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Covid fallout: Sinking trust in world trade

Global confidence in trade and integration has dwindled with Covid-19, which is disrupting trade and economic potentiality of not only individual countries but also regional groupings and world economy.

The most debilitating impact of this pandemic is the dislocation in the global supply chain. As China falters to provide smooth supply of intermediate products to feed the global supply chain, the future of global trade has come under threat.

China accounts for one-fifth of global manufacturing. Intermediary products produced in China are in categories of electronics, cars, machinery, textiles. Non-involvement of Chinese inputs from these supply chains, in some instances, will lead to production coming to a grinding halt, as was the case with Hyundai in South Korea. In other instances, alternatives will be found but they may be suboptimal and lead to lower volumes of production with higher cost—and will embed higher costs throughout the supply chain and could ultimately result in higher inflation.

The picture is equally grim for countries that supply intermediary products to China's shut factories. The two economies that are most affected are Taiwan and South Korea; their top export to China is electronic integrated circuit, which accounts for 5% of Taiwan's GDP and 2% of South Korea's.

The virus has been disruptive to services areas such as tourism, temporary movement of skilled workers and movement of professionals delivering expertise and advisory services. Chinese tourists travelling to Southeast Asia have dropped; in countries such as Thailand, Chinese tourists account for 2.7% of GDP.

A long-term consequence of Covid-19 might be its impact on the already faltering confidence in trade. Prior to Covid-19, there was some semblance of trade conflict and trade skirmishes, but business and government had never lost hope in trade and integration.

They had confidence in trade, in its ability to deliver mutual benefits, as trade grew roughly twice the rate of global GDP growth.

But now this confidence in the benefits of trade and integration has suffered several blows. The latest is the global crude oil prices (hitting below zero), followed by twin crises of demand and supply due to Covid-19. This combination threatens to destroy all possibilities of regaining the momentum of trade and integration.

But this perception didn't spring up overnight. Consider what immediately preceded Covid-19? Global steel and aluminium tariffs imposed by the US in 2018 were a shock to the global trade system and produced almost immediate in-kind retaliation.

The escalating US-China trade war began to ramp up later that year, taking the average US tariff on Chinese imports from 3% at the onset to almost 20% now.

China's exports to the US dropped 12.5% last year, while China's imports from the US plunged 20.9% in 2019 from a year earlier, according to data from China's General Administration of Customs.

The US continues to weigh other substantial trade actions that will beget commensurate retaliation. Given this, it is perhaps unsurprising that, last year, global trade suffered its worst performance ever outside a recession, growing by only 1%.

These bilateral trade tensions and disputes are unfolding as the multilateral trade system is, to a large extent, simply proving to be futile or breaking down. In the quarter century of its existence, the WTO has failed to conclude even a single round of multilateral trade negotiations, and its dispute settlement function has been derailed by an impasse over appellate judges.

If we wish to ensure sustainability of trade, the challenge will be to recognise and confront the new and uncomfortable realities of imbalanced trade outcomes, rather than rely on assumptions, structures and conventional wisdom that have defined our approach to trade in the post-war era.

Source: financialexpress.com – May 11, 2020

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Restart or re-stop? Europe's economies reopen but chaos abounds

Plastic barriers and millions of masks appeared Monday on the streets of Europe's newly reopened cities, as France and Belgium emerged from lockdowns, the Netherlands sent children back to school and Greece and Spain further eased restrictions.

All faced a delicate balance of trying to restart battered economies without fueling a second wave of coronavirus infections.

Social distancing was the order of the day but just how to do that on public transit and in schools was the big question.

With Monday's partial reopening, the French did not have to carry forms allowing them to leave their homes but crowds quickly developed at some metro stations in Paris, one of France's viral hot spots. A last-minute legal challenge emerged to the government's practice of confining people to their own regions, further confusing the post-lockdown landscape.

Antoinette van Zalinge, principal of the De Notenkraker elementary school in Amsterdam, wore a wide white skirt and a hula hoop slung from her shoulders and carried a long stick with a hand at one end so she could shake hands with students while still keeping 1.5-meters (5-foot) apart.

In Paris, hairdressers practiced their new workflow over the weekend ahead of Monday's reopening, and planned to charge a participation fee for the new disposable protective gear they'll need for each customer. Walk-in customers will be a thing of the past, said Brigitte L'Hoste, manager of the ?Hair de Beaut salon, who expects the number of appointments to be cut in half.

The face of beauty will change, meaning clients won't come here to relax. Clients will come because they need to," said Aurelie Bollini, a beautician at the salon. "They will come and aim at getting the maximum done in the shortest time possible.

Roughly half of Spain's 47 million people stepped into a softer version of the country's strict confinement, beginning to socialize, shop in small stores and enjoy outdoor seating in restaurants and bars. its biggest cities of Madrid and Barcelona remained under lockdown, however.

Fears about new waves of infection have been born out in Germany, where a new cluster was linked to a slaughterhouse; in Wuhan, the Chinese city where the virus started; and in South Korea, where a single nightclub customer was linked to 85 new infections.

The South Korean government pushed back hard against that wave, halting the school re-openings that had been planned for this week and re-imposing restrictions on nightclubs and bars. It is now trying to track 5,500 people who had visited a popular Seoul entertainment district by checking credit-card transactions, mobile-phone records and security camera footage.

In Germany, gyms re-opened in the most populous state, but authorities there and in France have said any backsliding in the daily number of infections could lead to new restrictions.

We're going to have to learn to live with the virus,? Health Minister Olivier Veran said on BFM television.

The hurdles ahead for tourism and the service industries were clear, even in places where infections are diminished. Shanghai Disneyland reopened to visitors, but let in limited numbers and demanded that they wear face masks and have their temperatures checked.

We hope that today's reopening serves as a beacon of light across the globe, providing hope and inspiration to everyone, the president of Shanghai Disney Resort, Joe Schott, told reporters.

In the UK which has the second-most coronavirus deaths in the world behind the US ? Prime Minister Boris Johnson announced a modest easing of the country's lockdown but urged citizens not to surrender the progress already made. Some people, however, were confused as the government shifted its slogan from ?stay home? slogan to ?stay alert" and Scotland, Wales and Northern Ireland stuck with the old slogan.

People in jobs that can't be done at home should be actively encouraged to go to work? this week, he said. He also set a goal of June 1 to begin reopening schools and shops if the U.K. can control new infections and the rate that each patient infects others. Johnson himself is the only world leader to recover from a serious bout of COVID-19.

We will be driven not by mere hope or economic necessity, Johnson promised. ?We're going to be driven by the science, the data, and public health. In the U.S., Trump administration officials spoke optimistically about a relatively quick rebound from the pandemic but then had to announce that Vice President Mike Pence self-isolating after one of his aides tested positive.

Source: financialexpress.com- May 11, 2020

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Coronavirus: global textile industry braces for sharp downturn as orders dry up

Chinese fashion marketer Kanvid Studio has managed to weather the worst of the coronavirus so far thanks to some quick adjustments from retail clients who replaced lost shopfront sales with new online business.

But company director Theodore O'Mahony knows his firm's good fortune is more the exception than the rule.

Clients tell him things will only get worse in the global clothing and textile industry and the crunch will last until the end of next year.

"There was a slight delay in samples reaching us as some suppliers were closed in China. But most are back to work now and we seem to have turned the corner," he said.

"However, I suspect later in the year the number of styles might be reduced or certainly the volume of [customer] orders ... as they look to minimise the risk of overstocking and the associated costs."

O'Mahony, like many in the global garment industry, is bracing for an additional slowdown as high-end fashion clients cut marketing budgets in response to declining demand
for discretionary products.

While there are no "doomsday scenarios", there are strong signs the entire global clothing and textile industry – from manufacturing to advertising and fashion design – is on track for a deep downturn as more retailers dump orders or go under, said Miran Ali, a spokesman for the Sustainable Textile of the East Asian Region (STAR).

The STAR is a network of producer associations promoting sustainability in the textile and garment industry, which includes China – the biggest clothing manufacturer in the world – and producers in Bangladesh, Cambodia, Myanmar, Pakistan and Vietnam.

Even with a pickup in online sales, the industry has not been able to dodge a nearly 50 per cent slump in global clothing demand, Ali said.

The upheaval caused by the Covid-19 pandemic could give rise to a "reshaping" of the industry with some smaller players in China and Southeast Asia disappearing.

Ali said China could solidify its position as the world's top producer and "reposition" itself by creating its own dominant fashion brands to harness domestic demand, especially when Western retailers were already suffering from the e-commerce revolution.

For now, though, China's textile industry is still reeling from the pandemic. Export orders plunged in April despite the resumption of almost all Chinese fabric manufacturing operations by the end of March, new data from the China National Textile and Apparel Council trade association showed.

Chinese clothing exports fell US$22.7 billion in the first quarter compared to a year earlier, a drop of 18 per cent, the council said.

Prices of luxury fabrics such as silk have fallen about 30 per cent since the start of the year, while inventories in factories producing silk thread have piled up, according to the council.

The dismal state of the industry was a culmination of a collapse in the clothing supply chain over the past four months, starting with a raw materials bottleneck in China in January due to lockdowns, followed by re-negotiations of payment terms by retailers, and the abrupt cancellation of clothing orders starting in mid-March, according to a report by the Centre for Global Workers' Rights.

"Some of those orders were entirely finished and ready to be shipped, but the buyers refused to accept order shipments or honour their contractual obligations to pay for these orders," the report said.

In early April, more than half of the world's manufacturers were struggling with cancellations of in-process orders.

The poorest manufacturing countries – which have benefited in recent years as companies have sought out lower wages – have been hit hardest by the economic impact of the pandemic.

Primark, the budget fashion chain owned by Associated British Foods, was one of the brands that abandoned its orders in Bangladesh, sparking outrage over its failure to honour commitments to support sustainable and ethical buying.

Major producing countries such as Bangladesh, Cambodia and Vietnam have made pleas for buyers to stand by their contractual obligations, as garment factories in some Southeast Asian nations have closed.

"All parties in the global apparel supply chain are feeling the extreme burden caused by Covid-19," the Garment Manufacturers Association in Cambodia said in an open letter last month. "However, factories operate on razor-thin margins and have much less ability to shoulder such burdens as compared to our customers.

"The consequential burden faced by our workers who still need to put food on the table is enormous and extreme." Herman Leung, head of operations for Hong Kong-based manufacturer Dakota Garment Group, said China's sophisticated garment industry would outlast the crisis, mainly due to its well-established supply chain, research and development (R&D) capabilities, and ability to adapt production quickly to shifts in demand.

"Gone are the days when Chinese factories made a standard order of 2 million pieces. Now they can make so many different designs and make changes to production quickly," said Leung, whose company has factories in China, Cambodia and Myanmar.

"These new production units are very lean, they are very robust, and they cope well with changes. Some even have robots and auto hanging systems.

"Because the operations are so reactive, I can make a decision in an hour over changes to orders or to make more garments."

Dakota cut management salaries but was not forced to shut any of its factories, said Leung, who saw stronger future in China, especially with its supply chain integration with Vietnam – and to a lesser extent with Cambodia – as well as position as the centre of textile R&D.

While China's manufacturing base was advanced, it would take much longer to develop retail brands to compete with household western companies like H&M or Zara, Ali said, as the Chinese clothing retail industry was notoriously fragmented.

"It could happen but it would take three to five years," he said.

Source: scmp.com - May 11, 2020

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Yarn Expo Autumn returns to Shanghai in September 2020

After hosting a record breaking 543 exhibitors from 14 countries and regions, along with over 19,000 visitors from 93 countries and regions in 2019, Yarn Expo Autumn will return to Shanghai from September 23-25, 2020. Known within the industry as the leading fair for accessing the promising Chinese and Asian markets, the 2020 autumn edition will provide the perfect platform to help the industry rebound and recover from the worldwide COVID-19 disruption. The fair is expected to occupy 26,000 sqm of exhibition space at the National Exhibition and Convention Center in Shanghai.

When commenting on the upcoming fair and its benefits for the industry, Wendy Wen, Senior General Manager of Messe Frankfurt said: "The coronavirus pandemic has forced the industry to face unprecedented challenges and whilst a full recovery will take time, businesses around the world are already looking ahead to actively seek ways to prompt a market rebound."

She continued: "This autumn's edition of Yarn Expo is therefore as vital as ever for the industry and its global supply chains. The fair offers a platform to help companies reconnect whilst supplying access to the rebounding market. With its extensive experience and understanding of the industry, Yarn Expo is in a strong position to support the overall recovery of the yarn and fibre sector."

Yarn Expo Autumn has always provided fairgoers with a comprehensive outlook on the market themes and this year will be no exception. Trending eco-friendly and innovative products will be showcased amongst a diverse range of high-quality yarns and fibers, all under one roof.

By exhibiting at the show, companies position themselves in the heart of the ever-growing Chinese and Asian markets. Donatas Čerkevičius, Commercial Director of Naturalus Pluostas, Lithuania said: “Yarn Expo is the best place to meet professionals from spinning mills, trade buyers and even designers who come here to see trending textures and colors.”

Along with efficiency, buyers also appreciate the high quality level of products available and rely on the fair as a source to access the newest industry trends and technologies. Recognising the quality and quantity of Yarn Expo Autumn after attending the fair for the last six years, Rajiv Srivastava, Manager, Neman Brothers & Assoc, the US observed: “Suppliers display all kinds of products and are always keeping up with industry trends. This show is way beyond a sourcing channel – it’s more like a stage for high-quality products and innovative concepts. It gathers everybody in one place which is effective.”

The extensive fringe programme and dedicated product zones will enrich the experience for fairgoers. Market trends and information will be shared in forums such as the China Fibre Fashion Trends and seminar which will dive deep into the Chinese market. Meanwhile, the Fancy Yarn Vision zone will return amongst others, following its popularity in the previous edition. The area will gather creative fancy yarn and downstream application products to display the latest innovations from fancy yarn exhibitors.

Yarn Expo Autumn 2020 will be held concurrently with Intertextile Shanghai Apparel Fabrics – Autumn Edition, PH Value and CHIC, providing a concentrated overview of the latest trends and developments in the sector, all in one place. Yarn Expo is organised by Messe Frankfurt (HK) Ltd and the Sub-Council of Textile Industry, CCPIT.

Source: fashionatingworld.com - May 11, 2020

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Here's how you'll be safely shopping for clothes as stores begin to reopen

You might be thinking twice about venturing to the mall to try on clothes in a fitting room, because of the coronavirus pandemic.

You're not alone.

Sixty-five percent of women said they will not feel safe trying on clothes in dressing rooms, due to the Covid-19 crisis, according to a survey by retail predictive analytics company First Insight. The firm fielded 1,066 responses from consumers on April 30. Meantime, 54% of men will not feel safe using dressing rooms, the survey found. Sixty-six percent of women, and 54% of men, said they will not feel comfortable working with sales associates in retail stores.

"The coronavirus has moved the industry away from high-touch to low-touch," First Insight Chief Executive Greg Petro said.

"The 'new normal' for retailers will be to work with shoppers in a hands-free way to help them to find what they need while also giving them the space to feel comfortable, particularly with high-risk groups," he said. "Not feeling safe trying on clothing also begs many questions on how retailers and brands will need to adapt their return and exchange policy in the coming weeks."

Retailers, especially those that sell apparel, are already scrambling to figure this out.

Macy's has said, as it reopens stores in phases, it will only leave open a few fitting rooms and will hold all merchandise tried on or returned for 24 hours. Kohl's is closing all of its dressing rooms until further notice and is holding returned items for 48 hours. Gap is also closing its fitting rooms and holding returned merchandise for a day.

"Our whole goal is to be the gold standard when it comes to safe retaining," Gap Chief Executive Sonia Syngal said in an interview.

Still, analysts do not view these strategies as feasible for the longer term.

More permanent options are being explored, such as a sanitizing system made by Indiana-based Global Ozone Innovations, which promises to clean garments using ozone-based technology within one hour, with 99.95% certainty that all bacteria and viruses are killed. A university is currently testing the sanitizing system against Covid-19 specifically, Matt Kain, the company's executive vice president, said.

Killing Covid-19 with ultraviolet light is another option retailers are looking at, according to lighting company Healthe, which said it is in talks with a number of major retailers about deploying its products in stores or backrooms. Fred Maxik, a former NASA scientist and Healthe's founder and chief scientific officer, has developed what he claims is the first-ever human-safe far-UVC technology to combat coronavirus.

"At the end of the day, in the new normal, we are going to have to consider human safety," Maxik said in an interview.

According to the First Insight survey, about 49% of millennials said they would not feel safe trying on clothes in dressing rooms after the pandemic. But the percentage was much higher for baby boomers, at 71%.

Other smaller apparel retailers are getting creative on their own, hoping customers will feel somewhat safer when they return to stores.

Men's suit maker Suitsupply is installing standing partitions in its stores as they reopen, which it says allow for "safe up-close interaction," for people who still need to have their pants or jackets fitted and tailored. It is also allowing customers to book fitting rooms, or private shopping suites, by appointment, which it says will be sterilized beforehand.

Meantime, some store employees from men's apparel brand Bonobos are turning their social media accounts into virtual shops, showing off styles and various outfits online, then directing people to buy them on the web.

"How do you bring the best of a real-world experience into a digital experience?" Bonobos Chief Executive Micky Onvural said in an interview. "If [consumers] didn't want to get off the couch before, now they are even less likely to walk into a store ... if they can have that same kind of service online."

Literal "window shopping" for clothes might also be making a comeback — if consumers feel safer standing and browsing outside stores, on the sidewalks of Manhattan, than they do venturing inside.

"Window shopping is becoming the new Facebook advertising," said Jay Norris, chief executive officer of retail technology company Guesst. He is advising clients on how they should strategically stock their window displays post-Covid-19. "That is going to become very relevant."

Mixology, a boutique teen apparel shop on the Upper East Side of New York, has been shut for weeks because of the pandemic. But mannequins stand fully clothed in new garb, including punk rock tees, in the windows. And a sign over the door reads: "See something you like in the window? Feel free to text or call," with the shopkeepers' phone numbers listed below.

Source: cnbc.com- May 11, 2020

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UK: Demand for luxury fashion increases by 27 per cent

E-commerce portal LovetheSales, which allows consumers to shop all sales in one place says, the demand for luxury fashion has shot back up in the past fortnight, with searches for luxury brands up 27 per cent year-on-year. While celebrity fashion choices have been less relevant, one key influencer is continuing to make an impact. The Duchess of Cambridge —whose Boden Aurora midi wrap dress, worn in the second part of the interview, drove searches for Boden dresses up 98 per cent in the last week on the LovetheSales marketplace.

Other trends embraced by the famous have also moved away from the Instagram-fuelled excess of full-on celebrity culture to a more community-focused direction. Views for rainbow fashion wear, for instance, skyrocketed 566 per cent in April, compared to a year ago.

Demand for fashionable face masks increased by 285 per cent, month-on-month. In fact Lyst report had suggested, the Off-White mask was the most searched item for fashion masks online and is currently sold out. Other brands seeing high demand for fashionable face masks include US label Rag & Bone. The brand recently released a mask, which is also now sold out, with part of the profits going to Covid-19 charities. Boohoo's masks have also seen a 218% surge in page views in the past fortnight.

Another clear trend has been big demand for activewear whose demand has shot up by 141 per cent. The demand for loungewear also rose by 433 per cent. Under Armour and New balance are the brands of choice for runners, with demand for them up by 65 per cent and 60 per cent year-on-year. Cycling clothing brand Castelli has seen the biggest jump in search with demand up by 98 per cent this month.

Source: fashionatingworld.com- May 11, 2020

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Speed, flexibility will be prime focus for sourcing post COVID-19: Study

Year 2020 may prove to be one of the worst years for the fashion industry as consumers cut down on their discretionary expenses and focus on essential shopping. As a report titled 'Time for Change' by McKinsey & Company created in collaboration with Sourcing Journal notes, revenues for apparel and footwear sectors are likely to contract 27 to 30 per cent in 2020 year-on-year with even deeper declines in some sub-sectors and geographies.

Around 22 per cent of the supply chain stakeholders expect their sourcing volumes to be halved this quarter, though this shrinkage may ease in the back half of the year, with just 7 per cent of sourcing executives expecting their volumes to be cut by more than half. Almost 49 per cent expect sourcing volumes to contract between 20 and 50 per cent in the second half of 2020, making it a far cry from smooth sailing for all links in the supply chain.

The state of sourcing affairs

The survey reveals around 75 per cent respondents have already canceled existing production orders. This is severely impacting cash-poor manufacturers. The liabilities of Bangladesh factories have already reached $10 billion, reveals BGMEA. While one-third of European companies haven't cancelled orders, around 87 per cent of US businesses have. McKinsey says, this discrepancy could be due to the difference in structure of assortment between these two countries and their sourcing methods. The report reveals, smaller European players often draw on a more varied set of sourcing countries, including significant near- shoring options.

Many retailers are amending their payment terms. Around 71 per cent respondents reported paying less than half of their existing orders as agreed, and 18 per cent are not paying as agreed at all. As many as 41 per cent are renegotiating payment terms on more than half their orders, and 25 per cent are deferring payment on half of their orders.

The survey reveals, more than half fashion players are taking responsibility for goods already purchased, and in some cases, already used raw materials. Just 13 per cent have agreed to pay production workers' wages for more than half of their orders.

And 56 per cent respondents from global fashion businesses have taken measures to manage operating costs: 18 per cent have reduced salaries, 26 per cent reported furloughing or temporarily layed off staff, and 9 per cent have shed some staff permanently.

Next normal in sourcing

Around 76 per cent international sourcing community believes the pandemic will propel speed and flexibility models for the industry, the survey found. Of that three-quarters collective, 52 per cent expect to see a "high acceleration" of flexible product development with shorter lead times and smaller batch sizes. Sixty percent think they'll see an acceleration of on-demand production.

With coronavirus forcing consumers to reflect on essentials versus excess, many are emphasizing on consuming responsibly from businesses that embrace sustainability. In a separate McKinsey consumer survey conducted recently, more than 20 per cent expressed their desire to curb clothing consumption and spend more on local businesses. Almost 16 per cent European consumers and 13 per cent of their North American counterparts said they'll be buying more "socially and ecologically sustainable clothing" in their post-pandemic lives.

In the survey with Sourcing Journal, 70 per cent respondents believe the pandemic will fuel closer partnerships between buyers and suppliers, while 60 percent think it will finally push sustainable materials into the mainstream.

Source: fashionatingworld.com- May 11, 2020

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Greek textile, apparel producers ready to supply masks

Fifty five Greek textile and apparel production firms are ready to supply the domestic market with eight million face masks a month to curb the spread of the novel coronavirus, according to the Association of Apparel and Textile Producers (SEPEE), whose director general Theofilos Aslanidis recently said domestic sufficiency in face masks can be assured.

SEPEE sent letters to 560 businesses in the sector asking who could contribute to efforts to ensure that the Greek population has a sufficient supply of paper and cloth face masks. Fifty five responded to his astonishment, according to a news agency report.

Some of the 55 firms were already producing masks, while others have seen production slump since the start of the health crisis.

The prices will be determined based on supply, demand and the quantity of production, he added.

Source: fibre2fashion.com- May 12, 2020

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Japan Market extends gain on lockdown-exit hopes

Japan share market finished session higher on Monday, 11 May 2020, as investor sentiment was bolstered by hopes that the Japanese government may move ahead with lifting the some coronavirus-linked restrictions in some parts of the country by the end of the week where the virus has been less prevalent.

At closing bell, the 225-issue Nikkei Stock Average surged 211.57 points, or 1.05%, to 20,390.66. The broader Topix index of all First Section issues on the Tokyo Stock Exchange added 22.34 points, or 1.53%, at 1,480.62.

Total 28 issues of 33 industry category of Topix index were in positive territory, with Air Transportation, Marine Transportation, Iron & Steel, Nonferrous Metals, Textiles & Apparels, Land Transportation, and Transportation Equipment issues being notable gainers, while Securities & Commodities Futures, Pharmaceutical, and Precision Instruments issues were notable losers.

Broader sentiment was helped by moves by some European countries to ease virus restrictions.

Japan last week extended the nationwide state of emergency until the end of May, saying it would reassess the situation on May 14 and possibly lift the measures earlier for some prefectures.

CURRENCY: The U. S. dollar index, which tracks the greenback against a basket of its peers, was last at 99.747 after seeing levels above 100 last week. The Japanese yen traded at 106.93 per dollar after weakening from levels below 106.2 last week.

Source: business-standard.com- May 11, 2020

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65 groups' strategy for sustainable textile supply chains

In April 2020, a coalition of 65 civil society organisations put forward a joint shadow European Strategy for Sustainable Textile, Garments, Leather and Footwear, in which they proposed a set of legislative and non-legislative actions for more sustainable supply chains after COVID-19, and urged the European Commission, members of the European Parliament (MEPs), European Union (EU) member nations and other stakeholders to work towards such a strategy.

The strategy lays out a set of recommendations for the EU to address the various challenges of textile value chains, including environmental sustainability, human rights, governance, labour rights, and gender among others.

A commitment was made by the European Commission in its Circular Economy Action Plan to develop a comprehensive EU strategy for textiles.

Recommendations include a legal obligation for companies to take responsibility for not only their own activities but their whole supply chain through an EU due diligence law; stricter environmental rules; and ensuring brands and retailers are legally obliged to honour contracts and end the culture of unfair purchasing practices, according to press releases issued by some of the civil society organisations.

MEPs Delara Burkhardt, Heidi Hautala, and Helmut Scholz in a joint letter addressed to all MEPs shared their support for the civil society strategy.

Source: fibre2fashion.com- May 11, 2020

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Pakistan: Covid-19 poses great trade challenge

The Covid-19 will likely alter global trading patterns in the long term. Major economies constituting the core of the global trading system have been adversely impacted such that their import demand is likely to be severely inhibited for several quarters.

The World Trade Organisation (WTO), in its recently released statement, expects world trade to plunge between 13% and 32% in 2020. This will be an unprecedented fall since the end of World War II. A recovery is expected in 2021 as countries kick-start their economies.

WTO further predicts that the hardest-hit economies will be the developed regions and Asia. Value chains that involve trade in intermediate goods such as parts and accessories across borders are likely to be deeply impacted.

It is expected that the industries involving complex chains will be the most severely impacted.

Comparatively, the intensity of decline in trade in 2009 following the financial crisis of 2008 was not only lower but the recovery was much faster than that expected from the Covid-19 shock. Richard Baldwin, in a recent column published in VOX (CEPR Policy Portal), compares the Covid concussion to the Great Trade Collapse of 2008-09.

The Covid-19 crisis involves both supply-side and demand-side shocks as governments across the world are keeping workers away from work. The virus has a contagion effect across large global manufacturing hubs and subsequently on other countries that have been relatively insulated from the virus itself.

Producers involved in global supply chains even in the least-impacted countries may find it difficult to acquire inputs from other producers. Therefore, the trade collapse that impacted “Factory Asia” earlier this year is likely to impact all economies as supply chains across several industries are disrupted.

US, China, Japan, Germany, France, Britain and Italy account for more than 60% of the world gross domestic product (GDP), 65% of manufacturing trade and more than 40% of the world manufacturing exports.

Although Pakistan has relatively low levels of trade openness, its exports are mostly low-value consumer goods such as textile and leather manufactures. As such products do not constitute essential goods, it is expected that their demand may continue to decrease in major export destinations hardest hit by the virus.

Data published by Pakistan Bureau of Statistics (PBS) indicates a sharp fall in exports and imports in March 2020. Exports declined 15.25% and imports dropped 20.76% over the value reported in February 2020. The year-on-year decline in exports was 8.11% and in imports was 19.44%.

On the other hand, exports increased slightly in the first nine months of FY20, while imports declined 14.4%.

In essence, the Covid-19 may have accelerated the already declining trend in imports, but the shock on exports is likely to be costly for Pakistan as it had only recently reversed a decreasing trend and reported positive growth in overseas shipments.

However, it is pertinent to note that the full extent of the impact is likely to be gauged over the course of next few months. Furthermore, the impact is likely to differ across industries.

Data breakdown

Considering the disaggregated data, a decline in export value was reported for almost all major groups exported by Pakistan in March 2020 compared to the values reported in February 2020 as well as March 2019.

However, it is pertinent to mention that certain major products such as leather manufactures and surgical goods and instruments continued to post relatively higher levels of export growth. On the other hand, the export of pharmaceutical products decreased whereas exports of other chemicals increased.

Pakistan is an important exporter of industrial alcohol (ethyl alcohol), which is often used as an input to produce cleaning products and detergents. However, export restrictions may further reduce exports.

On the other hand, the most significant plunge in import value was reported for fuel products. The value reported in March 2020 was 39% lower month-on-month and 33% lower year-on-year.

Imports of the petroleum group in the first nine months of FY20 were 16% less than the imports in the same time period of previous fiscal year.

Interestingly, the share of petroleum products rather than petroleum crude has increased in total imports of the petroleum group in recent months.

As imports have continued to decline more than exports, even in absolute terms, it is likely that the impact on the balance of trade will be somewhat favourable. However, the reversal in exports is now a major cause for concern for the policymakers.

Trade tariffs

Covid-19 is likely to have a major influence on the trading patterns of medical products across the world. As demand from the largest economies may increase substantially, it is likely that the existence of pre-established trading linkages in the trade of medical products may control the trading patterns.

A recent publication by the author, in "IBA's Short Notes on the Economy During the Covid-19 Crisis", highlights the pre-crisis high tariff rates imposed by Pakistan on several medical products that may have influenced the rate at which health facilities and medical equipment could be expanded as well as upgraded prior to the crisis.

For instance, Pakistan imposes high tariffs on the import of critical testing kits. Although temporary relief has been provided, a trade policy to boost capabilities of the health sector is essential.

The Duke Global Value Chain Centre published a report in January 2019, highlighting the prominence of SMEs in the medical products such as surgical items in Pakistan.

Although several of them have been able to export a diverse range of products and operate efficiently at low cost, the lack of international certifications and quality concerns often hamper their export potential.

In essence, the trade disruption, expected as a result of the global slowdown, is likely to be unprecedented in recent history, with several experts predicting the impact to be larger than the trade collapse experienced almost a decade ago.

Pakistan has already reported significant shocks to its trade patterns. With the duration and the intensity of the shock unknown, the alleviation of its impact is extremely challenging.

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

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NATIONAL NEWS

Economy requires Rs 4.5 lakh crore fiscal support at current juncture: Ficci to FM Sitharaman

Seeking immediate support for the Indian economy hit by COVID-19, industry body Ficci said an additional fiscal support of Rs 4.5 lakh crore is required at the current juncture besides a quick release of Rs 2.5 lakh crore stuck in refunds and other government payments.

In a letter to Finance Minister Nirmala Sitharaman, Ficci President Sangita Reddy also made a case for the need to create a self-sufficiency fund for innovation, construction and manufacturing clusters to make use of the emerging opportunities in the wake of disruption in global supply chain.

The fund can be provided in tranches in the medium term, she said.

Seeking an “immediate support”, Reddy said the problem being faced is largely that of liquidity, and immediate release of money stuck in refunds and other government payments to the tune of Rs 2.5 lakh crore will immensely help tide over the crisis.

“This may have already been provided for in the budget,” she said.

Further, additional fiscal support is required for vulnerable communities over and above the sum provided for in the Garib Kalyan Yojana announced earlier.

Fiscal support is also needed for MSMEs in order to help them get back on track. Besides, funds are needed for upgradation of healthcare infrastructure to effectively deal with the current situation and for support to sectors like aviation and tourism that have been hit hard due to the lockdown.

“Additional fiscal support required at the current juncture for this purpose is about Rs 4.5 lakh crore,” the letter said.

The fiscal support sought includes “small amount” of Rs 10,000 crore towards proposed COVID-19 liquidity bridge required to give comfort to banks to restructure/ provide additional loans to large companies whose balance sheets have been impaired due to the virus outbreak, it added.

“Government may need to provide for about Rs 30,000-40,000 crore as a guarantee to banks over a 4-year period and in the current year, it can provide about one-fourth of that amount.

“This small amount will have a huge positive impact on these companies and their supply chain that includes several small and medium sized vendors, which otherwise may not survive the current crisis,” the chamber said.

The central government had imposed a 21-day lockdown from March 25 to check the spread of coronavirus. The lockdown has been extended twice, though with some relaxations.

The lockdown has severely affected the economic activities in the country.

In order to ensure that weaker sections of the society “continue to get basic amenities and do not get impacted” during lockdown a Rs 1.70 lakh crore Pradhan Mantri Garib Kalyan Package (PMGKP) was announced by the Finance Minister on March 26.

The government has also been providing cash transfers to Jan Dhan accounts held by women.

The RBI on its part has sharply reduced the key short-term lending rate with an aim to spur credit disbursement.

It also announced a Rs 50,000 crore special liquidity facility for the mutual fund sector in the wake of redemption pressures related to closure of some debt MFs and potential contagious effects therefrom.

Source: financialexpress.com – May 11, 2020

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Covid lockdown stifles manufacturing; cash crunch, labour woes bite

With over 60% of units still shut and most others operating at just 10-15% capacity, the "graded" easing of the lock-down curbs has barely revived manufacturing in export hubs. Exporters tell FE that units that contributed about 70% to the country's exports of $314 billion in FY21 are located in the so-called red zones.

While many states have now given them approval to start manufacturing even in such hot spots (barring the 'containment' areas within them), thus enabling more units to open, key cities — such as Mumbai and Ahmedabad — are still completely shut. Even manufacturing in some other industrial belts — such as Pune, Hyderabad, Bhopal, Indore, Kanpur and Agra — hasn't really started.

Sharad Kumar Saraf, president of the Federation of Indian Export Organisations (FIEO), said migrant workers were allowed to go back home just when the industry got permission to resume operations in some areas. "As such, local workers are struggling to reach factories due to curbs on the public transportation system," he said. Lack of uniform standard operating procedures (SOPs) in times of a lockdown across districts and states, despite the Union home ministry notification, has added to exporters' woes.

Bhuvnesh Seth, vice-chairman of the Export Promotion Council for EOUs and SEZs, said fresh orders in special economic zones since the lockdown had crashed to just about 5% of the usual flow. SEZs and other designated export-oriented units account for about 34% of the country's exports.

Facilities making up for roughly 75% of the country's engineering goods exports worth $79 billion (in FY20) are in the red zones. Ravi Sehgal, chairman of the engineering goods exporters' body EEPC India, said cash flow has been a huge issue.

Banks are willing to enhance the working capital limit but only with additional conditions and documentations, which are difficult to manage in times of a lockdown.

As such, export credit as of March 27 grew just 3.5% year-on-year even on a hugely favourable base (it had contracted 45% y-o-y a year earlier), while overall priority-sector loans grew 5.8%.

Over a half of export orders have been cancelled, with key markets—the US and the EU—bearing the brunt of the pandemic, and many buyers have held up payment for supplies already made.

Some exporters warn of a 60% slide year-on-year in exports in the first half of FY21 (merchandise exports stood at almost $160 billion in the April-September period last fiscal), with a more precipitous fall in the June quarter. It's not until July that manufacturing will get back to some semblance of normalcy, that, too, if the migrant workers are back on time (which seems unlikely at the moment) and the government steps in quickly with substantial relief, exporters say.

According to Rafeeque Ahmed, chairman of major leather exporter Farida Group, units in Chennai have resumed operations in a limited manner from Friday. But stringent social distancing norms are hurting the viability of operations in labour-intensive sectors like leather, as several functions are typically performed by workers in close proximity. Several buyers have delayed payments, eroding his company's cash flows.

Merchandise exports, which had already contracted by 1.5% y-o-y up to February, ended the last fiscal with a 4.8% fall to $314.3 billion, thanks to an almost 35% crash in March.

Even in certain "green zones", manufacturing couldn't resume normally as firms supplying components to them are located in the restricted areas. In some cases, exporters want their inventory to be cleared before starting fresh production, anticipating a demand shock.

Raja M Shanmugham, president of the Tirupur Exporters' Association, said 1,000 of the 1500 export-oriented garment units in Tirupur, the country's largest apparel hub, have started operation but unless the government ensures a one-year loan repayment moratorium and adequate credit at subsidised rates, the industry will be crippled. Private sector workers' dues should also be partly borne by the government, he said.

Apparel Export Promotion Council chairman A Sakthivel said a beginning has been made and garment units are operating with a relatively thin workforce, primarily to carry out sampling. However, a more precise assessment of the situation can be made only in the coming weeks.

Ajay Sahai, director general of FIEO, said domestic supply chains are battered. Cash reserves, especially of MSMEs, are depleted after the payment of March wages and credit flow remains inadequate. Companies haven't got approval to open warehouses. Overseas demand for lifestyle products has taken a knock, as large department stores are facing the Covid heat.

Shaji Baby John, chairman and managing director at marine exporter Kings Infra Ventures, says such exports will likely drop by at least 30% year-on-year in FY21. "Many farmers had to go for panic harvesting during the initial phase of the lockdown. Although the central government stepped in immediately and declared the industry as essential services, the supply chain was disrupted by then."

However, the only silver-lining is that demand will likely bounce back in the second half of this fiscal on an impending supply shortage and Indian exporters may cash in on that if they are ready, John said.

Last month, FIEO had warned of 15 million job losses in the export sector if the government didn't come out with a relief package immediately.

Source: financialexpress.com – May 11, 2020

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Big global demand for fashion masks: Textile producers

Indian textile manufacturers, who lost almost their entire summer exports business, are now flooded with enquires about immediate supplies of at least 500 million non-surgical fashion masks from leading apparel brands of Europe and the US. This is a business opportunity worth ?4,000 crore over next one year and can employ 100,000 workers, industry representatives said.

"Hence, we request to lift the ban on export of masks," said Prabhu Damodaran, convenor of Indian Texpreneurs Federation (ITF) that represents the textile industry of Tamil Nadu.

The country had banned export of surgical masks, personal protective equipment (PPEs) and some medicines in March as it faced a shortage of these key items amid rising numbers of Covid-19 patients. Textile industry claimed that the custom authorities are not allowing exports of non-surgical cloth mask, too.

The industry has now assured the government that it can meet the country's requirement of both surgical and non-surgical masks as well as PPEs with a little handholding.

"Many of our members have started making masks for domestic markets from Coimbatore and Tiruppur clusters in large numbers," Damodaran said. "Now, we have huge capacities to cater to both domestic market as well as exports. Our sector is recently receiving daily enquiries from all the major countries for fashion masks with an immediate need for at least 50 crore masks. This alone can generate a ?1,000 crore business and can engage 25,000 workers."

Industry insiders masks have now become an accessory to the garments being exported.

"All the global brands gave been enquiring about separate masks in common colours and masks of colour and design patterns matching to the garments, which are washable and reusable," said Raja M Shanmugam, president of Tiruppur Exporters' Association (TEA).

The industry is not only looking at the non-surgical fashion masks but has already invested in manufacturing of the medical grade PPEs and mask.

During the lockdown period, Tirupur had started manufacturing PPEs using sewing machines, which could not be used by the paramedical staff as the holes made during stitching process made it permeable.

Now, entrepreneurs from Tirupur have imported 200 seamsealing machines, which started working from last week.

"These 200 machines can manufacture 40,000 PPEs a day and the import of machines is likely to continue," Shanmugam said.

"If the government ensures the logistics support for procuring the raw material and also helps for transferring of technology from DRDO (Defence Research & Development Organisation) and other accredited research agencies, then, within a month, Tirupur can fulfil the requirements of the entire nation making import of these items unnecessary," he said.

Shanmugam said some global brands have asked for giving anti-microbial wash to the face masks.

The textile export industry has pegged the loss of business due to Covid-19 pandemic at about 50%. Everyone has lost the summer season with many manufacturers, retailers locking capital in huge unsold inventories of summer season clothes.

Source: economictimes.com – May 11, 2020

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Spinning industry wants no anti-dumping duty on acrylic fibre

Feeling the heat due to losses incurred on account of Covid-19 lockdown, Ludhiana's spinning industry, which wishes to resume production of yarn, is now demanding that the anti- dumping duty on the import of acrylic fibre should be withdrawn with immediate effect.

Accusing a group of three India-based manufacturers of forming a cartel for lobbying against the withdrawal of duty, the spinners are demanding that it's high time the Centre accepts their 25-year-old demand of doing away with anti-dumping duty and saving their industry. If this is not done then due to the ongoing economic crisis ensued by the lockdown there is no chance of survival of the spinning industry, which employs a huge workforce and produces raw material for the entire textile and garment industry.

Speaking on the issue, Madan Mohan Vyas, chairman of Ludhiana Spinners Association (LSA), said "Over the past decades we have been striving hard to make our voice heard that the anti-dumping duty on the acrylic fibre should go. Our industry's growth has been hampered and stopped for more than the last two decades due to the continued imposition of the anti-dumping duty on imported acrylic fibre from abroad."

He added, "Acrylic fibre is the basic raw material for making value added products like sweaters, shawls, etc. and continuation of the duty on this fibre will be double whammy for us, particularly in the times of this pandemic. Millions of units of spinning, textile and garment sector are of the view that in a recent petition filed for review of the anti-dumping duty the decision taken will be made purely on merit basis and duty will be totally waived."

Vyas further said, “However, three big wigs of the acrylic fibre industry for protecting their profits are putting lakhs of jobs and thousands of micro, small and medium enterprises (MSME) at stake and lobbying for continuation of the anti-dumping duty on the acrylic fibre. These three players wish to control the market by putting other spinners and hosiery industry at a disadvantage.

It’s a matter of survival for these millions of units. Combined together, these fibre producers employ about 6,000 persons versus 45,000-50,000 employed by 50-60 spinning factories of Ludhiana on which the knitwears industry is fully dependant. Besides, nearly 10 lakh persons are employed by the knitwear industry. Why should the local spinners be forced to buy more expensive acrylic fibre and put thousands of knitwear producers at a disadvantage.”

He said, “Moreover, when there is no anti-dumping duty on the finished products made of acrylic fibre, then why the duty on the acrylic fibre itself be imposed. Over the years Bangladesh has been supplying sweaters in India and the volume has been increasing and with the increasing import of sweaters and now combined effect of Covid-19, lakhs of units in Ludhiana will be at loss and their survival will be uncertain.”

According to Ravindra Verma of Northern India Textile Mills Association (NITMA), “Not only the spinning industry, but the entire garment and textile industry too is against the anti-dumping duty on acrylic fibre. Time has come for us to make our voice heard and plead to the government to save the MSME sector and stop imposing the anti-dumping duty on basic raw materials.

Rather high duties should be imposed on value added products down the value chain, such as sweaters, yarn, etc. to stop their imports and encourage Make in India vision. Ensuring raw material availability at competitive prices is very important for enhancing competitiveness of our labour intensive textiles industry, especially for the acrylic fibres segment.”

“Government of India must provide a level playing field to the spinners and knitwear manufacturers in Ludhiana as users of this raw material have always been at the receiving end of these unwarranted duties, whereas the few Indian producers of acrylic fibres are enjoying a very strong financial situation. Therefore, the government should consider the urgency of this matter and waive anti-dumping duty on the import of acrylic fibre into India.”

Source: timesofindia.com – May 11, 2020

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All you need to do to restart your industry amid coronavirus; checklist of fresh MHA guidelines

Days after the Vizag gas tragedy, the government has issued guidelines for reopening of industries amid coronavirus, with the safety of workers being at the core of these fresh guidelines. The NDMA, under the aegis of the Ministry of Home Affairs, has issued generic guidelines pertaining to storage of products, raw material, for workers and for manufacturing processes. “Consider the first week as the trial or test run period,” the government asked of state governments and industries when restarting a unit. The government has also advised against achieving high production targets in the first week itself.

Here are key guidelines from MHA:

- The facility must check for abnormalities such as strange sounds or smell, exposed wires, vibrations, leaks, smoke, abnormal wobbling, irregular grinding or other potentially hazardous signs in machinery to minimise risking lives. If such problems are found, the facility must provide for immediate maintenance or shutdown.
- Before opening industries, all equipment must be inspected as per the safety protocols.
- The facility must approach district administration in case of any difficulty in managing crucial backward linkages.
- For storing raw material, the NDMA guidelines state that the facility must be checked for already opened storage vessels/containers/bags/silos so that oxidation/chemical reaction/ rusting/ rotting etc can be identified.
- HAZMAT chemicals must be checked for chemical stability before using.
- The facility must ensure ventilation and proper lighting before entering the storage areas.
- The storage building must be checked for signs of distress and damage to the roof.
- Similar rules are also there for manufacturing units such as carrying out a SafetyAudit of the entire unit before restarting activities.

- Based on the type of equipment, pipelines and discharge lines must be cleaned.
- Check boilers/ furnaces/ heat exchangers for lining and signs of wear and tear.Similarly, supply pipelines/valves/conveyor belts should also be checked for any residual material and wear and tear.
- Ensure that all pressure, temperature gauges are functional.
- Complying with requirements of Tightness test, Service test and Vacuum hold test. The testing must be done before human resources are entered into the premises.
- Ensure availability of emergency crews/ professional technical teams.
- Factories must carry out sanitisation routine every two-three hours especially in the common areas such as lunch rooms and common tables.
- Temperature checks of all employees must be carried out twice a day.
- Those who show symptoms must not be asked to work.
- The factory must provide gloves, masks and hand sanitisers to all manufacturing units.
- Factories which work round the clock must ensure one hour gap between shifts.
- No tools must be shared.
- Managerial and administrative staff should work one shift at 33% capacity.
- Factories must prepare accommodation to isolate workers, if needed.

Source: financialexpress.com- May 11, 2020

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25,000 industries in Maharashtra resume operations

Except red zone, industries in other parts of State start work slowly

About 25,000 industrial units in Maharashtra have started functioning and over 6 lakh workers have resumed working, said State Industries Minister, Subhas Desai.

Speaking at a webinar organised by the Mahratta Chamber of Commerce, Industries and Agriculture (MCCIA), Desai said, “Except red zone, industries in other parts of the State are slowly resuming operations. About 57,754 industrial units had applied to the State seeking permission to start operations. We have issued all the permissions and over 24,486 industries have resumed work. Over 6,50,000 workers have joined work".

Desai added that the government hopes that in the next few days, all 57,000 industries that have got permission will start operations. "In western Maharashtra, 9,147 industries have been given permission to start work of which 5,774 have started operations. The State government is keen to ensure the resumption of operations by all industrial sectors. However, the first fight is against coronavirus and hence there should not be any hurry to start operations in red zones" he said.

Mumbai, Thane and parts of Pune district fall in the red zone due to the rising number of Covid-19 patients. " Chief Minister Uddhav Thackeray has expressed confidence that the entire State will fall under green zone by May end and we must support the Chief Minister's vision" Desai said.

Package for MSME

The minister said the Centre was going to announce a package for the MSME sector in the State and discussions were on with the Central ministers, including Nitin Gadkari and Piyush Goyal. "The State government is considering a policy to provide facilities to small industries" he said.

Desai added that the State officials are holding discussions with representatives from various countries, including the US, the UK and Japan, to tap foreign investment opportunities.

Source: thehindubusinessline.com- May 11, 2020

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India will be risking economic hara-kiri, if lockdown extended for much longer: Anand Mahindra

Leading industrialist Anand Mahindra on Monday said that if lockdown is extended for much longer duration then the country will be "risking economic hara-kiri". The Mahindra Group chairman said that while the lockdown has been able to save lakhs of lives, its further extension could lead to severe difficulties for weaker sections of the society.

"The number of new cases has risen, despite flattening the previous few days. With higher testing, a continuing rise is inevitable given the low absolute number of cases relative to our population & the rest of the world. We shouldn't expect a swift flattening of the curve," Mahindra said in a tweet. But this doesn't mean the lockdown hasn't helped, he added.

"India's avoided lakhs of potential deaths in its collective fight. India's death rate per million is currently 1.4 compared to the global average at 35 & the US at 228. We've also bought time to enhance medical infrastructure," Mahindra noted.

But if the lockdown is extended for much longer, the country will be risking economic hara-kiri, he tweeted.

"A functioning & growing economy is like an immune system for livelihoods. A lockdown weakens that immune system and most hurts the impoverished in our society," he said. Mahindra said that the country's goal should be to continue preventing avoidable deaths.

The country needs to rapidly build field hospitals equipped with oxygen lines, deploy widespread testing and tracing, he tweeted. Besides, the focus should be on containment not through zones but at sub pin code levels, he added.

And finally, effort should be made to protect the elderly and the medically vulnerable sections of the society, Mahindra said. "We have to live with the virus. It's not here on a tourist visa with an expiry date," Mahindra tweeted quoting a colleague.

Source: financialexpress.com- May 11, 2020

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Traders' body proposes 'Covid cess' on Chinese goods

Traders' body Confederation of All India Traders (CAIT) has proposed that a 'Covid cess' be levied on Chinese imports that have substitutes in India.

"The revenue from this cess should be utilised for the upliftment and growth of Indian traders who are in a distressed situation and need strong handholding by both Centre and respective State governments," said CAIT National President BC Bhartia in an official release issued on Monday.

There is a strong need to curb unnecessary imports of low-cost and low-quality products from China which are flooding Indian domestic markets, the release said. Indian traders are forced to import from China because the consumers want low price products, it added.

"In reality, the Indian trader is much more happy to sell Indian made products if there is a proper well- established supply chain of indigenous goods," the release said.

By levying the 'Covid cess', the government can boost its revenue and at the same time provide support to domestic small industries and trade to recreate a post-pandemic strong India story, added CAIT.

Source: thehindubusinessline.com- May 11, 2020

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Apparel industry players prepare for the new normal

The industry plans to focus on online sales, but also draws safety rules for in-store shopping

They say fashion perishes faster than a cooked Biryani. All the industries are cut from the same cloth, and the impact of the coronavirus pandemic for the apparel manufacturing and retail industry is no different. While a timeline to 'post-Covid-19' is still a pyridine script, industry players have started to prepare themselves for the new norm.

Covid-19 pandemic "is truly a watershed moment in the history of Indian retail," according to Vasanth Kumar – Managing Director, of Lifestyle

International Pvt. Ltd. Whereas Sanjay Bahl, CFO, Raymond "all economic activities have come to a grinding halt across the country."

The Retail Association of India, recently organized a webinar on the apparel industry, wherein Vineet Gautam, Chief Executive Officer, Bestseller India said, that the fashion apparel industry has a relatively little more challenge, "because the product age very quickly and especially brands which run fast fashion, are the ones who are continuously seeing the product getting older."

Optimal utilisation

According to industry players conserving cash, taking payments on consignments, cutting down on discretionary spending and production, renegotiating rents, adapting to technology, going omnichannel, and utilizing the leftover inventory are the measures apparel industry players are taking to mitigate losses.

Raymond is deploying all tools to effectively manage the liquidity "with an increased focus on payment realization from the market," said Bahl. The company is working on measures for cost rationalization by "cutting down all non-critical expenses and marketing spends," he added.

Managing the cash flows and keeping the cost of the working capital low is a challenge that the industry is facing as a short term impact. Even as factories remain unoperational, supply chain remains disrupted, revenues remain nil and consumer sentiment is subdued, few costs still have to be paid.

Inventory is the heart of a business like this and a large chunk of the cash flow. According to Shailesh Chaturvedi, CEO, Tommy Hilfiger Apparels India, "Almost 50 per cent of the cheques that we write are for inventory, whether paying for insurance, freight and custom duty on imports, or paying domestic vendors."

Upcoming season of change

The apparel industry has three main seasons spring-summer, festive-pre-fall and autumn-winter. Half of the spring and summer season is wiped out with no clarity on opening up leaving the retailers worried but players are also planning the autumn-winter collection.

The Clothing Manufacturers Association of India (CMAI) President, Rahul Mehta, said that “it is a volume game at the moment, and players need some liquidity to produce the inventory for the upcoming season,” and thus, even though deep discounting is something that players shouldn’t indulge in, “it’s better than having deadstock.”

During the webinar, Amrish Kumar, Managing Director of Ritika Pvt Ltd which sells designer Ritu Kumar label, agreed, adding that “There will be more liquidation of products than we liked, we may also not get the desired margins on the products but we will have to be smart.” In hindsight, both Chaturvedi and Kumar also said that Indian climate is such that some spring-summer collections can be used between July and September.

A source at Future Group said that it is eyeing at sales mainly from the festive season to be a sigh of relief as of now. Kumar too said that for the wedding-winter season too, they may use some of the current inventory along with “conservatively producing collections according to the trend at that time.”

At this point, it is crucial that players work closely with important stakeholders including vendors, brand partners, and mall-developers, said Lifestyle’s MD.

During the webinar, Dalpat Jain, Chief Financial Officer at Vedant Fashions Private Ltd - Manyavar said that his company was reviewing every cost element to identify bad costs that can be cut and see if some fixed costs can be made variable.

“Requesting reduction on rent, and revenue sharing are the two options we are exploring,” he said, adding that, “preserving people’s costs is something that needs to be considered in the future, too.”

Action plan

Plans drawn by players involved: allowing only a handful of customers at one point of time (from manpower perspective too), employees will be working in shifts.

Gautam said that unlike the immediate and blanket lockdown, the shops will open in phase, and gradually so will the warehouses.

Likewise, the demand too won't be 100 per cent on the first day. About 43 per cent of those surveyed by Nielsen India said that they were likely to cut spending on discretionary items such as fashion, personal grooming, and home decor in the coming months.

Over the next few months, "a peculiar problem" needs to be addressed for brick and mortar apparel stores, said Mehta, adding that "customers will be skeptical of trying a garment at a store because of the fear."

"Inside the store, we will have sanitizer stations and floor markers to facilitate social distancing. We will be frequently steaming garments and disinfecting surfaces such as escalators, cash counters, card machines, shopping bags, etc.," said Vasanth Kumar of Lifestyle.

Spreading awareness about a safe and secure shopping environment must be something on the cards for all industry players, said Chaturvedi.

"We are taking adequate precautions where customer contact is involved and will be encouraging contactless payments and discontinuing services like make-overs and testers," Lifestyle's MD added.
This, in the hindsight, is also a great opportunity for players to ace their games in the digital world. Over 39 per cent of the respondents to Nielsen's survey stated they intend to increase online shopping by more than 20 per cent.

Some players are already planning to scale up online. Raymond launched its online tailoring initiative, the company is planning to scale this up.

Ritu Kumar's website is 'under maintenance', according to Kumar, the post-covid-19 lockdown plan will include embracing the digital world. "We're evaluating which few parts of the businesses in the company need to move online and which need to stay with the traditional form."

Lifestyle too is planning to go omnichannel to offer choice and comfort to customers to seamlessly transact across digital and physical stores. "We have equipped ourselves to handle higher volumes of deliveries for our e-commerce vertical and have made adequate arrangements to cater to any surge in demand," said the MD of the company.

Source: thehindubusinessline.com- May 11, 2020

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Covid-19 impact: Centre offers relief on lease payment to SEZ units

No increase in lease rent for a year; deferment in payment date for Q1

The Centre has relaxed lease rent payment for special economic zone (SEZ) units given the financial crunch faced by most of them because of disruptions in production and sale caused by the lockdown.

The Commerce Ministry, in consultation with the Department of Expenditure, has decided that there will be no increase in lease rent for the SEZ units for 2020-21 and the lease rent of the first quarter is to be deferred up to July 31, 2020, as per a letter issued by the SEZ division of the Commerce Ministry on Monday to the Development Commissioners of all SEZs. The deferment of lease payment will also not attract any interest.

"Accordingly, DCs are requested to take necessary action on the matter. DCs are also requested to advise developers of State govt/private SEZs to consider similar relief measures in their zones," the letter said. It added that the relaxation was being given on account of the Covid-19 outbreak and the resulting lockdown.

Orders cancelled

SEZ units are facing large-scale cancellation of global orders due to the spread of the pandemic and manufactured products worth crores of rupees are lying idle in units as they are not able to sell them in the domestic market due to Customs duty barrier.

"Most SEZ units are in a major financial problem because of stalled sales and production and the relief in payment of lease rent would give them some breathing space," a government official told BusinessLine.

The Export Promotion Council for EOUs and SEZs, a representative body for SEZ developers and units, has also asked the Centre to do away with Customs duties on sales made by SEZ units in the domestic market and also lower the corporate tax rate and minimum alternate tax to be paid by SEZs.

"The requests on tax relief made by SEZs are being discussed by Commerce Ministry officials with their counterparts in the Finance Ministry. While the Commerce Ministry largely supports the SEZs' demands, a final decision on tax cuts can be taken only after the Prime Minister's Office gives a green signal," the official said.

As per industry estimates, EOUs and SEZs provide direct employment to more than 25 lakh person and have attracted investments of more than ₹5.50-lakh crore. In 2018-19, SEZ units exported goods worth ₹7.01-lakh crore, accounting for about a third of the country's total exports, according to EPCES.

Source: thehindubusinessline.com- May 11, 2020

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Garment industry blames govt as 85% units remain shut

More than a fortnight after the Punjab government allowed opening of factories, close to 85% of the garment manufacturers in the district have not been able to resume operations.

According to representatives of Knitwear Club, one of India's largest bodies of the garment manufacturers, the reason for such high percentage of units not being able to start operations is that the government has granted permission to only those factories which are located in the designated industrial areas, whereas 85% of Ludhiana's garment industry is based in non-designated and mix-land use (MLU) areas.

The businessmen have already told the government that they are out of funds by providing financial assistance to workers despite zero business. They cannot bear these expenses anymore and they will not be responsible for any consequences, they said.

Speaking to TOI, Vinod Thapar, chairman of Knitwear Club, said, "It's been almost 20 days since the state government allowed factories to start operations. But, it had said that only those in designated industrial areas can reopen. As a result, close to 25,000 micro and small garment and textile units are still shut. Barring 15% of the units, the rest are located either in mix-land use (MLU) areas or non-designated industrial areas. How can these units operate when government has still not issued any orders granting them permission?"

Figures with the Knitwear Club show that the manufacturers from Ludhiana have been exporting garments worth Rs 700-1,200 crore every year.

Thapar further said, “In another setback to us, for more than 45 days our units have been shut and we were not even able to make any sales. We kept looking after our workers and supplied them ration and financial assistance in form of salaries. We are totally drained out now and can’t pay the workers before operations resume. We tried our best to retain the workers and ensure that they do not leave Ludhiana, but the situation is beyond our control now.”

According to Harish Kairpal, finance secretary of Knitwear Club, as of now, only the large scale units and a small percentage of garment factories located in the designated industrial areas are operating, while all micro, small and medium enterprises (MSME), which are only located in MLU areas, are still shut.

“Imagine the amount of huge losses every single unit has faced till now by not only paying to the workers but also footing power bills and other fixed charges. We can only request the government to compensate the losses and allow us to operate our units, so that we are able to retain our workers, who will run away very soon if they do not get work and earn,” Kairpal said.

Dinesh Kalra, president of Ludhiana Business Forums and a garment manufacturer himself, said, “MLU areas and non-designated areas like Shivpuri, Kundanpuri, Kidwai Nagar, Chandan Nagar are the hubs of garment industry and there are thousands of units located in every nook and corner of these areas.

When restaurants, food outlets can get permission to operate, why can’t the small industries be allowed to run which gives livelihood to lakhs of migrant labourers who as of now are planning to go back to their native places?”

Source: timesofindia.com- May 12, 2020

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Centre to resume trade with Bangladesh via rail route

The Centre has decided to resume trade of essential items with Bangladesh via the rail route after the West Bengal government refused to allow goods vehicles through the India-Bangladesh land borders amid the Covid-19 pandemic.

ET has learnt that the first consignment of over 2,000 tonnes of onions is on its way to Bangladesh, which will help bring down onion prices in that country during the ongoing Muslim holy month of Ramadan.

The consignment, from Maharashtra, will reach Bangladesh in about 56 hours, sources said, adding that India will send additional consignments also via rail. The means to trade with Bangladesh for food items will not only keep inflation down but also enable items to reach Bangladesh in better condition than via road, sources pointed out.

The bulk of India's trade with Bangladesh is road based and goes through West Bengal. But sources said the Centre is keen to trade with Bangladesh in future via rail, which is a smooth and cost effective mean, and in which the state government has no role as there is no involvement of the local administration.

The West Bengal government had last month stopped the movement of goods to Bangladesh via the Petrapole land border, claiming "local emotive issues" and the fear of contagion among the people of the state.

This led union home secretary Ajay Bhalla to write to West Bengal chief secretary RajivaSinha, saying "unilateral action on the part of the government of West Bengal to stop cross-land border movement of essential goods would have larger implications for the Indian government with regard to its legally binding international commitments".

In case of Nepal and Bhutan, bilateral trade takes place through various border crossings, but a good chunk goes through Jaigaon in West Bengal for Bhutan, and Panitanki in West Bengal for Nepal. "Despite the challenges and concerns about public health, the governments of UP, Bihar, Assam and Tripura are working to ensure that India's unavoidable obligations to its neighbours, especially landlocked countries, are fully met," a source told ET on the condition of anonymity.

India has over 4,000 km of land border with Bangladesh, 1,751 km with Nepal, 1,643 km with Myanmar and 699 km with Bhutan.

Bangladesh-Bhutan-Nepal-India or the BBIN formation and re-invigoration of BIMSTEC (the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, a grouping of seven regional nations in South and Southeast Asia) has further enhanced possibilities of regional trade via the land route and coasting shipping.

Source: economictimes.com- May 12, 2020

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The retail sector outlook post Covid-19

While it would be business as usual for kirana and mass merchandise stores, hypermarkets and consumer durables/IT product stores would be hit hard

That Covid-19 has been humanity's biggest disruptor of life and businesses is an understatement. In the context where the online and multi-channel impact were being seen across the world on physical retails including malls, the corona scare might become a game changer with regard to retail across the world. In short, the future is not easy to predict, even though a lot of gloomy reports about retail are doing the rounds.

As retail has four important variables which have very different dynamics, one single outlook for the sector will not work.

Retail segment: The effect on mass merchandise stores as compared to lifestyle formats, including malls, is going to be very different because of consumption as also business dynamics.

Supply chain and inventory impact: While some of the categories would be affected by the inventory pile-up due to the lockdown, several other categories might end up running into severe supply issues and therefore stock out situations, as manufacturing is almost at a standstill for various categories.

Fund flow and working capital impact: Retail is essentially about the fast rotation of working capital, which is inventory. Clearly the inventory status is going to affect this in a significant manner.

Shopper behaviour effect: Panic buying has been seen for essential products. However, essential products have various categories and the consumption of these is not uniform. For example, panic buying of biscuits would not affect future purchases. Whereas if a person has purchased extra shampoo, toothpaste or even groceries, they are not going to brush their teeth four times or cook extra food because of this. Similar is the case with lifestyle products, high ticket items, etc. Some of them might even see a spurt in sales while many categories might witness muted sales.
Impact on key segments

The impact of these variables on the key segments of Indian retail would be as follows:
Kirana or the small standalone stores: The impact on them might be minimal and could even be positive to an extent. Their business model has a tight OPEX and core base of regular shoppers. If the supply side is sustained, these stores might even see a growth in patronage. Supply chain constraints might also not hit them very hard as manufacturers always focus on distribution to this segment since it constitutes a significant majority of the retail sector.

The only downside they might face is a cash-flow crunch. Kirana stores are known to offer rotational credit. Even if they reduce this during this period, their cash flow might be affected because many of them have to go and pick up the stocks paying cash.

Mass merchandise stores: Supermarkets might have a relatively lesser impact because they are largely selling essential products. However, hypermarkets might face the brunt of this shutdown because most of them are in malls. Even the standalone ones need to sell food and FMCG categories. As hypermarkets tend to have much higher inventory levels, that is going to be a serious issue.

In the food segment itself, many products with shorter shelf life like juices are going to expire and might have to be written off. Returning such stocks to vendors appears farfetched. Their profitability would also be hit because the higher margin categories like apparel would not sell in the lockdown and might have lower sales even after the lockdown. The inventory of various other categories like apparel, etc., in a hypermarket would have to be liquidated through massive discounts.

Consumer durables & IT product stores: These stores would also be hit hard. First is the loss of sale from the seasonal high of certain categories linked to summer like air-conditioners. Next would be the supply chain bottlenecks that manufacturers would face because of disruption from Chinese vendors. Last but not the least is the shopper behaviour of postponing high ticket purchases in a period of uncertainty and gloom.

Apparel and other lifestyle stores: One of their biggest challenges is going to be excess stocks. The existing stocks from the previous season plus the summer lines would put tremendous pressure on these businesses. Physical stores would have to liquidate stocks of the previous season to create space for fresh stocks. End-of-season sales and massive discounts might have a very limited effect because of the current sentiment.

If the next season lines are usually sourced from China, the retailer might have some relief as orders might not have been placed or the stocks might not have been even sent by the vendor. The other dimension of inventory from China is the sentiment and concern about products from China. Any retailer who has inventory of such products might be affected.

Apparel as a category might escape such a situation to some extent as a lot of products are being sourced from Tirupur as also countries like Bangladesh and Taiwan.

Discount formats might benefit as they would be able to source inventory at throwaway prices as their shoppers are drawn by low prices and not the latest fashion or trend.

Online retail: Online retail is again not a single segment and most of what I have mentioned earlier about the various categories and segments would apply to the different online retailers. In addition to this would be the challenge to restart supplies from their various smaller non-food vendors. Medium and small-scale enterprises are being hit hard by this crisis and lockdown. They form a significant chunk of the vendor base for various non-food categories. Their business impact would trickle down to the online retailer.

Buyer behaviour

Lastly, let me explain the potential shopper and buyer behaviour after the corona scare is over or at least is reduced.

First is the aspect of money in hand, which is critical for retail. Although the government has appealed to businesses to continue paying their employees, this cannot be for an indefinite period. In case of any move to contain the manpower cost by salary cuts or manpower rationalisation, the spending sentiment is going to be badly hit. Even those with no such cuts or employment threat would become very cautious and tighten their purse strings. All discretionary categories, especially lifestyle products, would be severely hit because of this.

Next comes shopper's preference, of online vs offline. Assuming that the buying sentiment is not negatively affected, there is going to be a surge in buying after this crisis is over. This would interestingly be more for physical retail stores. After the lockdown experience shoppers are raring to go out. So, experience would become an important aspect of shopping and hence the appeal of physical stores would be more than online purchases, at least for the medium term. Functional purchases or known brand purchases driven by discounts would continue to be online driven.

There is a word of caution to retailers, especially the lifestyle formats. The shopper with money and seeking experiential shopping would expect very good service. If retailers start to cut down on store staff to minimise the cost impact of Covid-19, it would be a very short-sighted approach.

In summary, I do not foresee any dramatic downturn to the retail sector. However, I am qualifying this with the caveat that this is hugely dependent on shopper sentiment not being hit by wage cuts or job losses. What would happen is an interesting reorganisation of the retail segments and categories with regard to shopping preferences from physical stores versus online.

Source: thehindubusinessline.com- May 11, 2020

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How self-help groups can sustain during Covid

By embracing digital tech like e-banking, e-commerce and social media, SHGs can tide over the operational problems thrown up by the pandemic

Covid-19 changed the entire world, more specifically the Self-Help Group Bank Linkage Programme (SHG-BLP). It is a landmark model initiated by National Bank for Agriculture and Rural Development (NABARD) in 1992 to deliver affordable doorstep banking services as part of financial inclusion drive in India.

Today, the SHG-BLP is regarded as the largest micro-finance programme in the world — with a total membership of 100.14 lakh groups (covering nearly 12 crore households) across India and having extended collateral-free loans of ₹87,098 crore to 50.77 lakh SHGs as on March 31, 2019. It is interesting to note that more than 90 per cent of the SHG members are women.
A reality check

By obtaining micro-finance, an SHG generally takes three to five years to mature and reach the stage of self-sustainability, graduating from consumption and low-productive activities to economic enterprises. However, some of the SHG members may not undertake entrepreneurship due to lack of motivation, viable business opportunities, managerial skills, technical knowhow, value addition to their products or services, financial literacy, adequate supply of credit, market linkages, etc.

Besides, the SHGs are saddled with non-rotation of leadership positions, inadequate hand-holding support of Self-Help Promoting Institutions (SHPIs) and change in the government's policy.

Mounting NPAs

Though this programme witnessed lower loan defaults by its members in its earlier years, bad loans have been increasing in the recent past due various reasons. The NPAs of the SHG-BLP surged from ₹.423 crore in 2007-08 to ₹4,524 crore in 2018-19. NPAs reached a peak level of 7.40 per cent in the FY 2014-15 and later fell to 5.19 per cent as on March 31, 2019.

This situation of bad loans will be further accentuated and dent the sustainability of SHG-BLP on account of Covid-19 pandemic if the SHGs do not convert the problems into opportunities. Hence, there is every reason to arrest this trend and make the SHG-BLP, a sustainable model.
Corona-driven opportunities

Though the coronavirus has thrown many challenges to the members of SHGs with regard to conducting physical meeting, mobilising savings (physical currency notes) of the group, rotating the money for internal lending among the members, depositing the physical cash towards repayment of loans, and maintaining hard copy of records, digital channels, however, made their life simple.

Specifically, the SHG members can overcome the digital divide by operating their cash transactions through electronic banking; they can meet their peers through social/digital media without meeting in person; they can maintain their records in e-Shakti (a digital initiative of NABARD for maintaining SHGs' books of accounts, thereby improving their credit score).

SHGs can market their products through Amazon, Flipkart, etc., thereby generating more revenue to repay their bank loans on time. Most importantly, SHG members can be imparted online training in respect of financial/digital literacy, group dynamics, market linkages, risk management, and ethics. Besides, these SHG borrowers should be groomed in terms of confidence to excel in income-generating activities by embracing technology.

Also, the SHG members should be given flexibility in repayment of bank loans — for instance, instead of daily, weekly repayment schedule, based on their cash flows. Thus, there exists an opportunity for SHG women to make masks, sanitisers, etc., to supply for online customers, and, thereby, maintaining their bank loan accounts healthy.

Source: thehindubusinessline.com- May 11, 2020

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Time ripe for India to attract FDI, says Sondhi

'Focus can be on industrial parks'

The current situation presents an opportunity for India to attract foreign direct investment (FDI) from corporations in the fields of engineering, automotive, textile, pharma and electrical hardware, said a top executive of Ashok Leyland Ltd.

"Over the next 18-24 months, we, as a nation, would do well to focus on developing state-of-the-art technology-enabled industrial parks owned by the State Industrial Development Corporations or co-owned through public-private partnerships or through 100% private investments," Vipin Sondhi, MD & CEO, Ashok Leyland, said in a statement.

Infra support

According to Mr. Sondhi, these initiatives must be supported with proper infrastructure, including electricity, water, manpower availability, land availability, etc., which would go on to improve the ease of doing business.

Each State has a unique combination of strengths that could be the basis of forming clusters in these parks to cater individually to a sector most suited such as engineering, automotive, textile, pharma and electrical hardware among others, he said adding that India had the ability and a window to collectively refocus on its Make in India initiative by creating jobs, infrastructure, and de-risk its supply chain dependency.

"It can be our moment and we must attempt to seize it," he said.

Source: thehindu.com- May 11, 2020

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KT Rama Rao lobbies for wage support for textile industry

Telangana industries minister K.T. Rama Rao on Sunday wrote to Union textile minister Smriti Irani putting forward several suggestions to rescue the textile industry from the crisis caused by the lockdown.

He said he had been interacting with members of the textile industry both in Telangana and outside. "The common refrain is that recovery will be very slow and contingent upon the western world commencing regular operations. Several companies have seen their orders cancelled and shipments put on hold and are facing zero revenues and cash flows for the next 4-6 months in the best-case scenario."

Rama Rao expressed worry about the coronavirus impact on the livelihoods of millions of workers, and asked the Union minister to provide textile industries wage support of up to 50 per cent for up to six months in the form of a long-term loan that the industry would need to repay in installments over a stipulated period.

The Telangana minister noted that India ranked sixth in the world in textile and apparel exports, which were worth about $36 billion. Handlooms contribute about $350 million to this every year.

He suggested allowing the textile industry a one-time extension of three months for depositing statutory dues of PF and ESI which would release some cash for operations.

Stressing the need for banking support to the textile industry, he suggested facilitating higher temporary credit facilities to meet the cash losses during the lockdown to enable the industry to meet its obligations towards its vendors and statutory payments.

Source: deccanchronicle.com- May 11, 2020

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Telangana govt working on 'comprehensive' agricultural policy

CM urges farmers to plant a variety of crops, instead of planting a single crop

With new irrigation projects increasing the arable land in the State, the Telangana government is working on an agriculture policy to plan the crops that suit different areas in the State, resulting in higher incomes for farmers.

Chief Minister K Chandrashekhar Rao asked the farmers not to plant a single crop as it could land them in losses. "They should go for a variety of crops," he said.

The State is engaged in consultations with stakeholders, ranging from the academicians to scientists and farmers, to prepare a 'comprehensive' agriculture policy that would address the challenges of the State as the arable land increased significantly.

The State expects to grow paddy in 90 lakh acres from this agricultural year and hopes to reap in about 2.7 crore tonnes of paddy, making it a rice bowl of the country. The policy would throw light on the number of rice mills that the State would require to process the paddy.

In a review meeting on agriculture on Sunday, he said he would talk to agriculture officers working in the fields in order to seek their feedback. A senior official said the government conducted a study to find out what crops should grow in what extent.

"The Chief Minister will convene a meeting soon with mandal and district-level agriculture officers. He will also seek opinions of Agricultural Extensive Officers and Rythu Bandhu Samithis through a video conference," said a government spokesperson.

It was suggested that the State should consider denying some benefits like Rythu Bandhu to farmers that refused to heed the advice on the cropping pattern.

Source: thehindubusinessline.com- May 11, 2020

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