vietnam’s Covid-19 response could spur production shift from China

Vietnam's Covid-19 record could make it an attractive investment destination as economies seek to make their supply chains less dependent on China.

Despite a population of over 96 million and sharing a land border with China, Vietnam has recorded only 288 Covid-19 cases so far and zero deaths. Meanwhile, China, where the disease was first reported last year, has recorded nearly 83,000 cases and more than 4,600 deaths.

Vietnam's highly effective containment of the Covid-19 pandemic will prove to be an advantage for the country's investment environment, helping economic recovery and placing the country in a new position on the global stage, Planning and Investment Minister Nguyen Chi Dung said at an online meeting between Prime Minister Nguyen Xuan Phuc and businesses Saturday.

Foreign investors are considering shifting investments to Vietnam due to their trust in Vietnam's "safety" amid the pandemic, according to recent reports by the National Assembly's Economic Committee. Evidently, U.S. and South Korean tech firms have recently been pushing to diversify their production out of China, and some have chosen Vietnam, the reports said.

Apple Inc., for example, has planned to produce 3-4 million wireless earphones called AirPods, or around 30 percent of total classic AirPods production, in Vietnam this quarter, a Nikkei Asian Review report said. This would be the first time that millions of AirPod units will be produced in Vietnam, it added.

Samsung has also been considering shifting some of its high-end smartphone production lines to Vietnam, Reuters reported in March, citing a company spokeswoman.

Seizing opportunities

Seafood production and export is expected to increase following the pandemic, said Tran Dinh Hoe, general secretary of the Vietnam Association of Seafood Exporters and Producers (VASEP). He said demand for food, especially seafood, could dramatically increase following the pandemic.

He noted that other countries that are main competitors for Vietnam in seafood production, like India and Ecuador, are now having to impose quarantine and lockdown measures to curb the disease, which would cut their production and exports by around 50 percent.

The same goes for countries like Indonesia or Thailand, where production and exports could be cut by around 30 percent, he added.

"When main competitors suffer delays in their production recovery following the pandemic compared to Vietnam, it presents a huge opportunity," Hoe said.

For the textile industry, too, demand is expected to increase gradually after the crisis passes, said Le Tien Truong, director of the Vietnam National Textile and Garment Group (Vinatex). As such, production businesses, including those in the textile industry, must get ready to re-orient themselves and seize opportunities presented, he said.

Avoid over-reliance

Tran Ba Duong, board chairman of automobile firm Truong Hai Auto Corporation (Thaco), cautioned businesses that they should not rely too much on governmental solutions.

The government's foremost priority in a pandemic is to support the poor and vulnerable, including small and medium businesses, he added.

"Support from the government should help businesses stand on their own feet, not make them over-reliant on such support.

"Right now, solutions to help recover the economy should strike a balance between solving short-term challenges and maintaining market economy principles," he added.

Duong also called for a concerted, relentless effort for economic recovery after the pandemic crisis passes, saying this should be coordinated and supported by all industries and sectors, just like the unity shown in the ongoing fight against Covid-19.

PM Phuc said the pandemic could provide development opportunities for Vietnam if there was good business coordination and management, adding that businesses should actively restructure themselves, increase managerial capabilities and production.

"Businesses need to maintain their workforce and their domestic and international markets," he said.

The government will also create a good environment to help businesses in various aspects, through finance, market-oriented, fiscal and other policies, he added.

Source: e.vnexpress.net - May 10, 2020

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Zara steps into another controversy; workers in Myanmar fired for demanding masks

There are two sides to every garment. One holds all the sequins and the glitters for the world to see. The other side has the messy thread work. This side is hidden.

Zara's clothes too have this dichotomy. As does the brand.

This spring-summer belongs to Zara. The brand is being hailed for its response to the pandemic.

In March, Zara temporarily closed around 4,000 of its stores across the world. Its factories in Spain switched to producing medical supplies -- masks, personal protective equipment and washable hospital gowns.

Zara flew in 3 million PPEs and close to 1,500 ventilators for Spain.

Its spanish employees were assured full salaries. Spain was happy and the world was celebrating Zara.

84-year-old Amancio Ortega is the man behind the brilliant PR campaign. He is a Spanish citizen, the owner of Zara's parent company Iniditex, and is the world's 6th richest man.

It is in his home country that Zara's philanthropy begins and ends. Zara has stores across the world. But Iniditex has just 13 factories at home-- in Spain.

Wonder where Zara's other factories are? Turn the globe. Myanmar, Bangladesh and Turkey.

It is in these countries that Zara gets most of its garments made. SImply because of cheap labour. But, Zara has mistaken cheap labour for exploitation.

While the brand was donating medical supplies in Spain, its workers in Myanmar were not even given masks. When they asked for it, they were fired. At least 500 workers in Zara's myan mode factory were laid off in the middle of the pandemic.

Zara's workers are under-paid. In the factories of Myanmar people work 11-hours shifts, for six days a week. They are paid as little as 3 and a half to 5 dollars a day.

The tales of horror go beyond the continent.

In 2015, Zara was accused of discriminating against black employees. The condition in Zara's Brazil factories were likened to slavery.

In 2017, workers making clothes for Zara in Turkey began sewing pleas into clothes. The tags complained of underpayment.

Inditex has also been accused of tax evasion. Zara's owner, Amancio Ortega, is a hero in Spain. The country's leadership wear his brand.

In march this year, thousands of Spaniards came out in their balconies to wish him a happy birthday. But it was around the same time, Zara's workers, outside the country, were complaining of an unsafe working environment.

Zara's story is a textbook example of how big brands do just enough to attract good press.

What happens behind the scenes is none of the world's business.

Source: wionews.com- May 08, 2020

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Pakistan: Textile sector 'masking' its way forward

IF you had suggested to Ahmed Jahangir, the executive director of Nishat Mills, a few months ago that textile masks will be his company's new product, he would have snickered and retorted: "Why? What has happened? Did I miss something?"

Today he says masks will now be a permanent part of his future business. "The global demand for textile masks will not dry even when the virus contagion is over," Mr Jahangir, told this correspondent.

Masks are now the latest fashion accessory and part of the lifestyle worldwide, not just another healthcare item. "We are receiving large orders for all types of textile masks from major Ameri-can and European brands," he said.

Textile masks are the new garment for Pakistan's apparel manufacturers who have been hit hard by the unprecedented slump in the global demand amid the Covid-19 contagion that forced economies to shutter to halt the spread of the infection.

The garment manufacturers are tweaking production lines as global demand for masks spikes with governments ordering their citizens to cover their faces when they get out of their homes as the first line of defence against the virus.

Pakistan has only recently allowed export of textile masks as orders from abroad pour in. "There is a huge demand for textile masks out there at a good price. The demand is set to phenomenally rise when the countries lift lockdown restrictions and businesses reopen," Mr Jahangir elaborated.

His is the first company to start mass production of textile masks in mid-March. "We were trying to procure masks for 60,000 people working for different businesses, including MCB Bank, of the Nishat Group but couldn't find any supplier," he said.

It was then he decided to manufacture masks. Initially, they thought of using non-woven material. But it's shortages made them look for other materials. He soon discovered that countries like Germany prefer masks made from woven materials for daily use by healthy people as protection against microorganisms and pollution. Non-woven materials or breathers like N95 are recommended only for hospital use by frontline health workers and caregivers working in a hazardous environment.

“Ours is the country’s first garment company to start production of textile masks and also get export orders,” Mr Jahangir boasted. The company has in the last one month or so received significantly large orders for the barrier masks from a number of global brands and the French military, which it will start shipping from this month.

The Covid-19 pandemic has been disastrous for the textile and clothing industry, which accounts for 60 per cent of Pakistan’s export revenue and 9pc of its GDP. Garment factories are reported to have terminated the employment of thousands of workers as foreign buyers cancelled or put on hold their shipments. The industry fears many small factories could shut permanently with medium to large factories facing significant losses.

The nation’s exports in April plunged steeply by 54pc to $957 million from a year ago. Textile and clothing exports, which jumped nearly 17pc in February before declining 4.5pc in March, are believed to have suffered massively last month.

“The garment industry has suffered the most in this crisis. In my view, 20-25pc of total production for both domestic and foreign markets is lost permanently. Home textiles and other value-added products will bounce back but it will take years before apparel sales pick up to their pre-Covid-19 level,” argued Mr Jahangir, adding his company was able to save over 500 stitching jobs by opening the new production line for masks.

But textile masks are not the only item that has seen a massive upsurge in demand in the wake of the Covid-19 contagion. The pandemic has also opened up an opportunity for garment exporters in the field of personal protective equipment (PPE). Nishat Mills, along with a few other major garment producers, has got an export contract from an American importer for five million non-disposable, blended textile hospital isolation gowns that can last 30 washes.

Mr Ijaz Khokhar, a sports garments exporter from Sialkot, believed global shortages of masks and other personal protective gear could open new avenues for Pakistan’s struggling textile industry.

"Garment exporters are receiving serious inquiries for millions of pieces of masks, caps, isolation gowns, overalls and other cotton-based protective gear from foreign retailers, governments and militaries every day. This is a big opportunity for us to partially make up for our export losses," he asserted, calling for the restoration of the zero-rating regime for the textile and clothing exporters.

"The shift to PPE can save thousands of jobs and bolster export revenues. We should not restrict ourselves to manufacturing cotton-based products only. If we start using non-woven materials we may be able to increase our exports faster and fetch more revenue. For this, the government will have to move fast, remove bureaucratic bottlenecks and allow duty-free import of melt-blown materials as Bangladesh has done. We need the prime minister to personally oversee this behavioural change for a faster decision-making process."

"The growth in global demand for cotton-based protective gear is the biggest opportunity that this pandemic has thrown our way. It's a vast field. Pakistan is not known for these products. We should take full advantage of this opportunity. If we don't others will," Mr Jahangir concluded.

Source: dawn.com - May 11, 2020

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Pakistan: APTMA submits budgetary proposals to government

Textile Industry has submitted with the government its budgetary proposal for budget 2020-21 asking for abolishing turnover tax, reduction of corporate tax to 25 percent and withdrawal of 10 percent sales tax on ginned cotton. It also asked for doing away with the duty structure on import of spare parts for export oriented industry.

The industry also asked for the withdrawal of 7 percent customs duty on import of polyester and also proposed the removal of duty structure of 18% on dyes & chemicals. Moreover it also demanded the restoration of zero rating regime.

All Pakistan Textile Mills Association (APTMA) has deposited its set of budgetary proposals with Advisor to Prime Minister on Commerce and Textile and Investment Mr Abdul Razak Dawood for the restoration of viability and long term growth of textile industry.

Considering export target of $28 billion by Financial Year 2025, textile industry stressed to increase the cotton production or availability from 9 million bales to 20 million bales within 5 years. And to this effect, APTMA has suggested for duty free import of cotton for entire year and also asked for withdrawal of 10% sales tax on ginned cotton.

According to the copy of the budgetary proposal available with The News, the textile industry pleaded for restoration of zero rating as withdrawal of zero rating under SRO 1125 has created a serious liquidity crisis for the export sector. It was repeatedly stated by FBR as justification for withdrawal of SRO 1125 that domestic sales constituted 50% of textile industry output and that somehow the industry was evading the sales tax on domestic sales approximately $12 billion.

FBR now states that domestic sales of textile production account for only 20% of the overall value of sales tax production in Pakistan. APTMA argued, saying as a result of the misplaced withdrawal of zero rating the entire textile industry has already suffered on account of a severe setback to the industry as in the design of the scheme approximately 5-6 months of sales tax input of approximately Rs20 billion per month has shifted from the coffers of the industry to FBR.

This money is many times more than the profitability of the industrial units and even if the funding partially came from bank borrowing this unnecessarily increased the cost of doing business by about 6%. This negates all the governments' laudable efforts to reduce the cost of doing business. The government had at the time of withdrawal of SRO 1125 assured the industry that it would review the situation in 6-8 months' time. More than nine months have now passed and it is evident that the sales tax system is not contributing significantly to the FBR kitty.

On the other hand the entire government, FBR and the entire industry is constantly holding meetings and wasting time on resolving the issue of refunds are not forthcoming due to the complete collapse of markets and demand for textiles in Europe and USA.

Under these circumstances we request that zero rating may kindly be implemented in letter & spirit. Should government still wish to collect sales tax on domestic sales from a market that is already in dire straits than it should collect the sales tax at the point of sale.

There is 7% customs duty on the import of polyester staple fiber with total import expenses in the range of 20% including antidumping duty. So even if import duty is finished, protection in excess of 10% will still remain. APTMA proposed that 7% customs duty on the import of polyester staple fiber with total import expenses approximately 20% including anti-dumping duty to be abolished.

It also asked for imposition of 15% regulatory duty on the import of synthetic yarns entering into the domestic commerce of Pakistan. All duty structure on manmade filament yarn may be withdrawn.

About the dyes & chemicals, APTMA demanded that present duty structure of 18% on dyes & chemicals should be abolished. The industry also asked for implementation of Energy Regionally competitive energy prices for entire textile policy period according to which electricity tariff is at 7.5 cents per unit, and RLNG at $6.5 per MMbtu and system gas at Rs786 per MMbtu.

About the temporary Import Schemes (TIS), APTMA mentioned that currently the procedure to apply for TIS is complicated and lengthy. These schemes encourage direct exports of intermediate goods. Due to the complex structure of these schemes, availability of raw-materials like MMF (manmade fiber)and other specialized fabrics is restricted. Pakistan has not been able to achieve its full export potential and product diversification owing to limited access to raw materials.

APTMA asked for additional one year extension required for all import for export schemes as the current year cannot be counted due to COVID-19. And for simplified application procedures for TIS, APTMA sought permission of Inter/intra-Bond/scheme transfers of intermediate products to direct/indirect exporters and commercial importers. It also asked for provision of TIS facility to indirect exporters and in return Pakistan will be able to achieve price competitiveness and product diversification, saying effective implementation of this reform will be a game changer.

About LTFF (long term financing facility) scheme, APTMA said it should be extended to entire value chain since the whole value chain requires upgradation and modernisation to meet export targets. In order to ensure investment in the entire textile value chain, it argued saying LTFF should be provided to direct and indirect exporters.

About Industrial spare parts, APTMA mentioned that currently, import of major spare parts frequently used in industry are subject to 17% and 3% sales tax with 5.5% income tax. It asked for withdrawal of duty structure on import of spare parts for export oriented industry.

Coming to the facilitation to value added products, APTMA said that currently DLTL is provided to following segments (2018–2021) Garments 4%, Made ups 3%, Processed Fabric 2%. Additionally 2% is provided for non–traditional markets and 50% of DLTL is given unconditionally and remaining on 10% growth. The textile industry proposed that DLTL after 2021 should be provided to garments/made-ups, higher rates for new & innovative products.

About turnover tax, the government through Finance Act 2013 had raised the general rate of minimum turnover tax under Section 113 of the Income Tax Ordinance 2001 to 1% from 0.5%, which was further increased to 1.5% through Finance Act, 2019 and APTMA proposed the minimum turnover tax should be abolished for the coming year. Indirect exporters may also be extended taxation regime available· to direct exporters. As for as Corporate Tax Rate is concerned, the current corporate tax rate is 29% in Pakistan whereas in Sri Lanka, Bangladesh and Vietnam it is 28%, 25% and 20% respectively. APTMA suggested that this rate should be brought down to 25%.

Source: thenews.com.pk - May 11, 2020

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NATIONAL NEWS

Time for textiles industry to reorient, stop seeking packages: Smriti Irani

Union Minister Smriti Irani on Sunday asked the textile industry to reorient itself and not depend on financial packages from the government as its finances are already under strain due to coronavirus pandemic.

“It is time for the industry to introspect. The textile industry had been looking for packages or supports.

“Now, it is time for a new direction and new thinking. The industry has the capability. If they reorient themselves, they would not require to depend,” Irani said in an interaction with members of Merchants’ Chamber of Commerce and Industry through a webinar.

She cited example of making PPEs for doctors and other healthcare personnel in the last one-and-a-half months.

Textile company JCT group in Punjab had sought support to ferry the samples of PPEs to a laboratory in Aurangabad for testing during the lockdown and the government had helped the firm for this, she said.

More such interventions were made, Irani said.

She told the members of the city-based industry body that “money you expect is public money and now citizens demand details of each penny (spent)”.

“The government’s job is making policy and provide support,” the textiles minister said.

The government has been doing its best to support all, she said, adding that the Reserve Bank of India has already given relaxations and banks are supporting businesses to tide over the crisis.

Irani said the textiles ministry is in discussion with the West Bengal government to work out a plan to help the jute industry. Farmers need 4,500 million tonne of certified jute seeds to improve quality of the golden fibre, and only a part of this is available now, she said.

"The National Jute Board is looking at ways to improve quality of jute. The industry has to route its profits towards modernisation to improve quality of jute," she added.

Source: financialexpress.com – May 10, 2020

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MHA guidelines on re-opening industry: Treat first week as trial run and other instructions to industries

The Union Home Ministry has released detailed guidelines for manufacturing industries to start their operations after lifting of the ongoing lockdown on May 17. In the wake of the major mishaps that occurred in Visakhapatnam and Chennai, the MHA has asked industries to ensure all safety and protocols are followed before the factories are re-opened. The MHA has also said to the industries to conduct the first week of reopening as trial or test run and not to look for achieving high targets of production.

In order to minimize the risk, MHA said that it is important for employees working on specific equipment to be sensitized and made aware of the need to identify abnormalities such as strange sounds or smells, exposed wires, vibrations, leaks, smoke, abnormal wobbling, irregular grinding or other potentially hazardous signs indicating the need for immediate maintenance or shutdown when necessary.

MHA has said that if any industry has trouble in handling vital backward linkages that may be essential to their safe functioning, they should approach local district administration for specific support. District Magistrates may be advised to ensure that the industrial unit can be supported in these situations, in the general interests of industrial security, to complete their operations.

MHA and NDMA have also issued guidelines for the safe storage of raw materials and manufactured goods. The NDMA has asked industries to ensure no spillage, wear and tear of storage facilities, and also to look for already opened vessels for possible reactions that may lead to mishaps like the one in Visakhapatnam. According to the issued guidelines, HAZMAT chemicals must be checked for chemical stability before making use of it for industrial purposes.

The Union Home Ministry and NDMA have asked industries to ensure proper ventilation of storage rooms along with properly fitted valves or conveyors belts. The guidelines have asked industries to also check for any damage to the roof of the storage building to avoid any harmful substance from contaminating near surrounding areas.

Source: financialexpress.com- May 10, 2020

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MSMEs may get working capital boost with 'overdraft guarantee'

Government readying ordinances for likely legislative changes

The Modi government is likely to announce the much-awaited stimulus package with focus on micro, small and medium enterprises (MSMEs) in the next couple of days.

Multiple sources confirmed that the package will be composite. "On the one hand, it will have guaranteed higher working-capital limit for MSMEs, while on the other, more reform programmes will be initiated to attract investment and ease the way for doing business," a source said.

The package comes as the third phase of the lockdown is set to end on May 17. Despite several relaxations during this phase, industries, especially MSMEs, are having a tough time.

According to sources, the broad contours of the package was finalised in the meeting called by Prime Minister Narendra Modi on May 2, which was attended by senior ministers and bureaucrats. While details of the package are being worked out, work is in progress for any legislative change through ordinances.

Discussions have been held with the Reserve Bank of India for monetary action, sources said.

In fact, to mobilise additional resources, the government, in consultation with the RBI, has decided to raise the total borrowings to ₹12-lakh crore from the budgeted ₹7.8-lakh crore during the current fiscal.

To help MSMEs regain strength, one of the key proposals is to provide guarantee for overdraft up to 20 per cent of the working-capital limit. This issue is also listed for discussion at the Finance Minister's meeting with bankers on May 11, according to sources.

One of the items on the agenda reads 'Credit Support to MSMEs', while another says the meeting will discuss 'Covid-19 related sanctioned/pre-approved emergency credit and reassessment-based additional working capital.'

The meeting will also discuss the status of the moratorium. It may be recalled that on March 27, the RBI announced moratorium for three months on all types of term loans. It was also decided to provide deferment of interest on working-capital facilities.

Deferring interest payment

In respect of working-capital facilities sanctioned in the form of cash credit/overdraft, lending institutions are being permitted to allow deferment of three months on interest payment in respect of all such facilities outstanding as on March 1, 2020.

The accumulated interest for the period will be paid after the expiry of the deferment period. The moratorium/deferment was provided mainly to enable the borrowers to tide over the Covid-19 fallout. Hence, the same will not be treated as change in terms and conditions of loan agreement due to the financial difficulty of the borrowers and, consequently, will not result in asset classification downgrade.

The MSME package assumes importance in the light of the fact that the sector provides employment to nearly eleven crore people, while its share in gross value added (GVA) is over 31 per cent. The share of MSME-related products in total exports during 2018-19 was over 48 per cent.

Source: thehindubusinessline.com- May 10, 2020

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Centre urged to help textile industry cope with lockdown

Industries Minister writes letter to Union Textile Minister

Telangana Industries Minister K.T.Rama Rao has urged the Centre to facilitate higher temporary credit facilities, up to 30% of current limits, to textile industry so that the units are able to meet obligations towards vendors and statutory payments.

The government of India could consider funding this through a concessional line of credit so that the banks are adequately supported and the funds return to the government in due course, Mr. Rao said in a letter to Union Textiles Minister Smriti Zubin Irani.

He also suggested to the Centre to consider a complete interest waiver or an interest subvention scheme of 2-3% on all loans, including working capital credit, availed by the units as done in the past under TUFS.

A special moratorium of one year may also be considered, he said, adding that RBI may be requested to allow the banks not to downgrade loan accounts by giving a grace period of six months to one year.

In a set of suggestions for the benefit of the handloom, textiles and apparel industry, Mr. Rao said among the short term policy support needed are one providing wage support of up to 50% of wages, contingent on continued employment of workforce.

This can be extended for a period of up to six months, in the form of a long-term loan which the industry would need to repay in instalments after a stipulated period. A one-time extension of three months for deposit of statutory dues of PF and ESI can be provided to the industry.

These measures will benefit the workers employed in the sector and provide a source of reassurance for their continued employment, he said.

Among other suggestions, Mr. Rao sought to highlight the need to provide more incentives to exporters; extending the Rebate of State and Central Taxes and Levies (RoSCTL) scheme for apparel and made-ups segment to other segments like yarn and fabric; expediting GST refunds to the industry.

He stressed the need to provide marketing support to the handloom sector, launch of an aggressive 'Be Indian, Buy Indian' initiative; provision of 50% yarn subsidy across the handloom industry as well as waiver of GST on handloom products for two years. He suggested replicating Telangana government's measures to support handloom weavers at the national level, including the detailed census it undertook of handlooms across the State and geo-tagging of all handloom products so that benefits can be provided directly to the weavers concerned.

He called for correcting the inverted duty structure under GST on man-made fibres and transferring subsidies directly to cotton farmers' accounts through direct benefit transfer (DBT) instead of offering a minimum support price for their produce. This will avoid the distortion of prices of raw material which are inputs to the downstream spinning industry.

Towards attracting investments, he wanted the Centre to launch the Mega Textile Park Policy, support industrial infrastructure creation at a rapid pace. To enable prospective FDI investors to look at India more favourably, he said it will be necessary to provide some form of support towards wage cost and power cost, which are two major factor costs for the industry.

Source: thehindu.com- May 10, 2020

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Rajasthan's thrust will be on textile, agriculture and domestic tourism: Sachin Pilot

Rajasthan Deputy Chief Minister Sachin Pilot says only those migrants who are desperate and determined to reach home should go, and the rest should be persuaded to stay back in the state as economic activities have begun. Excerpts from an interview with Shantanu Nandan Sharma.

With most of the commercial districts in Rajasthan in red zones, do you expect an economic revival anytime soon?

The commercial hubs of Rajasthan may be in the red districts, but industrial plants and processing units are mostly located outside the red zone. Manufacturing activities have begun outside the city limits. The timing has been extended from eight to 12 hours so that there is less labour movement, more productivity and less chance of spreading the infection. Also, in all districts, we have allowed agriculture activities, harvesting, buying and selling of agriculture products, etc. We have allowed offices to function with limited capacities. One third of government workforce is attending office.

Will the return of migrant workers impact economic revival?

Yes, there is a cost to the migrants' travelling back to their native districts. Once a worker goes back home, she won't return in the next three-four months. I feel that only those who are desperate and determined to go back home should go; the rest should stay back, taking temporary jobs. They won't be gainfully employed in their native areas.

Which sectors could drive Rajasthan's economy now?

The real economic activities in Rajasthan are taking place in the rural areas. On April 18, we had 62,000 NREGA (National Rural Employment Guarantee Act) workers; on May 5 the number jumped to 16.5 lakh. They have been working in their own farmland — all individual work, but they are receiving wages. Our thrust will be on textiles, agriculture and domestic tourism.

Source: economictimes.com- May 10, 2020

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UP's new policy to give employment to 20 lakh migrants; labour reforms to create this many MSME jobs

A policy to provide jobs to migrant workers, which are expected to return to Uttar Pradesh amid the lockdown, is currently underway by the state government. "A policy is being framed to provide jobs to 20 lakh migrant workers through labour reforms in their villages and towns," The Indian Express cited the government's statement issued after Chief Minister Yogi Adityanath's meeting with officials.

The government has asked the officials to prepare data from quarantine centres regarding skills of workers, the statement said. As per the policy, workers will be provided with jobs, a guarantee of a minimum salary of Rs 15,000 and also regarding their work hours and security, it added.

Apart from the new units, the workers will be recruited in existing businesses as well, the government said adding that women workers will also be given jobs through self-help groups. “The state government is working to make UP’s small and medium enterprises better than those in China, Bangladesh, Vietnam etc,” the statement said.

This comes days after the UP Cabinet gave a go-ahead to a draft ordinance aimed at giving temporary relief to industries from few clauses of labour laws with conditions.

The state government exempted businesses from the purview of almost all the labour laws for the next three years including those related to settling industrial disputes, occupational safety, health and working conditions of workers, and those related to trade unions, contract workers, and migrant labourers. Nonetheless, Building and Other Construction Workers Act, 1996; Workmen Compensation Act, 1923; Bonded Labour System (Abolition) Act, 1976; and Section 5 of the Payment of Wages Act, 1936 (the right to receive timely wages), are still intact.

UP expects this to create new MSMEs and as a result “at least five-lakh new jobs will be created,” Principal Secretary (MSME and Export Promotion) Navneet Sehgal told The Sunday Express. He added that loans will be given to entrepreneurs for self-employment under the ‘One District One Product’ scheme and minimum four-five people are expected to be employed by each of these entrepreneurs in their new businesses.

According to the statement, “Along with the readymade garment industry, a policy for perfumes, incense sticks, agricultural products, food packaging, cow-related rural products, flower-based products, and compost and fertiliser business is being formulated by the government.”

Additional Chief Secretary Awanish Kumar Awasthi said 97 trains ferrying migrant workers from multiple states had arrived in the state while 17 others were on the way.

Source: financialexpress.com- May 10, 2020

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Karnataka 'conditionally' allows garment factories to run in red zone districts

Karnataka has permitted garment factories located in red zones, but outside containment zones, to resume operations at 1/3rd workforce.

Earlier, garment factories could operate only for the purpose of stitching Personal Protective Equipment (PPE) kits.

In an order, Chief Secretary TM Vijay Bhaskar said all "recognised" garment factories that have an importer-exporter code (IEC) and those registered with the Apparel Export Promotion Council (AEPC) can start operations with 1/3rd of the total workforce "subject to following standard operating procedures."

Karnataka is home to over 5,000 units that are engaged in manufacturing of textiles, wearing apparel, dressing and dyeing of fur. It is estimated that over three lakh persons are employed in the garments sector.

In another circular, the government clarified that migrant workers, pilgrims, tourists, students and others can hire and use buses provided by the KSRTC, NWKRTC, NEKRTC on "payment basis" for travel from Karnataka to other states with relevant permissions.

"Similar facility on payment basis may be made available by KSRTC, NWKRTC, NEKRTC, BMTC to transport workers to industries permitted under the issued guidelines (sic)," Revenue (Disaster Management) principal secretary TK Anil Kumar said in the circular.

Source: deccanherald.com- May 09, 2020

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Covid-19 And Textile Industry

The world is challenging Covid-19 Pandemic, which has not left any part of the world to face it. One side lives are been lost as a result of Pandemic, other largest consequence that the world is facing big downfall in the economy too.

This economic crisis has attacked various business in and around the world. All sort of Travel, Hospitality, Hotels, Restaurants, Bar, Package food, retail, e-commerce, Automobile etc. One of the severely affected industry is Textile Manufacturing too. Which is the second largest employment creating industry after agriculture?

If we see below chart except people working in agriculture, rest all would be affected due to pandemic situation around the world. Means more than 5 billion people are living with an unknown future. This is the current panic situation ahead of the whole world.

The slew of measures being taken by the government to fight the coronavirus pandemic has put textile manufacturers in a spot. While on the one hand, the sector is struggling to continue with its production schedule as offtake has almost come to a halt, on the other the pressure to repay its dues to banks is alarming.

The textiles industry in India was estimated at more than US$ 100 billion in January 2020. It is the second-largest employer after agriculture, providing employment to over 45 million people directly and 60 million people indirectly. These include manufacturers, suppliers, wholesalers and exporters of Cotton Textiles, Handlooms, Woolen Textiles as well as those engaged in the manufacturing of textile machinery and equipment, dyes and raw materials, delivery of finished textiles, fabrics and garments.

While the yarn is mostly produced in the mills, fabrics are produced in the Shuttleless looms, power loom, knitting m.c's and handloom sectors. The textile industry indirectly contributed around 5 per cent to GDP. The sector contributed around 14 per cent to the overall Index of Industrial Production (IIP).

Among the massive impact that coronavirus has had on the economies, fashion is one of the hardest-hit industries.

Stating that the situation is taking a turn for the worse due to closure of malls and retail showrooms, it's said, "The textile and clothing sector is labour and capital intensive. A majority of workers are migrant labourer's; they have now started to return to their native places. With the total disruption in workflow and production schedule, the industry is facing its worst-ever crisis.

In the export area, now that Covid-19 has taken over key buying areas like Europe and the USA the impact will be severe especially on the suppliers of luxury fabrics and embroidery. For suppliers to fast fashion/mass retail, there might still be hope in the aftermath but initially, at least there will be smaller orders and very tight margins.

Coming to domestic suppliers. Depending on how the Covid-19 scenario evolves in India, we are looking at very low consumer sentiment and therefore much less consumption this year. Retailers and brands have already started halting production lines, delayed season releases and cut buying budgets to prepare for these eventualities. Of Course, with few garments being made there will be less demand for fabrics so overall the situation is looking gloomy.

• The economic carnage brought forth by forced shutdowns and changes in consumer attitudes to discretionary purchases, such as clothing, may lead to the winnowing out of weaker players.
• Experts are worried about the impact that this black swan event will have on the domestic apparel industry in India.

. According to specialists, once the dust settles on the immediate crisis, the apparel industry faces a recessionary market. One of the reasons for this is the prospect of long-lasting changing consumer behaviour due to social distancing and the preference for sanitized products.

Will consumers want to march into crowded malls to do their shopping, as they nonchalantly did before? Moreover, the most critical part of an apparel purchase in a market like India is trial. As Spanish sustainable textile technology provider Jeanologia's founder Enrique Silla explicates; after the Covid-19 crisis is over, consumers will be uncomfortable to touch and feel garments in retail stores, jittery about who would have touched it before them.

He suggests, "The world will not be the same after Covid-19. For the textile industry is very important to recover the trust of the consumer. Only through sanitizing, brands will be able to speed up regaining consumers' trust, guaranteeing the fast recovery of our industry."

Further, as per experts, it is being widely speculated that a significant number of people in the world are bound to lose their jobs (and are already being laid off by their employers) as a means to cut costs amid the health exigency. In fact, according to a recent note from the International Labour Organisation titled 'Covid-19 and the World of Work: Impact and Policy Responses', the coronavirus crisis will have a far-reaching impact on labour market outcomes. The UN body estimates that the virus will be pushing millions of people into unemployment, underemployment and working poverty, with almost 25 million jobs being lost worldwide as a result of Covid-19.

This would mean income losses for workers and subsequently translate into a fall in consumption of non-essential goods and services like garments, in turn affecting the prospects for businesses and economies. There will be no urgency to buy apparel as consumers are primarily focusing on grocery, medicines and staples purchase. This is also due to the uncertain economic scenario prevailing all over the world, limited product options and late & expensive deliveries, reduction in occasions to go out & hence the need for new clothes.

A recent report calibrated by Wazir Advisors – Impact of COVID-19 Scenario on European and the US Apparel Market – estimates that the combined apparel consumption of EU and the US might fall to about US$ 308 billion, 40-45% lower than the 2020 projected consumptions. This will be a tough time for Indian apparel exporters as about 60% of the country's apparel exports are destined for EU and the US markets.

Without fresh export orders and a restarting of the economy, many garment producers will be either forced to shut shop entirely or inflict stringent cost-cutting measures, including layoffs. CMAI anticipates as many as one crore job cuts in the textiles sector. Add to that the fact that last month, millions of migrants were compelled to flee from cities to their homes to evade death from hunger due to the plunge in economic activity.

From manufacturing through to retail, the garment industry employs close to 25 million people. If the current situation continues beyond a month from now, nearly a quarter of the jobs in the industry will be lost, according to the

Clothing Manufacturers' Association of India (CMAI). Recovery, the CMAI predicts, will take at least 10 months to a year. Without government support, it adds, the industry cannot survive this unprecedented crisis.

However, on the brighter side, a number of countries around the world, such as the USA & Japan, have decided to learn lessons from this calamity and look for alternate production sources other than China. India should capitalize on this situation and present itself as a credible alternative to increase its textile and apparel exports share. Further, manufacturers need to maximize their internal capabilities and focus on building their efficiencies if they want to emerge as a better option than competitors like Bangladesh, Vietnam and Cambodia. They must also incorporate digital strategy in the buying process. They should also think about markets other than the US & Europe such as Japan and South Korea.

The biggest shifts in fashion have historically not come from runway trends but followed events such as wars that disrupt society on a huge scale, says Kimberly Chrisman-Campbell, a fashion historian and author of Worn on This Day: The Clothes That Made History. Their effects ripple through supply chains, the economy, social behaviour, and daily life, often accelerating and normalizing changes already underway.

Now the demand for Hygiene textile would be very high. No product whether its apparel wear or home textiles, knitted or woven, adults or kids, formal or casual, will have to have inbuild Hygiene in it. This trust-building up will be key with consumers to regain business at the earliest.

Working on finishes below during development and production will surely help to build up trust with the consumer.

Apparel and home textile Industry would focus on a combination of below finishes

- Anti microbial/Anti viral/ Anti Bacteria
- Water repellents
- Hydrophilic
- Wrinkle-free
- Anti-odour, Anti Sweating
- Anti-pilling(to avoid entrapping of Microbial)
- PU coated Denims
- Soil release and few more

Source: businessworld.in- May 11, 2020

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Export contraction in April could surpass March's steep 25-year decline

Major forex earning sectors cite lack of labour, funds and key supplies

Financial year 2020-21 is expected to begin on a somber note for India's exports, which are likely to continue sliding in April after a record fall in March. Lack of labour, liquidity and key raw materials dogged even the few industrial units that had managed to reopen once industry was partially allowed on April 20, exporters complain.

In March, exports had contracted by 34.5 per cent - the steepest monthly fall in at least 25 years - as overseas demand remained lackluster due to the coronavirus pandemic. In the following month, a few export units such as those in the chemical and pharma sectors that were allowed to function had complained of logistics issues and port troubles.

"Given that factories were shut nationwide for 20 days in April, as compared to only five days in March, there's no doubt that April will see a 40-50 per cent decline in exports," said Ajay Sahai, director general of the Federation of Indian Export Organisations (FIEO). With even processed petroleum exports also taking a beating since international prices nosedived, outbound trade will crash but a decline of more than 50 per cent will be a cause of worry, Sahai added.

Not running smoothly

In the crucial engineering goods sector, which accounts for one-fourth of India's $314 billion exports in 2019-20, a lack of labour has crippled the bicycle, fasteners and hand tools industries in Punjab while Gujarat based castings units have suffered from lack of raw materials, according to Ravi Sehgal, chairman of Engineering Export Promotion Council.

"As we had feared, major chunks of our foreign market share in key export destinations like the United States and Europe are under pressure from competing nations. On the face of it, Mexico and Brazil are gaining on Indian exports in North America while products from Turkey and Egypt are creating pressure in European markets. But the real threat remains from Chinese suppliers who have now resumed production and are undercutting prices," Sehgal stressed.

The sector had been badly hit by order cancellations but with European nations again opening up, a sudden demand in equipments for water, gas and power distribution is expected which may allow for some recovery of lost ground. The industry has informed the Commerce and Industry Ministry that it wants units to start soon as most of the April-October peak season has already been lost.

Hanging by a thread

With an even shorter business season, apparel and textile exports are witnessing significant turbulence. With major retailers like J Crew, Neimann Marcus and Aldo filing for bankruptcy in the United States, vast shipments ordered by a clutch of related brands for the ongoing Spring-Summer Season 2020 have languished in shut warehouses.

"While the industry has now turned to pushing out more raw materials to Vietnam and Thailand. But on one hand, freighters have kept up charging extremely high costs of shipping.

On the other, complete breakdown in movement across the overland crossing to Bangladesh has left more than 1000 tonnes of cargo stranded," said Siddhartha Rajagopal, Executive Director, at Cotton Textiles Export Promotion Council. Securing certificate of origin and digital signatures for documents have also become difficult, he added.

Elsewhere, the Commerce Department has continued receiving pleas. The Apparel Export Promotion Council has requested the Department to push the issues of extension of packing credit and forward contract by 6 months without penal interest and waiver of penalty imposed on forward covers by some banks, with the Finance Ministry.

Meanwhile, the Confederation of Indian Textiles Industry has suggested all raw materials, dyes and chemicals, intermediaries, spares, and accessories be exempted from anti-dumping duty and basic customs duty to reduce costs.

Bitter pills

Hoping to secure a breather in April, pharmaceutical exports have come up against a string of restrictions on export of active pharmaceutical ingredient (API) even as the sector recovered from the lack of bulk drugs, imported from China. While in April, Europe sought about 1,000 tonne of the active pharmaceutical ingredient (API) for paracetamol -- used commonly to treat body pain and fever -- from India, the shipment of these were held up by slow movement at ports.

The gap in production due to the absence of bulk drugs also shook the sector. "Having seen the the good pace of export trend in first three quarters and price stabilisation in the United States, it was estimated that FY2020 exports would reach $22 billion," said Pharmexcil Director General Uday Bhaskar.

Exporter's bodies have now asked the government to let industrial units reopen fully even in the high-risk red zones, stating that losses are rising rapidly. "We understand it may be difficult to keep business running, since the red zones are where the corporate offices, server systems and distribution points are based," said a senior government official.

Source: business-standard.com- May 09, 2020

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India set to cover the globe with exports of masks

'Demand goes viral in the backdrop of COVID-19 pandemic

India is expected to emerge as one of the main exporters of masks with the habit of its wearing catching up on people worldwide in the backdrop of the COVID-19 pandemic.

Francesco Esposito, director of Bioxgreen Technology, a Chennai-based biotech firm, says the demand for masks in Europe is expected to be in the order of millions. It is said that more than 150 million pieces are needed a month in each European country, including different models of masks.

Each buyer decides on the model of mask every month and some of the major suppliers are China, Thailand, Vietnam, Indonesia, Brazil and Argentina.

‘Fantastic alternative’

“India can be a fantastic alternative to China,” he said. “India, for me, is the world between China and Europe. It has the skills and capability. If it does good quality products, it has huge export potential (for masks).”

In an article, ArtValley, an organisation that co-ordinates with Indian and Italian entrepreneurs to promote cooperation, says, “In Europe, there is a major need for masks manufactured in India for protection against the COVID-19 outbreak since the combined import from China and local production within the European Union is not enough to meet the increasing demand.”

China covers only half of the global demand and India can enter the market as the second-largest producer in the world, when the Indian government lifts the ban on export of masks and PPEs.

According to K.S. Sundararaman, chairman, Indian Technical Textile Association, Indian manufacturers make surgical, respirator and cloth masks and masks with high particulate filtration efficiency and breathability. “There is a lot of innovation going on, making the masks aesthetically good while providing high protection efficiency,” he says.

Regarding exports, Mr. Sundararaman points out, “There are world-class manufacturing facilities in India. We have the capacity to meet Indian needs and those of exports, too. There is a fantastic opportunity.”

Currently, the number of cloth manufacturers are more. When the Union government permits export of masks, overseas buyers will ask for certifications and standards and manufacturers, who are able to meet these requirements, will export. More machinery is imported to make top quality masks. What the country needs is a full-fledged testing facility for masks.

Raja M. Shanmugham, president of Tiruppur Exporters’ Association, says Tiruppur, which has not been a healthcare products manufacturing hub so far, has ventured into production of masks, coveralls and personal protection gear. Even during lockdown, during the last couple of days, almost 200 seam-sealing machines were imported and installed by companies in Tiruppur.

The Centre is expected to revoke the ban on export of masks soon. “When the lockdown is lifted, we will have access to more resources. We have a testing facility in Coimbatore. Tiruppur will now become a hub for making quality medical textiles,” he says.

An official source at South India Textile Research Association (SITRA), which is one of the testing facilities approved by the Union government to test masks and fabric used in coveralls, says masks are currently tested for five parameters and the important ones among these are: bacterial filtration efficiency, breathability, and splash resistance.

Some companies are coming out with woven cloth masks that have anti-bacterial and water-repellent coatings. The masks should be able to meet, probably, more parameters for exports.

Source: thehindu.com- May 10, 2020

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There will be no delay in cotton seed distribution, says Maharashtra Agriculture Minister

In Maharashtra, there are enough supplies of cottonseed and there would no delay in seed disbursal to the farmers. Large-scale retail sales of the seeds are expected to commence after May 15, said State Agriculture Minister Dadaji Bhuse.

Bhuse, in a brief telephonic interaction with BusinessLine, said that there were fears expressed by some agriculture experts that early planting of cotton seeds could lead to pink bollworm infestation and so the State Government is encouraging farmers to plant the seeds closer to the commencement of monsoon season.

This has been learning of 2017 pink bollworm attack. However, there is no State Government control over the sale of cottonseeds in the state.

In Maharashtra, the cotton crop is extensively cultivated in Vidarbha and Marathwada region.

The pre-plating activities of making the cotton fields ready for kharif crops starts by early May.

The State Agriculture Department has announced that the farmers will require about 1.7 crore seed packets of cottonseeds, and but planned availability is for 2.72 crore packets.

Controlling pink bollworm menace

Shetkari Sanghatana leader and cotton farmer Milind Damle from Yavatmal district said that planting had started at the same time last year also, which helped in controlling pink bollworm infestation.

Buying State Government-approved seeds is not a problem, but the lockdown has affected the whole chain of illegal HTBT seeds, they are no longer available in the market, he said.

In 1978, well-known farmers' leader Sharad Joshi founded Shetkari Sanghatana to help farmers get easy market access to sell their agriculture products.

A senior agriculture scientist working with the State government said that the last major pink bollworm attack was in 2017, and since then the state machinery has become very alert to the menace of the bollworm.

This year, the State Agriculture Department, as part of risk mitigation measure, has been asking the farmers to follow a mixed cropping pattern with cotton followed other crops.

Govt to procure maize, jowar

In a separate development, the State Agriculture Department, which had lobbied with the Centre to provide assistance to maize and jowar farmers, and has been given permission to procure the grains.

Accordingly, the Maharashtra government will procure 25,000 metric tonnes of maize and 15,000 metric tonnes of jowar from the farmers.

The Consumer Welfare, Food and Public Distribution Department of the Union Ministry of Consumer Affairs has given the go-ahead, and procurement will be done through the regional branch of the Food Corporation of India.

The purchased grains would be distributed to the consumers through the public distribution system. This decision is expected to relief to the farmers in the State.

Source: thehindubusinessline.com- May 09, 2020

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Covid-19: E-commerce orders gradually scaling back to pre-lockdown level

Sales of non-essential items on e-commerce platforms in the first week of May were lower than last year on account of lockdown, but orders are scaling fast with people buying apparel, smartphones and grooming products among other items, according to industry executives.

E-commerce companies have been permitted to sell all items in orange and green zones starting from May 4, 40 days after the nationwide lockdown was imposed on March 25.

In the first two phases of the lockdown, e-commerce companies like Flipkart, Amazon and Snapdeal were allowed to sell only essential items like grocery, medicines and healthcare products.

Depending on the number of cases of coronavirus infections, areas have been divided into red, orange and green zones.

However, in the red zones that include top e-commerce hubs like Delhi, Mumbai, Bengaluru, Pune and Hyderabad, e-commerce companies can still ship only essential items.

While people are going online to buy items like chargers, extension cords, notebooks and pens to facilitate work and study from home, they are also picking up grooming products like trimmers, games like chess, monopoly and carom, and books across genres, a senior industry executive said.

The person added that since delivery of non-essentials is still not allowed across the country, the volume is less compared to previous year. However, against March numbers (pre-lockdown), the growth is certainly healthy.

Another challenge facing the industry is the availability of limited manpower for warehouses and delivery. “Our order volumes grew rapidly and swiftly reached 50 per cent of pre-lockdown volumes within five days of expanded operations. Compared year-on-year, the order volumes for the first 9 days of May 2020 was 52 per cent of volumes in the same period last year,” a Snapdeal spokesperson said.

The spokesperson added that another clear indicator of demand was conversions (from visitors to buyers), which was more than double of pre-lockdown average and even though demand estimation is a complex process right now due to multiple variables, the intensity and speed of demand restoration exceeded expectations.

Home use category like utensils, mixers and grinders, mops and brooms, and mosquito nets featured high in both search and sales. Snapdeal gets more than 75 per cent of its business from non-metro cities.

The spokesperson said locations like Panipat, Ambala, Panchkula, Amritsar in north; Udaipur, Valsad, Jamnagar and Goa in west; Coimbatore, Visakhapatnam, Pondicherry, Thiruvananthapuram, Kozhikode and Tuticorin in south, Cuttack in India and Guwahati in North-East have emerged as current high demand zones.

An Amazon India spokesperson said sellers on its platform have received orders for smart devices, electronics, kitchen appliances, clothes, toys and games and other work and study from home items.

Paytm Mall Senior Vice President Srinivas Mothey said the company has seen demand for non-essentials steadily picking up in all the orange as well as green zones.

“There has been a surge in searches and the sale of mobiles, masks, trimmers, laptops as well as other consumer electronics. There has been a 1.5X increase in sales as compared to March,” he said.

Northern region of the country, few cities of south and eastern region are doing extremely well for Paytm Mall and the company is increasing the number of sellers and suppliers to meet the demands, he added.

Source: financialexpress.com- May 10, 2020

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The new labour rules in Gujarat, Madhya Pradesh and Uttar Pradesh

The three big BJP-ruled states- Gujarat, Madhya Pradesh and Uttar Pradesh announced significant labour reforms allowing businesses to hire and fire, among host of other measures, to unshackle industry and attract investments. ET examines the labour reforms template of three states, which also seems to be part of efforts to lure companies looking to move out of China.

Madhya Pradesh
1. HIRE & FIRE
* Establishments with up to 100 workers can hire according to needs.
* No registration for contractors with 50 labourers.

2. END OF INSPECTOR RAJ
* No factory inspection for 3 months.
* No inspection for firm with less than 50 workers.
* Third-party inspection allowed.

3. EASIER LICENSES AND REGISTRATION
* Registration and licenses to be issued in a day.
* Renewal of a factory license once in 10 years.
* Startups need one time legislation; no renewal.

4. SHIFT HOURS
* Raised to 12 hours from 8 hours in factory.
* Overtime of up to 72 hours permitted; flexibility in changing shifts.
* Shops and establishments can operate from 6 am till midnight.

UTTAR PRADESH:
Industry exempted from all labour laws barring the following:
1. Building and Other Construction Workers' Act, 1996.

2. Workmen Compensation Act, 1923.

3. Bonded Labour System (Abolition) Act, 1976.

4. A section of Payment of Wages Act to apply.

GUJARAT

New industrial establishments exempted from all labour laws barring the following:
1. Minimum Wages Act.

2. Industrial Safety Rules.

3. Employees' Compensation Act.

*Ordinance to roll out benefits that will be available for 1,200 days.

*100% online approvals within 15 days.

*33,000 hectares set aside; land to be allocated in 7 days.

What it means for business
1. Free hand to employers to hire and fire workers.
2. No labour inspection or govt intervention.
3. No role of unions.
INDIA INC PLEASED
*Says this will provide much needed flexibility.
*There will be competition among states for reforms.

BUT LABOUR UNIONS UNHAPPY
*Want the centre to restrain states from introducing such changes.
*Say these would be detrimental to workers, give free hand to employers.

Source: economictimes.com- May 09, 2020

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Leasing of warehousing, industrial space to rebound strongly post virus crisis, say experts

The leasing of warehousing and industrial space has slowed down because of the nationwide lockdown but demand may rise post-COVID-19 with expected growth in e-commerce and possible shift of manufacturing activities from China to India, according to industry experts.

“Industrial and warehousing is the most resilient segment in India, which is likely to emerge quickest and strongest post-COVID-19,” property consultant Savills India said in a report.

The demand-supply of industrial and warehousing space is expected to soften as compared to previous estimates in the near to medium term due to coronavirus pandemic, the consultant said.

Higher supply contraction could lead to decrease in vacancies and optimum pricing, it added.

In its report 'India Front & Center – Production & Supply Chain', Savills India has revised its estimates downwards for both absorption and new supply of warehousing and logistics space for 2020.

The projection for warehousing and logistics leasing has been revised to 30 million sq ft from 40 million sq ft earlier.

Fresh supply is now estimated at 12 million sq ft this year from 42 million sq ft projected earlier across top eight cities — Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata, Mumbai and Pune.

When contacted, Embassy Industrial Parks CEO Aditya Virwani said, "Both logistics and industrial requirements will see an increase post-COVID. The digital shift to online retail has been a success during these times and that will result in e-commerce firms growing in India."

Embassy Industrial Parks has facilities in Maharashtra, Tamil Nadu, Telangana and Delhi-NCR.

On industrial space, Virwani, who is also COO of Embassy Group, said: "India has not been able to compete with China and other Asian countries with manufacturing investments. Now is the opportunity to capitalise on the fear of setting up in China."

With the right support of the government, Virwani said the industrial space can see a boom. "Our existing clients are holding off on growth in China and looking for new markets."

Rajesh Jaggi, vice chairman – real estate, Everstone Group, said the warehousing segment is considered as an essential service and has therefore largely not been affected due to the lockdown.

Everstone group-backed IndoSpace is into development of logistic and industrial parks. "Leasing activity is expected to be slower in this period as companies will focus on maintaining efficiencies of their manufacturing and supply chain processes, instead of new procurement.

“While we have not experienced significant change in demand due to COVID-19, the timelines to close a contract may differ under current circumstances,” he said.

Once the lockdown period is over and manufacturing picks up, Jaggi expects that sectors like pharmaceuticals, e-commerce and food industries would ramp up their storage capacities in line with the demand.

IndoSpace is adhering to all safety and hygiene norms at its various facilities, he added.

According to Savills India, the recovery for the segment could be quick post the pandemic on the back of strong inherent demand, especially from sectors like e-commerce, 3PL (third party logistics), FMCG (for essential goods/services) and pharmaceuticals.

“Even during the lockdown, warehousing space requirements for players, especially dealing with essential items have witnessed increased demand – in terms of enquiries and expression of interest,” the consultant said.

As per the research report, more than 3 million sq ft of new contracts were signed across six locations by manufacturing, 3PL and e-commerce clients in the last few weeks.

“There is a strong pipeline of development for warehousing and logistics space that is underway in the country. More than 3,000 acres of land acquisition under various stages of due diligence /closing for the purpose while institutional investment deals of around USD 600 million are currently in progress,” the report said.

Source: financialexpress.com- May 09, 2020

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Explained: What labour law changes mean

Last week, a number of state governments made key changes in the application of labour laws. What are the labour laws in the country, and how can such changes impact firms, their workers, and the economy?

As the economy struggles with the lockdown and thousands of firms and workers stare at an uncertain future, some state governments last week decided to make significant changes in the application of labour laws. The most significant changes were announced by three BJP-ruled states — UP, MP and Gujarat — but several other states, ruled by the Congress (Rajasthan and Punjab) as well as BJD-ruled Odisha, too made some changes, although smaller in scope. UP, the most populous state, has made the boldest changes as it summarily suspended the application of almost all labour laws in the state for the next three years.

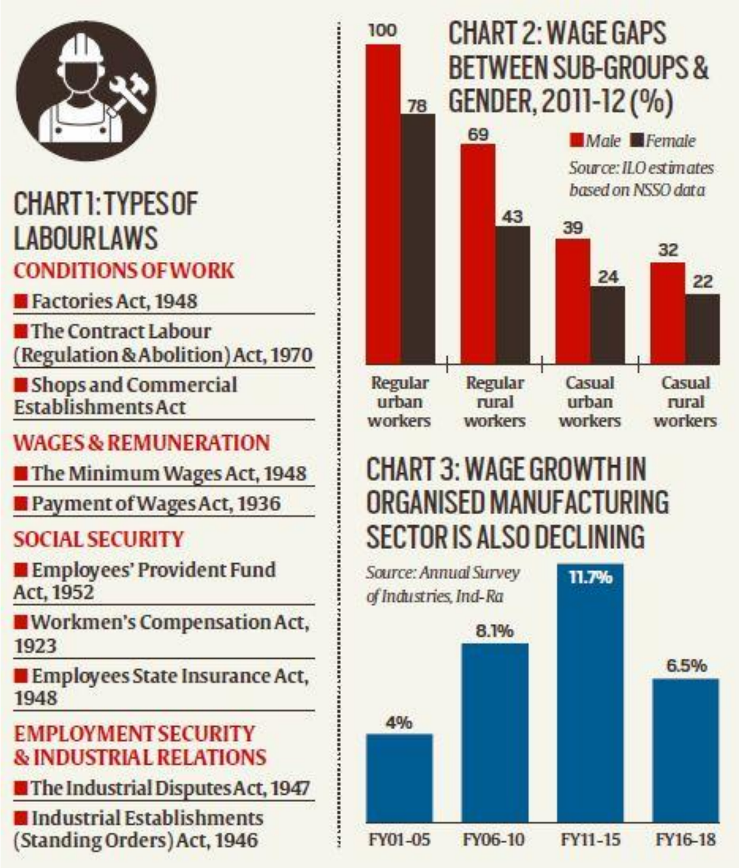
On the face of it, these changes are being brought about to incentivise economic activity in the respective states. Keeping aside the questions of law — labour falls in the Concurrent List and there are many laws enacted by the Centre that a state cannot just brush aside — the key question is: Are these the long-pending reforms of the labour market that economists used to talk about, or is the suspension of labour laws an ill-timed and retrograde step that critics have made it out to be?

What are Indian labour laws?

Estimates vary but there are over 200 state laws and close to 50 central laws. And yet there is no set definition of "labour laws" in the country. Broadly speaking, they can be divided into four categories. Chart 1 provides the categorisation, with examples.

The main objectives of the Factories Act, for instance, are to ensure safety measures on factory premises, and promote health and welfare of workers. The Shops and Commercial Establishments Act, on the other hand, aims to regulate hours of work, payment, overtime, weekly day off with pay, other holidays with pay, annual leave, employment of children and young persons, and employment of women.

The Minimum Wages Act covers more workers than any other labour legislation. The most contentious labour law, however, is the Industrial Disputes Act, 1947 as it relates to terms of service such as layoff, retrenchment, and closure of industrial enterprises and strikes and lockouts.



Why are labour laws often criticised?

Indian labour laws are often characterised as "inflexible". In other words, it has been argued that thanks to the onerous legal requirements, firms (those employing more than 100 workers) dither from hiring new workers because firing them requires government approvals.

As Chart 4 shows, even the organised sector is increasingly employing workers without formal contracts. This, in turn, the argument goes, has constrained the growth of firms on the one hand and provided a raw deal to workers on the other.

Others have also pointed out that there are too many laws, often unnecessarily complicated, and not effectively implemented. This has laid the foundation for corruption and rent-seeking.

Essentially, if India had fewer and easier-to-follow labour laws, firms would be able to expand and contract depending on the market conditions, and the resulting formalisation — at present 90% of India's workers are part of the informal economy — would help workers as they would get better salaries and social security benefits.

Is that what is proposed by states like UP?

As a matter of fact, no. UP, for instance, has summarily suspended almost all labour laws including the Minimum Wages Act.

Radhicka Kapoor of ICRIER characterised this as "creating an enabling environment for exploitation". That's because far from being a reform, which essentially means an improvement from the status quo, the removal of all labour laws will not only strip the labour of its basic rights but also drive down wages. For instance, what stops a firm from firing all existing employees and hiring them again at lower wages, she pointed out.

In that sense, from the perspective of the workers, the government has completely turned its stand from asking firms not to fire workers and pay full salaries at the start of the lockdown, to stripping workers of their bargaining power now.

Moreover, far from pushing for a greater formalisation of the workforce, this move will in one go turn the existing formal workers into informal workers as they would not get any social security.

Why will wages fall?

For one, as Chart 3 shows, even before the Covid-19 crisis, thanks to the deceleration in the economy, wage growth had been moderating. Moreover, there was always a wide gap between formal and informal wage rates. For example, a woman working as a casual labourer in rural India earns just 20% of what a man earns in an urban formal setting.

If all labour laws are removed, most employment will effectively turn informal and bring down the wage rate sharply. And there is no way for any worker to even seek grievance redressal, said Amarjeet Kaur, General Secretary of AITUC.

Click here for more details

Source: indianexpress.com- May 11, 2020

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How COVID-19 revealed a skewed power equation of the fashion value chain

COVID-19 has completely frozen the supply chain for the textile and garment industry across the world. This industry is as global as it gets and the impact on the industry is obviously very high.

This business disruption has brought the main fault lines of the apparel industry in a stark view which needs to be addressed both in the short term and long term.

Not everyone shared equal pain

All parties in the apparel value chain got affected by the disruption caused by COVID-19. However, not all parties were equally positioned to navigate the sudden disruption from this global crisis.

With consumer outlets being shut, fashion brands and retailers have taken an enormous hit to their bottom line and cash reserves. The retailers responded by canceling almost all orders of manufacturing factories including the ones under process. A study by Center for Global Workers' Rights for Bangladesh revealed that when the orders were canceled, 72.1% of buyers refused to pay for raw materials (fabric, etc.) already purchased by the supplier, and 91.3% of buyers refused to pay for the cut-make-trim cost (production cost) of the supplier. Not very dissimilar results were reported for a study done for India. Not only that these factories were left stranded, but the impact was also much more extreme because they have far less access to capital too.

But the worst hit were the factory workers, of which almost 85% are women, who typically earn below living wages and do not accumulate any savings. Millions of these workers were furloughed and terminated without compensation, which puts their ability to put food on the table and cover any health expenses in serious jeopardy.

Squeeze and punishment

The reason for the skewed outcome is that over a period of time the power equation between buyers and suppliers has become more and more imbalanced. McKinsey Global Fashion index reveals that during the 10 year period between 2008 to 2017, top-20 fashion companies cornered on average 88% of entire industry profits. While the buyers were increasingly getting consolidated, a dispersion of suppliers was happening from changing global trade rules which resulted in an increased power imbalance.

This imbalance has resulted in two sourcing trends in apparel global supply chains. First is ‘price squeeze’ in which buyers constantly seek to lower the price paid to the manufacturers. Second is ‘lead time squeeze’ in which buyers demand supplier factories to produce goods in increasingly shorter periods of time.

But beyond the twin squeezes, the buyers also punish suppliers for any delay. During the beginning of the COVID-19 crisis, there was a sudden shortage of raw materials when parts of China went into lockdown. A study revealed that more than 50% of buyers penalized the suppliers for delays in their shipments. For the remaining, almost all of them were unable to have their buyers readjust pricing to accommodate the higher raw material prices.

No safety net on payment terms

Primark, which last year posted operating profits of USD 1.07 billion, canceled all of its orders with its suppliers. As per press reports, this included “orders already in production at factories”. Many buyers evoked the force majeure clause in their contracts to justify the breaking of their binding obligation to pay for orders in production.

This is ironic since according to Article 7.1.1 of the Vienna Convention for International Commercial Contracts, force majeure claims should apply to the party with the most relevant contractual obligation, which in this case would be the factories producing items, not the buyers that have agreed to pay for them.

But how did the industry arrive at such a payment mechanism? A few years back most payment terms were agreed on Letters of Credit (LCs), which essentially is a guarantee from a bank that the seller will receive payment due from the buyer upon presenting certain documents as proof that production has completed to the buyer’s required standards. However it added a layer of bureaucracy and as relationships between buyer and seller developed, a prevalent system emerged of Sales Contracts (SC) based on Purchase Order (PO) issued by a buyer. Based on SC, the manufacturer would raise its own LC to procure necessary raw materials to complete the order. The SC terms typically provide for legal recourse in case of non-payment.

Flaw in this payment system was exposed by the crisis as buyers delayed payments and even canceled orders citing extraordinary circumstances. The manufacturers were left without any bank guarantee even for partially completed orders.

So what next?

All stakeholders of the industry need to work towards the evolution of a more egalitarian payment structure. Like in many other industries, manufacturers should be covered for their expenses as per the stage of the order execution. The buyers should compensate the manufacturers for the purchase of necessary raw materials with the balance payment being guaranteed by contracts or LCs.

Since cost is a critical criteria for any conversation, especially in the fashion industry value chain, technology can be deployed to arrive at cost-effective solutions. Modern cost-effective systems could be deployed to monitor the execution, and trust in data could be established by blockchain, which could then be linked with the stage-wise payment mechanism.

There will be multiple solutions that will be explored, but one thing is certain: any viable payment system has to recognize that such an imbalance of current equation is untenable and it is grossly unfair to expect apparel manufacturers to bear the entire financial burden of such disruptions.

Source: economictimes.com- May 09, 2020

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Wholesale textile merchants seek nod to resume business

Textile merchants, who have their business establishments in and around the containment zone near Vilakkuthoon area in Madurai, have petitioned the Collector to allow them to reopen their shops.

In a petition, Tamil Nadu Textile Merchants' Association secretary Asraf Tayub said there were around 1,000 shops in Vilalkuthoon area, spread over South Masi street, East Masi Street, Panthadi and the by-lanes. With several by-lanes near East Masi Street having been cordoned off due to a reported case of COVID-19, all shops in the containment zone remain closed.

"Madurai being the hub for south Tamil Nadu, traders from Tiruchi to Kanniyakumari and parts of Kerala buy materials from us. With the lockdown relaxation taking place, the textile sector in this area should not be left out from resuming business," he said.

Customers need not come in person as orders could be taken over phone and shipped. Much of the fabric essential in treatment of COVID-19 - hospital linen, bedsheets, pillow cases and masks - were available with the merchants in abundance. "By opening the lines of trade, we will be aiding in COVID-19 prevention," Mr. Asraf said and added that the shops will follow physical distancing norms.

Source: thehindu.com- May 11, 2020

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Fashion startup now on mask mission amid COVID-19 pandemic

With business doing well, March was looking bright and promising for Ashwajeet Singh and his newly launched startup, Bekar. Keeping sustainability at its core, the 28-year-old crafted scarves fashioned from the finest cotton waste—scraps of cloth, leftover threads, yarn, and other waste material from the textile industry and export houses.

Along with a group of talented and committed weavers, Singh would also turn the waste into home decor items. In fact, the four-month-old company's turnover in February had filled him with hope. But as COVID-19 spiralled into a global crisis, it soon upset his well-laid plans.

The lockdown posed a litmus test for his sustainable fashion startup as his weavers headed back to their villages. Soon the entrepreneur was left to his own devices. Shattered initially, he turned the tables and started converting his merchandise into face masks, which are the need of the hour.

"When the Delhi government made it compulsory to wear masks, I shuddered at the thought of how disposable or one-time use masks will end up in landfills, and the numbers will be significant," says Singh, adding, "So I started making masks from my latest scarves collection and have made a design which is functional as it covers the nose, mouth, and ears, effectively."

Instead of selling these re-usable masks for profit, Singh is exploring the idea of giving them pro-bono. He has donated some locally and is currently looking at places where he could carry the initiative forward. The entrepreneur, who believes a product is truly sustainable only if the entire cycle - from sourcing to packaging of the product—is carried out in a sustainable manner, says, "Earlier we used to make shirts, throws, scarves and the likes.The products are cruelty-free and are made sans chemicals or excess water."

Viable fashion, conscious clothing choices, and digital buying are set to be the new future of the fashion industry, is what he believes in. Once the lockdown is lifted and industries begin production, Singh is of the belief that ‘going digital’ will be the way forward for most businesses.

He plans to open Bekar for direct orders via Instagram and looks forward to collaborations to sell his products, which he was solely selling through exhibitions and physical interaction with his customers until now.

Source: newindianexpress.com- May 10, 2020

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