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NEWS CLIPPINGS

INTERNATIONAL NEWS

WTO warns global trade to drop up to 32% in 2020

Trade was already slowing in 2019 before the virus struck, weighed down by trade tensions and slowing economic growth. World merchandise trade registered a slight decline for the year of -0.1% in volume terms after rising by 2.9% in the previous year. Meanwhile, the dollar value of world merchandise exports in 2019 fell by 3% to US$ 18.89 trillion.

Estimates of the expected recovery in 2021 are equally uncertain, with outcomes depending largely on the duration of the outbreak and the effectiveness of the policy responses.

“The immediate goal is to bring the pandemic under control and mitigate the economic damage to people, companies and countries. But policymakers must start planning for the aftermath of the pandemic,” WTO Director-General Roberto Azevêdo said.

The economic shock of the COVID-19 pandemic inevitably invites comparisons to the global financial crisis of 2008-09. But restrictions on movement and social distancing to slow the spread of the disease mean that labour supply, transport and travel are today directly affected in ways they were not during the financial crisis in 2008-09.

Key points of the PR are-

- World merchandise trade is set to plummet by between 13 and 32% in 2020 due to the COVID-19 pandemic.
- A 2021 recovery in trade is expected, but dependent on the duration of the outbreak and the effectiveness of the policy responses.
- Nearly all regions will suffer double-digit declines in trade volumes in 2020, with exports from North America and Asia hit hardest.
- Trade will likely fall steeper in sectors with complex value chains, particularly electronics and automotive products.
- Services trade may be most directly affected by COVID-19 through transport and travel restrictions.
- Merchandise trade volume already fell by 0.1% in 2019, weighed down by trade tensions and slowing economic growth. The dollar value of world merchandise exports in 2019 fell by 3% to US$ 18.89 trillion.

- The value of commercial services exports rose 2% to US$ 6.03 trillion in 2019.

Source: textiletoday.com.bd - Apr 11, 2020

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How outbreak is changing manufacturing

With the COVID-19 pandemic escalating, the risks inherent in global supply chains have become more apparent than ever. Rather than await a return to business as usual, with manufacturing activities concentrated in countries where labor is cheap and plentiful, companies in advanced economies are shifting their focus to the lowest-wage workers of all: robots.

Enterprises began relocating production to low-wage countries in the early 1990s, aided by the fall of the Iron Curtain, China's global integration and eventual accession to the World Trade Organization, and the rise of containerization.

The period between 1990 and the 2008-09 global financial crisis has been called an era of hyper-globalization in which global value chains counted for about 60 percent of global trade.

The global financial crisis marked the beginning of the end of this era of hyper-globalization. In 2011, global value chains stopped expanding. They have not grown since.

This reversal was driven by uncertainty. From 2008 to 2011, the World Uncertainty Index—constructed by Hites Ahir, Nicholas Bloom, and Davide Furceri—increased by 200 percent.

While during the 2002-03 severe acute respiratory syndrome outbreak, the WUI rose by only 70 percent, and after the United Kingdom voted in the 2016 referendum to leave the European Union, it surged by 250 percent.

When uncertainty rises, global value chains suffer. Based on past data, one can predict that a 300 percent increase in uncertainty—as the coronavirus pandemic seems likely to produce—would reduce global supply chain activity by 35.4 percent. Companies no longer consider the cost savings of offshoring to be worth the risk.

At a time when adopting robots is cheaper than ever, the incentive to reshore production is even stronger. The arithmetic is simple. A company in, say, the United States would have to pay an American worker a lot more than, say, a Vietnamese or Bangladeshi one. But a US-based robot would not demand wages at all, let alone benefits such as health insurance or sick leave.

Investment in robots is not new. Enterprises based in advanced economies have been pursuing it since the mid-1990s, led by the automobile industry, which can account for 50-60 percent of a country's robot stock.

In Germany—a global leader in robot adoption—robots per 10,000 workers in manufacturing stood at 322 in 2017. Only the Republic of Korea (710 robots per 10,000 workers) and Singapore (658 per 10,000) have a higher ratio. The US has 200 robots per 10,000 workers.

In fact, when the global financial crisis struck, some countries, such as Germany, already had enough robots to minimize the importance of labor costs in production. Many others, aided by the sharp post-2008 decline in interest rates relative to wages, boosted robot adoption and reshored a larger share of production.

The same is likely to happen today. Based on monetary policy so far, a 30 percent drop in interest rates can be expected, as central banks try to offset the damage caused by the pandemic.

Past data indicate that this could bring a 75.7 percent acceleration in robot adoption. (It will not bring an unbridled boom in robot adoption, though, because rising uncertainty also deters investment.)

This trend will be concentrated in the sectors that are most exposed to global value chains. In Germany, that means autos and transport equipment, electronics and textiles—industries that import around 12 percent of their inputs from low-wage countries. Overall, the German economy imports 6.5 percent of the inputs it uses.

Globally, the industries where the most reshoring activity is taking place are chemicals, metal products, and electrical products and electronics. The chemical industry stands out as the top reshorer in France, Germany, Italy and the US.

This trend poses a major threat to many developing countries' growth models, which depend on low-cost manufacturing and exports of intermediate inputs. In Central and Eastern Europe, some countries have responded to this challenge by investing in robots themselves.

The Czech Republic, Slovakia and Slovenia (which have large foreign-owned auto sectors) now have more robots per 10,000 workers than the US or France. And the strategy seems to be working: they remain an attractive offshoring destination for rich countries.

Low-cost manufacturing hubs in Asia may have a harder time, especially in the wake of the pandemic. China, which secured its economic rise by establishing itself at the center of many global value chains, will face particularly serious challenges, despite its plans to shift to higher-value-added activities and boost domestic consumption.

Between rising protectionism (especially in the US) and the COVID-19 pandemic, the advanced economies seem to be geared up for a manufacturing renaissance.

But while this may reduce risks for large companies, it probably will not benefit very many workers in the advanced economies, let alone the developing countries from which production is being shifted. For that, governments will need to implement policies suited to this new economic order.

Source: global.chinadaily.com.cn - Apr 13, 2020

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Pandemic Leaves No Rung of the Fashion Supply Chain Unharmed

The world is reeling from the effects of the COVID-19 pandemic, and the far-reaching consequences of the disease are being felt across the globe. Governments are imposing lockdowns on their citizens and social distancing is becoming the new norm. Businesses across the board are suffering, not least among those, apparel retailers, brands and their supply chain partners.

Many column inches have been dedicated to the current plight of the apparel industry, with a focus on the decline in trade for retailers and brands and the resulting loss of business for their apparel manufacturing partners.

As manufacturers' customers face dwindling customer numbers, store closures and mounting stock inventory, the immediate reaction has been a scaling back of, or delay to current production orders. From Primark to Prada, from Hermes to H&M, no recognized retailer or brand has escaped the ravages of this devastating virus.

The current state of affairs is creating major problems for apparel manufacturers around the globe, as their cash flow is affected and they struggle to raise the necessary funds to pay their workers, overheads and to cover the purchase of the materials necessary to generate new orders.

The attention given to the plight of apparel manufacturers globally is fully justified, but we should not forget the effects that COVID-19 is having on the related ancillary support industries that rely on and supply the apparel industry. The apparel industry is a many-faceted entity, and its sphere of operations is not limited to brands, retailers and their direct manufacturers alone.

Firstly, consider the knock-on effects to the fabric supply chain. Take, for example, cotton, one of the most important fiber crops in the global textile industry; fabric suppliers are seeing their orders contract at an alarming rate and the ramifications are truly frightening for some of the most fragile workers with related roles in the supply of this core raw material.

Cotton farmers in developing countries around the globe have to face living in hardship and the COVID-19 outbreak compounds their already precarious livelihoods. As many as 100 million households are directly engaged in cotton production worldwide and an estimated 300 million people work in the cotton sector when family labor, farm labor and workers in related services including transportation, ginning, baling and storage are taken into account.

A downturn in trade will impact greatly upon these impoverished workers and, sadly, the tale is the same for those workers involved in the actual fabric production process, both in the cotton fabric production industry and the man-made fiber industries that also form a vital part of the apparel sector.

Second, let us not forget all those involved in the supply of the necessary trims and accessories for apparel products. Whether they be suppliers of buttons, zippers, other hardware, woven labels, card hang tags or other packaging – all companies are experiencing a downturn in trade as orders are cancelled or delayed.

Take for example YKK, the world's largest supplier of zips and metal accessories to the apparel industry. They alone employ more than 42,000 people—all of them facing the prospect of being furloughed from their roles. This is just one company, of many, supplying the apparel industry sector that has seen its business ravaged by the decline in trade post-COVID-19

Similarly, companies involved with the development of chemicals and dyestuffs used in the processing of fabrics and finished goods are suffering a sharp decline in business or, in an ever-growing number of cases, have had to mothball their operations as local lockdown restrictions are applied.

Machinery manufacturers have also seen their business drop away since the outbreak of the pandemic. Across the board, whether it be the simpler, basic sewing machines or the more advanced hardware for the finishing of garments and fabrics companies that supply these wares and the technology support industries that come with them are all experiencing a sharp decline in orders from their immediate customers.

Last, but by no means least, the virus has affected the operations of transport and warehousing companies, responsible for the transfer of goods from the manufacturer to the customer. With no goods being produced and orders being put on hold there is a dearth of product requiring collection from factories and delivery to the customers' warehouses and stores.

Over the course of a few short weeks the COVID-19 pandemic has changed every aspect of the lives of us all. The apparel industry is staggering from the aftershocks of the virus and we all need to consider the wide-reaching consequences of the crisis.

From fiber through to fabric, from dyestuffs to chemical supplies, from technology and machinery suppliers even to the companies that are involved with the transport and distribution of apparel product, no corner of the apparel industry environment has been left unaffected by the pandemic.

The aftermath of the effects of COVID-19 will be suffered for many months or possibly years to come. When we consider the struggling apparel industry sector, it is important that we do not forget those who occupy important but often overlooked roles within the whole supply chain and if we can, to paraphrase old military parlance, we need to ensure that 'no man gets left behind.'

Source: sourcingjournal.com - Apr 12, 2020

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EU & US apparel consumption to reduce by $300 bn: Wazir

Most European countries and the US are under lockdown since mid-March due to Covid-19 pandemic. Based on projection that lockdown may last till mid-July, total apparel consumption in EU and US is likely to reduce by $300 billion, according to latest report by Wazir Advisors. 2020 apparel consumption will reduce by 45 per cent in EU and 40 per cent in US.

Peak of new COVID-19 cases is expected between end-April to mid-May, based on which lockdown is expected to last till mid-July, as per Epidemic Projection by BCG, made on March 26, 2020. This implies total 3 to 4 months closure for almost all the brick-and-mortar fashion stores across US and Europe.

During the lockdown, online stores remain the only option to buy apparel, but consumers are primarily focusing on grocery, medicines and staples purchase. Apparel purchasing will largely be delayed as there is no urgency to replenish, uncertain economic scenario, reduction in occasions to go out (schools, offices, restaurants, gyms, etc are all closed), and limited product options and late and expensive deliveries (online stores), says the report 'Impact of COVID-19 Scenario on European and the US Apparel Market The Big Fall: EU and the US Apparel Consumption to Reduce by US$ 300 bn.'

"US as a society is more consumerist compared to Europe. Younger population with a habit of regular spending will cause US to maintain a tad higher consumption than EU during the lockdown period; and more importantly, faster return to normal consumption levels," the report states.

It estimates 37 per cent less consumption due to store closures in the US market, and the country's GDP shrinking by 3 to 4 per cent. Expected net impact would be 40 per cent lower apparel consumption in 2020.

"European economy was already under stress for last couple of years and countries like Italy and Spain, having been hit worst by the epidemic will cause lower level of consumption than the US in 2020," the report mentions. It estimates 41 per cent less consumption due to store closures in the EU market, and the GDP shrinking by 5 to 6 per cent. Expected net impact would be 45 per cent lower apparel consumption in 2020.

Source: fibre2fashion.com - Apr 12, 2020

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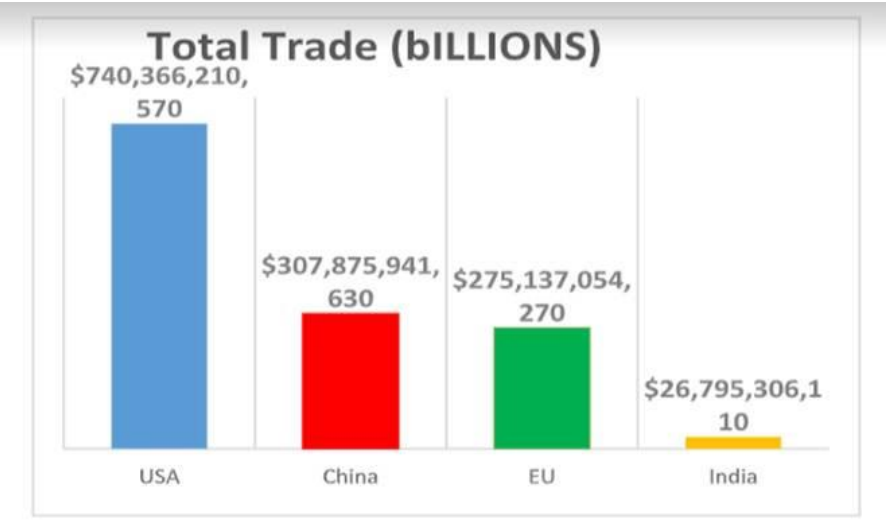
Beyond Trade: China's growing intimacy with Latin America & the Caribbean

China has emerged as the biggest investor and the second-biggest trading partner in the Latin American and Caribbean (LAC) region. China's bilateral trade with LAC in 2018 was US$ 308 billionwith a high growth rate of 18.9 percent. Compared to this, the US trade with LAC in 2018 was more than double of China at US$ 740 billion. The steep rise in trade between the LAC and China has raised concerns in the US with the implications it carries for its traditional markets.

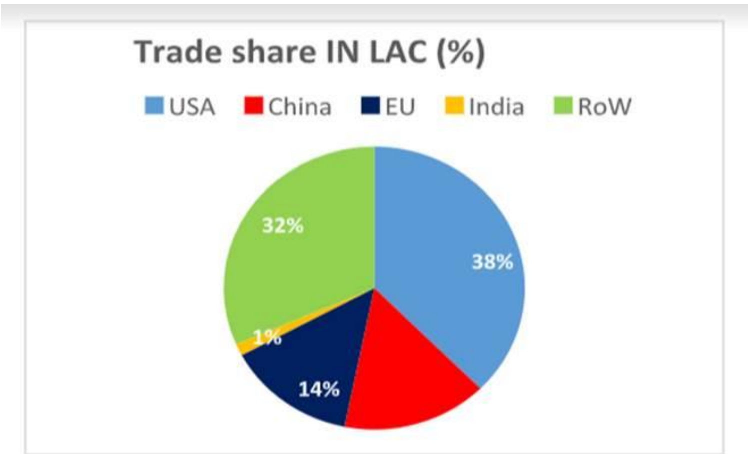
More worrying for the US is China's growing 'soft power' influence in the LAC region, with many countries adopting China's flagship Belt Road Initiative (BRI), and receiving investments from Chinese public and private enterprises.

This influence has been further promulgated with a number of Chinese leaders visiting the region and forging bilateral partnership agreements with Argentina, Brazil, Chile, Costa Rica, Ecuador, Mexico, Peru, Uruguay, and Venezuela. This partnership has been emboldened with President Xi's ambitious goal of increasing the total China-LAC trade to $500 billion by 2025.

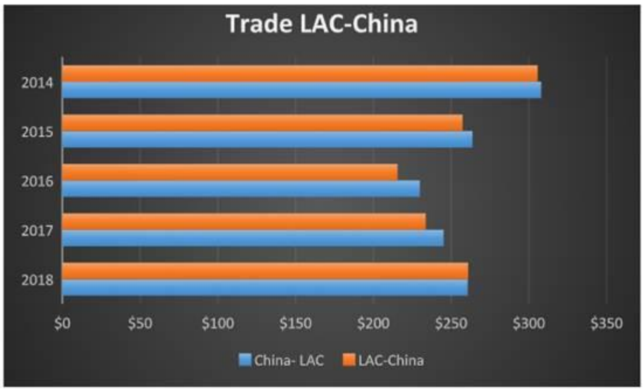


Source: The World Integrated Trade Solution (WITS) (2018)

China's growing trade with the resource-rich LAC has made it the top trading partner with major economies in the region which include Brazil, Chile, Peru, and Uruguay. China's strategic goal is to secure raw materials such as oil, ores, minerals, and agricultural produce which are essential for its manufacturing industry.



Major Chinese imports from the region in 2018 were primarily natural resources, including ores (29%), soybean (19%), petroleum (19%), and copper (8%). Major Chinese exports to Latin America included electrical machinery and equipment (21%); machinery and mechanical appliances (15%); motor vehicles and parts (7%); and a wide array of industrial and consumer products.LAC countries are buyers and also development partners for China's technology.In exchange, owing to its educated and growing middle-class population, theLAC region offersa huge market for Chinese products.



Source: The World Integrated Trade Solution (WITS) (2018)

China's state-owned banks (China Development Bank and China Export-Import Bank) have become the largest lenders in LAC with accumulated loans to have surpassed US$ 140 billion (2005-2018). However, 90 percent of this investment has been received by four countries, which are Venezuela, Brazil, Ecuador, and Argentina, making them the top recipients of Chinese lending.

For Venezuela and Ecuador, much of the financing has been provided through loans-for-oil deals. In recent years, China's banks provided more financing to the region than was provided by the World Bank and the Inter-American Development Bank combined. A significant amount of lending has been for infrastructure projects, as well as for oil and gas and mining projects.

Since 2002, major Chinese companies and banks have shown interest in approximately 150 transportation infrastructure projects, with about half in various phases of construction. Increased participation of non-state investors has introduced new sources of dynamism and diversification to Chinese direct investment in Latin America. Brazil's emerging tech industry, for instance, has successfully and continuously attracted high-profile Chinese investments.

Chinese companies have also committed billions to Colombia, winning bids to build Bogota's first metro line and a regional rail line, and acquiring a gold mine among other deals.China's Belt and Road Initiative (BRI) a resurrection of the ancient Silk Road has also made its way to the region, and through this initiative, the region has received investment for its Physical and Digital infrastructure.

Diversifying this investment further, a Chinese initiative in science and technology diplomacy is taking shape under the banner of the "science silk road," exemplified by the Chinese Academy of Sciences' South America Center for Astronomy (CASSACA) in Chile and the Caucharí Solar Park complex in Argentina. China and Argentina have a number of joint development projects underway as part of the BRI, which is helping to energize local economies in various provinces.

Chinese companies are helping construct South America's largest solar farm in the northwestern province of Jujuy and wind farms in the provinces of Buenos Aires and Chubut in Argentina, with an eye to boosting renewable energy and contributing to combating climate change.

In the last two decades, since China formally joined the World Trade Organization in 2001, it has out rightly asserted itself as an indispensable trading partner globally. This ascendancy has causedripples in the traditional markets because it has jeopardized the stronghold of the old players. However, there are no permanent friends in international trade, there are only interests and whoever caters to these interests gets to exercise dominance.

Europe and the US have been stagnating, and therefore have not been able to compete or provide to the insatiablemarkets of the developingworld. This widening gap has been fostering new relationships like China and LAC, and despite the geographical distance between them, the two are being connected by the desirefordevelopment as a common goal.

Source: financialexpress.com- Apr 11, 2020

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UAE extends support to exporters, businesses facing various problems

Global trade and supply chain are currently passing through the tough times because of coronavirus COVID-19. However, UAE's federal export credit company, Etihad Credit Insurance (ECI), is committed to extend all its support to exporters and businesses.

Exporters are particularly exposed to this risk because of the interconnected supply chains in global trade, which has already slowed down some of the major economies in the world. With people staying home because of these preventative measures, consumer and business spending decreases. This less or lack of liquidity is creating a significant pressure on businesses, whose likelihood of delaying or defaulting on their payments, increases given this global challenge. Against this background, the UAE's federal export credit company, Etihad Credit Insurance (ECI), is supporting UAE exporters and businesses facing payment and supply chain disruption concerns due to COVID-19 with a range of services that will help them navigate these economic times.

Export credit insurance

ECI provides guarantees and insurance solutions to mitigate the political and commercial risks arising from financing or refinancing export transactions, on behalf of the UAE government, helping ease the pressure caused by the global spread of COVID-19.

Massimo Falcioni, CEO of ECI, said: “ECI has the expertise and knowledge to support UAE-based companies exporting to different parts of the world. We have been partnering with banks and intermediaries since 2018 to help UAE businesses of all sizes fulfil and get paid for export contracts and ease access to export funding.”

“For exporters and businesses that are concerned about getting paid, ECI offers an export credit insurance solution that can help them recover the cost of fulfilling an order that is terminated by events outside their control, such as the adverse impacts of COVID-19,” he added. To help mitigate the uncertainty of exporting to other countries, ECI is offering financial support to domestic companies’ international export operations and other activities.

Falcioni said: “ECI has built a large ecosystem of strategic partners including local and international banks, including FAB, ADCB, Emirates NBD, RAK Bank, National Bank of Fujairah, HSBC, Standard Chartered and Natixis, which might offer loans at concessional rate, guaranteed by ECI to secure the funding of the supply chain.”

To address the negative disruption in global trade and international supply chains caused by COVID-19, ECI encourages exporters based in the UAE to take the benefits of ECI advisory solutions that help in finding alternative suppliers globally.

The UAE’s federal export company has a global network of more than 360 million businesses worldwide and can assist in advising on available options and connect UAE exporters to alternative suppliers to sustain their trade operations in the international markets.

Falcioni said: “The uncertainty in the market is increasing due to the effects of coronavirus, causing a ripple effect in the global supply chain. ECI is here to support exporters and domestic busineses with solutions that will help them address payment, additional funding and supply chain concerns due to COVID-19.”

Source: gulftoday.ae- Apr 13, 2020

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Debenhams, the end of an era (and 22,000 jobs)

On 9 April 2019, Debenhams entered Administration, spelling the end of nearly 250 years of trading, 220 stores and the employment of 22,000 people.

Once a pillar of the high street, Debenhams boasted a proud British heritage that began in 1773 selling luxury fabrics on London’s Wigmore Street in Marylebone. By 1950 it prospered to become the largest department store group in the UK, owning 84 companies and operating 110 stores. The group only recently bounced back from entering into administration in early 2019, and on the surface its recovery looked promising.

Just last September Debenhams was in expansion mode, opening two new stores in partnership with Alshaya in its biggest international region, the Middle East. It entered Oman for the first time, taking the number of stores in the UAE to 29. Last October, Debenham’s Silverburn, Glasgow store, won two accolades at the Silverburn Retail awards and was voted Best Department Store and Best Beauty Hall. How far away last October seems.
End of an era

“It’s done. Debenhams were already on very shaky ground prior to the coronavirus outbreak, and 2020 is unfortunately looking like its break year,” commented Nigel Frith, senior market analyst at www.asktraders.com.

“Covid-19 has brought all the retailers’ problems to head a little earlier than expected. After 242 years on the high street, there is a good chance that many, if not all of the department stores’ doors won’t be opening after the UK wide lockdown ends.”

"The chain also said it would not be re-opening its business in Ireland after the worldwide lockdown ended, which also means there will be more bad news to follow," Frith continued.

"What we are seeing here is simple - if the firm was in a weak position going into the coronavirus lock down, there is a good chance that it will not be coming out better the other side - and it's looking like it won't be. In recent years fast fashion and online businesses have thrived, whilst our more traditional brands have struggled to transform and adapt with the current economic climate."

"So far, they have now entered administration, but it does certainly look like the end for Debenhams. What once was a thriving high street store is now on the brink of collapsing, taking all 22,000 jobs with it".

Source: fashionunited.com - Apr 11, 2020

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Plan underway to develop Egypt's cotton industry, says minister

Minister of the Public Business Sector Hesham Tawfik said on Sunday that a plan was in the pipeline in coordination with the agriculture and trade ministries to develop Egypt's cotton industry.

The minister made the remarks at a meeting with Head of the Cotton Egypt Association Wael Olama, Deputy Chairman of the Supreme Council for Textile Industries Magdi Tolba and Chairman of the Cotton, Spinning and Textile Industries Holding Company Ahmed Mostafa.

He added that three developed cotton gins are expected to be operative at the end of 2020, and three others next year after the installation and operation of the first developed gin in Fayyoum governorate. The minister reviewed efforts exerted to implement recommendations of a ministerial committee to apply a new system for cotton trade nationwide this year after its successful trials in Fayyoum and Beni Suef governorates.

Source: egypttoday.com - Apr 12, 2020

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Success reported in second round of Cambodia-China free-trade agreement

A senior official of the Ministry of Commerce said negotiations on the free-trade agreement (FTA) between Cambodia and China have achieved about 70 percent success so far and they are expected to sign the agreement by the end of the year.

Secretary of State of the Ministry of Commerce Sok Sopheak said that during the second round of the FTA negotiations, both parties achieved the good result from the 10 negotiation working groups through an online platform used to combat the spread of COVID-19. The first round took place in Beijing on Jan 20 and 21.

Sok added that both negotiating teams agreed on several chapters in the second round, including investment cooperation, economic and technical cooperation, One-Belt-One-Road Initiative cooperation and an e-commerce system.

"We have achieved lots for the second round of negotiations on the Cambodia-China FTA. However, we cannot reveal details publicly because some tasks are still under internal discussion," Sok added.

"The negotiating groups have agreed in principle on some unresolved issues and agreed and assigned certain tasks to smaller groups to bring those issues under further discussion and to report to the head of the negotiators by no later than May 2020. We hope that the negotiations in terms of technical groups will be completed by June this year. Some chapters we have completed in principle but those have to pass through the minister of commerce and both the Cambodia and Chinese governments."

"Until today, the COVID-19 pandemic has cut the supply chain and value chain. Cargo transportation and orders have been cancelled because some countries are in a state of emergency, so it affects trade. Therefore, we are conducting negotiations via video so that when COVID-19 ends, we can resume our economic activities with China and make them recover quickly."

In terms of timeframe, Sok said he is looking at June to share the proposal document with the relevant ministries and institutions. If there are no issues, the governments of both countries should be on target to sign the free-trade deal some time later this year.

"We conducted negotiations in December 2019, January 2020 and April 2020. Some countries take at least three years for negotiations. However, because Cambodia is in Asean, there is already a relationship. We just need to reform the law and the procedure of the law to facilitate investment, trade, imports and exports etc," Sok further explained.

If successfully concluded, the FTA would be a new mechanism that boosts and diversifies the economic potential and visions of the two nations, according to Sok.

He said the purpose of this trade agreement is to expand trade, investment, services and a deeper cooperation between the two countries. Vitally, it will also enable Cambodia to export its "bountiful" products to the China market.

"With regard to investment, the FTA will contribute to the convenience of existing investors, expanding their businesses while attracting more investment to Cambodia," he added.

Chheang Vannarith, president of the Asian Vision Institute, said on an earlier occasion that there will be a huge opportunity for the Kingdom when it comes to increasing the amount of its products being sent to the world's second largest economy and the world's biggest population of 1.4 billion.

"Through the FTA, Cambodia will be able to further boost exports, especially agriculture products, to market, and it will also strengthen the Kingdom's value chain," he said, explaining that Cambodia will become a significant market for the largest companies in China. He added that free trade will enable the country to attract investment from medium-sized Chinese manufacturers, allowing those companies to supply their products to large-scale companies in China.

The trade volume between the two countries has steadily increased from $5.16 billion in 2016 to $7.4 billion in 2018, according to government figures. The aim is to reach $10 billion in bilateral trade by 2023.

Source: khmertimeskh.com- Apr 13, 2020

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Vietnam launches anti-dumping investigation into polyester filament yarn

Vietnam's Ministry of Industry and Trade has launched an anti-dumping investigation into polyester filament yarn (PFY) from China, India, Indonesia and Malaysia.

The move came following a complaint submitted on November 7, 2019, by an association of Vietnamese manufacturers which accounts for nearly two thirds of domestic output.

According to the complaint, imports of PFY from the above-mentioned countries have increased sharply recently, which is the main cause of the significant losses in Vietnam's PFY manufacturing industry.

Customs data showed PFY imports to Vietnam rose from 154,000 tonnes in 2017 to 185,000 tonnes in 2019.

The total annual capacity of domestic PFY manufacturers is estimated at 350,000 tonnes, which is sufficient to meet domestic demand at around 270,000 tonnes a year.

PFY is mainly used in manufacturing fabric for the clothing industry, along with polyester staple fibre and natural fibre, mainly cotton.

During its investigation, the Ministry of Industry will assess the socio-economic impacts in order to ensure the legitimate rights and interests of importers, PFY users and the domestic PFY industry.

Source: en.nhandan.org.vn- Apr 12, 2020

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Bangladesh: Steep dip already in garment export, further slide projected: BGMEA

Garment export earning in the first week of April fell by 77.76 percent to $129.40 million compared to the corresponding week of the last year, according to data from Bangladesh Garment Manufacturers and Exporters Association (BGMEA) yesterday.

Export revenue from garment was $581.93 million in the first week (April 1 to April 7) in 2018.

The apparel export has also declined on a monthly basis.

In March, the garment export decreased by 30.19 percent to $1.97 billion compared to the same month last year, when earnings from apparel export was $2.82billion, the data said.

BGMEA also said monthly garment export will decline by 70 percent in April to $972.95million compared to April 2019. In April last year the earning from the apparel export was $2.53billion.

The data projected that in May it will be the same, with monthly export set to fall by 70 percent to $972 million, compared to $3.24 billion in May 2019.

So, the cumulative export of garment items in the three months between March and May this year will see a 56.93 percent drop from the corresponding period in 2019 to $3.70 billion compared to the same period last year, when the three months netted $8.60billion.

The loss of export in three months is set to be $4.90 billion -- a 40 percent export loss year on year will also affect the settlement of back to back LCs by $1.96 billion, the BGMEA data also said.

Factories will have to carry unsettled liabilities for the export which have been forecast to be cancelled.

"Along with salaries we are liable for the back to back payments. At this point of time with 77.76percent export falling, we have to brave the storm that's hitting us now. At this pace, we will be further hit by $1.96 billion dollars of import," said Rubana Huq, BGMEA president.

Source: thedailystar.net- Apr 13, 2020

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Pakistan: WEEKLY COTTON REVIEW: Business activities remain suspended

Increasing trend was witnessed in the international cotton markets. Like textile mills of Punjab textile mills of Sindh hinted to start operations partially. State Bank of Pakistan has announced a refinance scheme for the payments of salaries to the workers. Will the appointment of Syed Fakhar Imam give boost to the efforts of the government of increasing the cotton production?

In the local cotton market during last week business activities remains suspended due to lockdown because of coronavirus. Since last three weeks cotton business have been suspended in the cotton exchange however the office of Cotton Association opened daily but the ginners and textile mills were not taking interest in trading. The business was suspended not only in cotton exchange but in the whole country. Spot rates are necessary for banks and at international level due to which Karachi Cotton Association has stabled the rate at Rs 8800 per maund.

The rate of cotton in Sindh and Punjab is in between Rs 7000 to Rs 8800 per maund but there was no report of trading from any where.

On the other hand wheat is being harvested and partial sowing of cotton has started. Cotton production has not yet been estimated by the government this year. Moreover, government has hinted to announce support price of cotton but it is not announced yet. The farmers are saying that if the government will announce the support price of cotton then they will take more interest in the sowing of cotton other wise they will focus on growing other crops. The experts are of the view that government should announce support price of cotton as early as possible other wise delay in announcement will effect the production of cotton.

The government has taken the charge of Ministry of National Food Security and Research from Makhdoom Khusroo Bakhtiar after his alleged involvement in sugar scandal and appointed agriculture expert Syed Fakhar Imam as MNFSR minister. The act of government is appreciated although he is aged now but he holds a vast experience.

According to some people it is expected that in proceeding years production of cotton will be comparatively low due to government's action against sugar mafia. It is expected that area of sugar cane cultivation will be decreased because a vast area has been under control of sugar mafia. From the area which is under control of sugar mafia some land will be available for cotton cultivation but is only when cotton farmers will get good price of Phutti and it is possible when support price of cotton will be announced by government on time.

Moreover, there is uncertainty in the world and the businesses are stalled. The unemployment is increasing day by day which causes irreparable loss to the life and properties. It is not known that in how much time coronavirus will be controlled. It is expected that its deadly effects will remain for months.

The economy is badly engulfed due to the negative effects of coronavirus. The unemployment is increasing day by day due to stagnation of businesses. Like other businesses the business of textile products is also affected. The foreign importers especially the European and American importers are canceling their orders due to which industry is facing irreparable loss.

Due to the lockdown textile industry is bearing loss internally especially before the start of the holy month of Ramazan there is a peak season for textile products. In this export oriented mills has requested the government to allow them to start their operations partially in order to save them from further loss. It is worth mentioning that textile products of worth billions of rupees are ready for export and products of worth billions of rupees are under production.

In this regard commissioner Karachi gave them the permission after that some mills have started their operations partially but they were asked to close their operations not only that their owners were taken into custody.

This act was condemned by business community, local chambers as well as FPCCI. There is still an order that mills will remain close. Moreover chairman Karachi Cotton Brokers Forum Naseem Usman told that there was no business in the world cotton market due to coronavirus.

During the last few days in the world stock exchanges decreasing trend was witnessed in shares but some increase was witnessed in their businesses.

The Rate of New York Cotton witnessed an increase of four American cents and its rate reached at 54.50 American cents. Moreover according to the weekly report of USDA the exports were reduced as compared to last week and agreements were cancelled in large numbers.

Due to the news of normalization of situation in China the rate remained stable to some extent, while the rate of cotton increased by Rs 300 to Rs 400 per candy.

The industries minister Hammad Azhar in an interview said that government wants that export oriented industry should be given permission to operate partially with the condition that industrialists follow the standing operating procedures.

Governor State Bank of Pakistan Raza Baqir has announced a refinance scheme to save the industrial workers from lay off and to solve the payment problem.

Source: brecorder.com - Apr 13, 2020

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NATIONAL NEWS

Textile exporters seek interest-free loan

With overseas buyers cancelling orders, domestic units not able to pay wages

The Cotton Textiles Export Promotion Council has urged the government to provide interest-free working capital loan to export-oriented textile companies to tide over the current unprecedented situation due to the pandemic.

Dr KV Srinivasan, Chairman, Cotton Textiles Export Promotion Council, said while overseas buyers are cancelling orders on a large scale, they are not even making payments for shipments already made.

Exporters have closed down their production facilities due to the lockdown announced by the government.

Textile exporting companies are facing severe financial constraints with many finding it difficult to even pay salaries and wages to the workers during the lockdown period as per government directives, he said.

Further, there is uncertainty as to when the situation will be back to normal, he added. Exporters are looking forward to a financial package from the government so that they could sustain.

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Source: thehindubusinessline.com- Apr 12, 2020

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World Bank slashes India's growth projection to 1.5-2.8% for this fiscal

Warns of further fiscal slippages, growth headwinds if lockdown is extended

The Indian economy is expected to slow down this fiscal (2020-21) with growth rate in the 1.5-2.8 per cent range, said a World Bank report on Sunday. However, the good news is that the next fiscal — 2021-22 or FY22 — is expected to see a growth reversal.

The GDP (Gross Domestic Product) growth rate is estimated at 5 per cent or even lower during fiscal year 2019-20, which ended on March 31.

The World Bank's report on South Asia noted that the Indian government imposed a lockdown on March 25 to contain the spread of Covid-19. "The resulting domestic supply and demand disruptions (on the back of weak external demand) are expected to result in a sharp growth deceleration in FY21 to 2.8 per cent in a baseline scenario (an estimate subject to wide confidence intervals)," it said. The lockdown brought almost 70 per cent of economic activities to a standstill. An SBI research report estimated that the first 21 days of the lockdown could result in losses of over ₹8-lakh crore.

The services sector will be particularly impacted by the lockdown, the World Bank report said. A revival in domestic investment is likely to be delayed, given the enhanced risk aversion on a global scale, and renewed concerns about financial sector resilience. The services sector is the biggest contributor to the GDP with over 54 per cent share, followed by industries with 30 per cent and agriculture with 16 per cent.

"Growth is expected to rebound to 5 per cent in FY22 as the impact of Covid-19 dissipates, and fiscal and monetary policy support pays off with a lag," the report said.

Fiscal deficit to widen

Talking about fiscal deficit, it said that the general government deficit (difference between income and expenditure) is anticipated to rise, owing to recently adopted tax cuts and the impact of significantly slower growth of tax proceeds, before moderating towards the end of the forecast horizon.

"The combined fiscal deficit of the Centre and the States is projected to widen to 9 per cent in FY21, as revenue performance dips with the growth slowdown and expenditure commitments increase in line with the stimulus programme announced. Thereafter, it should improve gradually," it mentioned. However, the current account deficit (difference between payment received and made in US dollar) will improve.

"The balance of payments position is expected to improve. Weak domestic demand, low oil prices and Covid-19-related disruptions are expected to narrow the current account deficit to 0.2 per cent in FY21 and keep it low in the following years," the report said.

The report added that the pandemic has magnified pre-existing risks to the outlook.

Risks and challenges

The government is undertaking measures to contain the health and economic fallout, and the RBI has begun providing calibrated support in the form of policy rate cuts and regulatory forbearance.

Given the uncertainties, there is a wide confidence interval around the baseline estimate. If a large-scale domestic contagion scenario is avoided, early policy measures pay off, and restrictions on the mobility of goods and people are lifted swiftly, an upside scenario could materialise in FY21, with growth around 4 per cent.

However, "if the domestic contagion is not contained, and the nationwide shutdown is extended, growth projections could be revised downwards to 1.5 per cent, and fiscal slippages would be larger."

Source: thehindubusinessline.com- Apr 12, 2020

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Covid-19 to push cotton into bearish zone

Demand disruptions due to Covid-19, amid higher output, may exert pressure on price

Cotton has been consistently performing well in India's domestic market for the past couple of years. The year 2019 has not been an exception. However, 2020 seems to be bucking the trend as the demand and supply factors have suddenly turned unfavourable.

Cotton's near-term prospects are likely to remain bearish in 2020.

Global factors

A latest USDA report estimates a 2.6 per cent increase in global output to 121.7 million bales (1 bale = 170 kg), but an 8.1 per cent decrease in global consumption in 2019-20 to 110.6 million bales.

A combination of better crop and reduced off-take, along with an increase in opening stock, elevates ending stock by 10.98 million bales in 2019-20 compared with a year ago. The expectation of larger output in Brazil, Chad and Tajikistan offsets the lower output from the US and other major producing countries.

On the other hand, coronavirus outbreak has led to a reduced consumption forecast from every major country with total global consumption facing one of the largest annual declines on record.

For the 2020-21 season, planting has just begun in a few regions and uncertainty hangs over the exact impact of Covid-19 outbreak. Thus, it would be too early to speculate about the next season cotton output. Moreover, the pandemic scare presents a major risk factor for global demand for the commodity.

To sum up, Covid-19-led macroeconomic challenges, including lockdowns in major producing and consuming countries, is likely to alter the demand-supply equation going forward. Fears of global economic slowdown driven by coronavirus and its impact on supply chains already resulted in the ICE (Intercontinental Exchange) cotton futures sinking to their lowest (55.65 cents a lb) in more than 10 years on March 19.

Domestic factors

The Cotton Association of India (CAI) in its March estimate says India's total production in the current season (October 2019-September 2020) will be 354.50 lakh bales. With the opening stock of 32 lakh bales and import of 25 lakh bales, total availability will be 411.50 lakh bales.

Against this, domestic consumption is estimated at 331 lakh bales, while export is at 42 lakh bales. That leaves an estimated closing stock of 38.50 lakhs bales at the end of the current season, which is 20 per cent higher than the opening stock.

With the Covid-19 pandemic intensifying and, as of now, with no clarity on when economic normalcy will return, the projections for both domestic consumption and exports appear a bit too optimistic.

Till March 2020, 283.03 lakh cotton bales have arrived in Indian markets, while the Cotton Corporation of India (CCI), the central agency for procurement, has purchased 80 lakh bales in the current season under the government's minimum support price operations.

The CCI has halted its procurement operations as of now due to the ongoing lockdown. With sluggish demand for cotton yarn, the domestic demand for cotton fibre from yarn manufacturers will be adversely affected. The lockdown and the shortage of workers will add to the problem.

India's cotton yarn exports to China, the biggest buyer, has been declining due to loss of price competitiveness caused by excessive hikes in domestic support prices. Of late, India has been facing increasing competition from countries such as Vietnam that possesses clear logistical advantage as it is nearer to China, while India's major yarn production base is Coimbatore in Tamil Nadu.

Shipping cotton yarn from Coimbatore to China takes 21 days vis-a-vis less than seven days from Vietnam. Vietnam also enjoys a 3.5 per cent import duty advantage vis-a-vis India due to the China-ASEAN Free Trade Agreement. The demand from America and Europe for apparels made in China, Bangladesh and India is likely to go down due to depressing effect of Covid-19 that is proving to be more troubling for developed countries. As demand for cotton fibre and yarn is derived, lower demand for apparels will result in lower demand for fibre and yarn.

That's bad news for cotton farmers and for traders who are long on the commodity. Over the past one month, cotton future prices on the MCX have fallen by 15 per cent, from ₹19,004/bale to ₹16,169/bale.

Outlook

In the short run, none of the demand factors are supportive.

The domestic demand and export demand are likely to be sluggish due to disruptions caused by Covid-19. That will put pressure on cotton prices.

Things can get worse if the lockdown prompted by the pandemic prolongs (and it's too early to conclude how long it will persists as of now) and major consuming markets head into deeper economic recession, dampening consumer demand.

Source: thehindubusinessline.com- Apr 12, 2020

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TEA seeks permission to open sampling units as crisis looms large on survival

Tirupur exporters' association (TEA), India's largest readymade garments/knitwear hub, has sought the union government's permission to allow the opening of sampling units to ensure their survival as well as protect employment of lakhs.

The Tirupur cluster, which generates an annual export business of over Rs 26,000 crore with 1,100 units (mostly small in nature), has an employee strength of over 600,000 people, majorly migrant workers.

The cluster is foreseeing a huge business loss due to the lockdown as well some cancellations from overseas buyers. Most of these units have not even received money for the goods exported in January and February.

Buyers from those countries which have not been affected by the COVID-19 pandemic, have as usual asked the sampling units in Tirupur to send their samples for their spring summer and winter seasons requirements.

At this crucial period of long lockdown due to COVID-19, it is paramount importance for opening of the sampling units with less than 50 workers to prepare sample and also giving permission for the opening of preparatory processing units like knitting, dyeing, compacting, calendaring, which can be operated with phased manner after ensuring social distancing and providing mask, disinfectant among other safety things," said Raja M Shanmugham, president, TEA.

In his letter to the Prime Minister as well as the union textile minister, Shanmugham said, "While we appreciate three pronged strategies being taken by the union government to simultaneously protect downtrodden people, migrant workers and industries, our apprehension is that any delay in giving permission for commencement of sample preparation in sampling units would lead to a disastrous impact on Tirupur cluster and the cluster will become standstill for another six months that will lead to a loss of employment to the workers in huge numbers.

Source: financialexpress.com- Apr 12, 2020

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SEZs urges govt to permit sale of goods in domestic mkt at discounted import duty

SEZs are treated as foreign territory in terms of customs laws.

Exporters body for special economic zones EPCES on Sunday urged the commerce ministry to allow units to sell goods at discounted import duty rates in the domestic market as the lockdown and cancellation of orders may impact jobs.

SEZs are treated as foreign territory in terms of customs laws. They are developed as exclusive export zones. Selling of goods by these manufacturing units in the domestic market or outside these zones are treated as imports and therefore the units have to pay full import duty.

"In this crisis time, we have asked the commerce ministry that SEZs may be permitted for sale of their product in domestic market on discounted rate of basic customs duty, at least for one year. This will help them to utilise their capacity and required to save their employees and meet break even," Export Promotion Council for SEZs and EOUs Vice-Chairman Bhuvnesh Seth said.

He said that in the lockdown, the council has also urged for permission to resume work with minimum staff to execute export orders as exporters will loose clients to China or other Asian countries.

Seth said that due to the lockdown and huge cancellation of export orders, “employment retrenchment will be around 50 per cent“. He added that liquidity crunch will not allow the zones to pay salaries for April.

The export oriented units and SEZs are providing direct employment to more than 25 lakh person and has attracted an investments of more than Rs 5.50 lakh crore, he said.

“It has contributed Rs 7.87 lakh crore to India’s export basket which is one-third of total national exports,” he added.

Source: thehindubusinessline.com- Apr 12, 2020

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21-day lockdown: CII suggests calibrated reopening of sectors based on red, amber and green zones

Industry chamber CII on Sunday suggested a “slow and staggered” approach to reopening various sectors based on classification of geographies as red, amber and green, depending upon the incidence of COVID-19 cases.

Textiles and apparels, pharmaceuticals, food processing, minerals and metal, besides e-commerce, automobiles and chemicals are the key sectors that need to restart operations in a calibrated manner, as per a report by CII.

However, prior to the lifting of the lockdown, there has to be adequate notice given to all and also the announcement of an economic package, CII said in a statement.

A calibrated and safe exit from the lockdown, subject to considerations being given to the geographical spread of COVID-19 in the country, would be a practical approach, said CII, adding that this is an evolving situation and one has to flexible in approach.

“Given that the number of cases has rapidly increased and hotspots have emerged in the country over the last few days, and that the opening up across the country would need to be slow and staggered, it would be desirable to have three classifications of geographies as red, amber and green, based on the incidence of COVID cases,” said CII Director General Chandrajit Banerjee.

A more complex point is whether all industries can open in the green zones and which ones should open in the amber zone, assuming that none would be operational in the red zones other than essential and exempt services.
All facilities that reopen must have requisite health, sanitation and screening systems in place to protect workers, it said.

Various measures have been suggested, such as thermal check, social distancing, factory sanitisation and so on. Any enterprise which does not comply with this on a self-certification basis should be subject to stringent penalties, the statement said.

“CII has used four key indicators for prioritisation of sectors for restart. “These include sectors that are part of and support the essential goods and services ecosystem, labour intensive sectors that support jobs and livelihoods, sectors that are essential for protecting India’s export market share and gain the confidence of global markets besides sectors that will help us manage our imports to a minimum based on essential requirements for further production and export,” said the chamber.

The CII report, ‘Exit from the Lockdown’, has suggested a stage wise and zone wise restart of industrial operations.
Stage I would include 100 per cent operationalisation of pharmaceuticals manufacturing, textiles and apparels, food processing and minerals & metals.

Stage II would entail opening with a gap of one or two weeks after the first stage sectors like agri market operations, e-commerce including food and groceries delivery, automobiles and chemicals especially those used for sanitation and other healthcare purposes. Stage III could be the remaining sectors after one or two weeks.

Source: financialexpress.com- Apr 12, 2020

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Post-Covid recovery: Jump-starting the economy

By the time the world, and India, conquer the current pandemic, substantial damage would have been caused to all countries. India would be no exception. The process of restoring the economy, and then, getting it back on a higher growth trajectory than what has been achieved in recent years will take enormous resolve, extraordinary thinking, and a sustained Herculean effort.

The only silver lining is that India's political and bureaucratic leadership can take advantage of this situation to shed a few dogmas, remove the beyond-repair deadwood, and lay the foundation for a more innovative and vibrant ecosystem.

Hence, post the immediate focus on controlling this contagion and providing whatever immediate stimulus is feasible under the circumstances, the government effort must focus on strengthening the nation's socio-economic foundations.

And, also prepare a blueprint for building a new, vibrant India. Thus, it may be a good idea to have two sets of teams in place—one that is focused on the immediate (containing the contagion and re-opening of India), and another focused on the post Covid-19 response for the next three years.

First advice is to have this suggested second team (charged with rebuilding of India) staffed with the best talent (political, finance, industrial, and social) both from within India (cutting across political/ideological lines) and from outside.

The next advice is to stay in a war-time mode at least for the next three years. In this mode, the government should consider drastically pruning the list of public holidays at national and state levels, substantially increase the capacity of the judicial system by increasing the number of working days as well as significantly enhancing the strength of the judiciary and finding ways to appoint a large number of "subject matter experts" in services such as the IAS and IFS, and in key ministries.

It should mandate the team to look at each major component of the economy and come up with solutions that can reduce obstacles and increase attractiveness for fresh investment. These include:

Manufacturing: Parliament should urgently consider modifying the Land Acquisition Bill to make it even more financially realistic and prudent. Concurrently, the centre and the states should work very closely to develop a new cluster of MSME-oriented industrial estates in at least 400 out of the 750 odd districts. These estates should be of an appropriate scale, ranging between 250–1,500 acres each with the state governments providing basic infrastructure (masterplan, internal roads, power—grid and auxiliary generated, waste and effluent treatment, provision for shared service utilities such as rapid-prototyping workshops, banks and other financial services, vocational training facilities, warehousing and logistics, and transport connectivity for the workforce from the estate to the nearest town. Further, unlike currently, no land should be sold in these estates, but leased out (with lease rent linked to production value of the specific manufacturing unit). So that acquiring space does not attract speculators, and also if any unit goes out of business, the space can be immediately leased to a new user.

Each state should be encouraged to do an analysis of where the manufacturing opportunities lie within the state and in each such industrial estate, and then have highly detailed project reports (of a better quality than what have been done in the past) made available to current and prospective manufacturing-segment entrepreneurs, so that, hopefully, the new manufacturing investment in India will be the state-of-the-art & industry 4.0 version.

If this infrastructure can be established within three years, it can spawn 2,50,000 or more new manufacturing MSMEs that can create 8-10 mn new jobs and provide a much stronger foundation for “Make-in-India”, while also adding substantially to the states’,and, therefore, the national GDP.

Agriculture: The government, with some success, has been trying to create more value for those engaged in agriculture. A close linkage with downstream food-processing is one area that the taskforce should focus on. To encourage larger investment in food processing and allied services, perhaps the government can come up with an investment promotion scheme on the lines of Textiles Upgradation Funds Scheme (TUFS), wherein new manufacturing investment get interest subvention support, thereby substantially bringing down the cost of capital for new entrepreneurs and existing manufacturers wishing to expand or install new food processing capacity. With India already producing (by and large) more food than it can consume, it is imperative to process a substantial part of the output so that millions of new non-farming jobs can be created and also create more opportunities to export value-added food products.

Services: The services sector which accounts for nearly 62% of the national GDP, has to be considered for rebuilding and strengthening on priority. Some of the urgent actions (for a few segments within the services sector) are as under:

Retail: This sector has shown criticality and resilience during this period. The government must address the artificially created divide between "organised" and "mom & pop retail", between physical retail and e-commerce, and then between foreign-owned and Indian-owned companies. There is a symbiotic relationship between all formats, all scale, and all kinds of ownership-models in retail. An upgraded, efficient, technology enabled, modern retail ecosystem is a necessity for India.

Hence, no further energy should be expended on the format and operational model of India's private retail. Instead, focus should shift to making the distribution and retail ecosystem more efficient and responsive (especially when faced with emergencies such as the current one). This is one sector that can create millions of jobs within the next three years, while attracting as much as $25-30 bn in fresh investment (in existing businesses and entry of new foreign players).

Food services & hospitality: This sector is one of the most impacted ones with the Covid-19 outbreak and needs urgent support if millions of livelihoods have to be preserved. The taskforce should specifically create a sub-group that can work closely with those engaged in this sector to come up with action steps that can save this vital part of our economy from decimation.

Healthcare: This can be one of the most vibrant "new" growth drivers. The current crisis has been an exceptional "stress test" for the strengths and limitations of India's healthcare ecosystem.

A sub-group should work closely with leading players in this entire ecosystem (pharma, medical equipment and consumables, diagnostic equipment, medical furniture and accessories, healthcare technology, hospital waste management, and healthcare).

The current situation can be innovatively used to rebuild the Industry 4.0 equivalent of the healthcare system which can create millions of new relatively high-value adding jobs and export opportunities.

To achieve all of the above, and much more, India would need additional financial resources. The government has to ruthlessly cut flab (centre and states), divest heavily with determination and urgency, make India more attractive to venture and other capital, and then be aggressive in finding other internal and external sources to raise additional funding even if it may lead to further weakening of the rupee or may require further tightening of belt.

Source: financialexpress.com- Apr 12, 2020

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Textiles output expanded by 5.1% in Feb 2020

Among the 23 industries tracked by the Central Statistics Office's Index of Industrial Production, the textiles industry had the eighth highest growth rate.

Factory output in the textiles industry expanded 5.1% in Feb 2020 compared to the same month last year, according to new data released by the Central Statistics Office. In comparison, it had expanded at 3.4% in the previous month of Jan 2020.

Growth in the textiles industry was more than that in overall industrial output, which grew 4.5%. Textiles made up 3.29% of the overall index of industrial production (IIP), and contributed 0.17% to overall IIP growth.

Among the 23 industries tracked by the Central Statistics Office's Index of Industrial Production, the textiles industry had the eighth highest growth rate. Across all industry sectors, the growth rate was highest in manufacture of basic metals, and lowest in manufacture of motor vehicles, trailers and semi-trailers.

Factory output is measured by the Index of Industrial Production (IIP), a composite index that measures changes in the volume of production of selected industrial goods.

The data has been sourced from Central Statistics Office

Source: livemint.com- Apr 10, 2020

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Post Covid-19: The impact on private consumption

Despite the expected sharp slowdown of India's economy in March, it may have still clocked a GDP of about $3,000 billion for the year ending March 31, 2020. Private consumption accounts for about 58% of GDP (therefore expected to be about $1,700 billion). Of this, about 48% (or $825 billion) is consumer spending on merchandise, and the remaining $875 billion is spent on a range of services (and small savings).

Some of the biggest privately-owned companies in India—and then some that are managed through cooperatives such as the GCMMF (Gujarat Cooperative Milk Marketing Federation) and the KVIC (Khadi and Village Industries Commission)—operate in consumer products businesses, and enjoy a much higher market capitalisation than companies that are operating in other sectors of the economy.

In recent years, consumer focused businesses have also caught the attention of venture capital and private equity in a much bigger way. The retail sector through which the 250 million Indian households buy this merchandise is the country's largest employer(after those who are engaged in agriculture), accounting for over 45-50 million jobs directly.

With food and grocery, textiles and apparel, jewellery, and consumer electronics and durables being the four largest segments of consumer spending in India, the fate of the country's farmers and then millions of workers in the MSME sector that manufactures myriad consumer goods is directly linked to the private consumption of these 250 million households, connected through nearly 20 million independent retail outlets and several tens of thousands of retail outlets operated by large, organised retailers and through the still-small but extremely important e-tail channel.

Under a more optimistic scenario, India's GDP may grow between 2.5% and 3% in FY2021, and then perhaps by 4.5% in FY2022. This rapid deceleration of the economy, already on a downward trajectory before the Covid-19 hit it, will have a significant impact on what India will consume over the next 6-8 quarters.

This change in consumption patterns and in consumer behaviour will be more because of substantially diminished purchasing power in the hands of the consumer, and not so much because of being under lockdown for3-4 weeks (or a bit more).

About $550 billion out of the $825 billion of consumer spending on merchandise is accounted for by food and grocery. This spending is likely to see the least impact either in terms of volume consumed across different sub-segments under this category or on the retail channels that largely sell food and grocery items. The most visible impact post-Covid-19 in this category will be some more headwinds on ‘lifestyle’ foods—for example, health foods with relatively more exotic ingredients, premium snack foods, and premium alcohol and beer, etc.

At about $65 billion, textiles and apparel is the next big category(although much smaller than food and grocery) for consumer spending on merchandise. This category is expected to see the maximum (adverse) effect post-Covid-19. Just about every textile and clothing manufacturer(including those who have a large presence in exports) are likely to be carrying very high stock of raw material and semi-finished/finished goods.

With textiles and apparel stores completely shut down, they would also be carrying stock that runs the risk of becoming slow-moving as the season changes from winters to summers. The consumer sentiment is likely to be quite depressed for several months after the removal of the lockdown, and it is quite likely that spending on clothing (and accessories) would not be a priority for most consumers in various income strata.

To clear unsold stocks, the manufacturers and retailers would have no choice left but to try and clear that same through heavy discounting. To add to the woes of Indian textiles and apparel manufacturers, Indian mid-price and premium brands, and organised/large independent fashion retailers there is a strong possibility of very cheap clothing finding its way into India from Bangladesh (with whom India has a Free Trade Agreement).

Hence, a very large segment of Indian consumers will meet their clothing needs through heavily discounted merchandise, creating a lot of stress of India’s non-food organised retailers and many brands, too, where the brand-pull may not be sufficient to retain or attract cash-strapped consumers. Therefore, this important product segment may see tough and tougher times probably well into 2022. There would be a substantial adverse impact on the jewellery segment (about $60-65 billion), but its prospects should improve from September 2020 onwards as the wedding market picks up (with a backlog of weddings being deferred now).

The consumer electronics and durables segment (about $50 billion) will probably see the least long-lasting impact (though some summer-season specific categories such as air-conditioners may face significant loss in sales if the lockdown is prolonged much beyond April 15). These categories are likely to be among the first ones to see demand coming back steadily from September/October 2020 onwards.

The impact on other categories such as home and living, footwear, etc, is likely to be more byway of consumers looking for more value-priced options, while their consumption by volume may not see much decline when seen over the entire April 2020 to March 2021 period. Hence, for manufacturers, brands and retailers of non-food consumer products, it is expectedly going to be tough times ahead.

However, other than those in the textiles and apparel segment, there is still reason to believe that their headwinds may begin to ease by September this year and, therefore, they just need to last out the current storm while consciously introducing more value-priced options in their product mix.

Source: financialexpress.com- Apr 13, 2020

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Textile exporters stare at losses

Export of cotton yarn and fabrics has come down due to the Covid-19 pandemic and the subsequent lockdown, say representatives of a textile export association.

Overseas buyers have cancelled 30% of the orders due to the uncertainty unleashed by the pandemic, chairman of the Cotton Textiles Export Promotion Council (TEXPROCIL) K V Srinivasan said.

"Manufacturing units and textile retails in the countries that buy cotton yarn and fabrics from India are closed. So, they are cancelling the already placed orders," he said. "Not only cotton yarn, orders for cotton fabrics and home textiles such as bedsheets and pillow cases have been cancelled."

Exporters are facing problems as buyers are delaying payments against export bills for the shipments already made, Srinivasan said.

"Exporters who have entered into forward contracts with banks are now unable to surrender the committed amounts on foreign exchange due to delay in receiving the payments. As a result, they face huge losses as they are forced to either cancel or roll over the forward contracts, which involves penalty and other charges," he said.

Srinivasan said to help the sector tide over the crisis, the Centre should include cotton yarn in the merchandise exports from India scheme (MEIS) and rebate of state and central taxes and levies (RoSCTL) scheme. "Fabrics should be included in the RoSCTL scheme.

Cotton yarn currently has no such benefits. Also, to address the issue of liquidity faced by the exporters, all pending claims under the technology upgradation fund (TUF) scheme and the erstwhile rebate of state Levies (ROSL) should be released for made-ups and garments."

Source: timesofindia.com- Apr 13, 2020

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Textile ministry steps up procurement of PPE

According to officials familiar with the matter, the producers have reached a daily production capacity of 22,000 units.

The textile ministry has procured 130,000 coverall suits from Indian producers amid a shortage of the protective gear being used by health care workers while treating coronavirus disease patients.

According to officials familiar with the matter, the producers have reached a daily production capacity of 22,000 units.

Since domestic production of the PPE suits began last month, 33 Indian producers have passed the quality tests laid down under norms stipulated by the WHO. Earlier, the country relied on international players for the for the suits.

"This is a significant achievement considering that we had started from nowhere a month back, and the fabric had to be developed in the country for the first time. We hope to touch 50,000 units daily in the coming week, which will stabilise the supply chain," said a senior textile ministry official, on condition of anonymity.

The daily production capacity for the suits has been steadily growing with new producers making the cut. It was 16,000 units on April 10, as many as 15,700 on April 9 and 11,500 on April 8, said officials.

Officials said that an additional two lakh PPE suits have come in from China through Indian donors. South India Textile Research Association officials said that the number of producers writing to them for approvals has risen.

However, some of the untested producers were selling the units to private players, prompting the ministry to lay down new norms under which all PPE units will have a Unique Certification Code and tamper-proof stickers in indelible ink, officials said.

Source: hindustantimes.com- Apr 13, 2020

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DPIIT suggests Home Ministry permit limited activity in select sectors with safeguards

The Department for Promotion of Industry and Internal Trade (DPIIT) has suggested the Home Ministry to allow limited activity in certain sectors such as heavy electricals and telecom equipment with reasonable safeguards.

In a letter to Home Secretary Ajay Kumar Bhalla, the department said that these activities are essential to improve the economic situation and provide liquidity in the hands of the people.

"It is felt that certain more activities with reasonable safeguards should be allowed once a final decision regarding extension and nature of lockdown is taken by the central government," it said.

The exit plan from the lockdown is recommended after getting suggestions from a detailed interaction with various states and industry bodies.

The department has suggested that industries which can be allowed to operate must ensure single entry points for workers, sufficient space for ensuring social distancing, use of separate transport for ferrying workers or make stay arrangements in factory premises, high quality regular sanitisation of the premises, and state and district authorities, while allowing these new activities, should ensure strict observance of these conditions.

It has also recommended free movement of vehicles and manpower in certain sectors.

Big companies with proper sanitation and distancing norms in place in sectors such as textiles, automobiles and electronic manufacturing—20 percent to 25 percent capacity in single shift—may be considered to start with, according to the letter.

Besides those firms or MSMEs with export commitments need to be allowed to operate with minimal manpower and necessary movement of material as a new entity.

Certain industries which can be permitted to start with minimum manpower and proper sanitation and distancing norms/safeguards on a single shift basis include telecom equipment and components including Optic Fiber Cable; compressor and condenser units; steel and ferrous Alloy mills; spinning and ginning mills, power looms; defence; cement plants; pulp and paper units; fertilizer plants; paints; plastic; automotive units; gems and jewellery; and all units in SEZs and EOUs.

Further it has stated that housing and construction sectors need to be allowed if the labourers stay at the sites with all facilities and safeguards. Contractors shall ensure safety, sanitation and distancing norms.

It suggested that all transport vehicles of all sizes, whether inter-State, intra-State or intra-city, need to be allowed, whether empty or full, by all enforcement agencies without asking any question.

The department has stated that all street vendors like fruit and vegetable sellers should be allowed by the states to improve doorstep delivery and also provide much-needed liquidity to this population.

It has also asked for certain repairing units like those individuals or small agencies involved in providing repair services in mobile, refrigerator, air conditioner, television, plumbing, cobblers, ironing (dhobi), electrician, automobile mechanics, cycle should be allowed.

For the rubber sector, it has suggested that certain rubber items may be given priority for starting manufacturing, while keeping in mind the safety, sanitation and distancing norms. It can include pressure cooker gaskets, LPG hoses, adhesives, hospital rubber sheets, medical – silicon, pharma stoppers, boots, catheters, anesthesia bags, valves, and dental supplies.

Lastly, the department has recommended that timber, plywood and wood-based industry provides packaging material to pharma companies, FMCG and other companies producing essential commodities should also be allowed by state authorities.

Source: firstpost.com- Apr 13, 2020

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Covid-19 and foreign trade: How to ensure Indian exports survive the churning and pick up steam

The global spread of Covid-19 has brought about an unprecedented halt to activity in all major economies. WTO has forecast global trade volumes to drop sharply by 13-32%, which has not been seen before in the modern era. The situation is so fluid that most of us hesitate to put a number to growth projections for 2020-21.

Companies dependent on foreign trade are especially vulnerable in these times. India's biggest export markets – the EU and US – have extended lockdowns in place. Already, between April 2019-February 2020 for the period before the lockdown, India's merchandise exports declined by 1.5% over the same period last year while imports declined by 7.3% to $436.03 billion.

As the world battles Covid-19, we must take care to sustain our export markets and ensure that lockdown does not translate into loss of outward bound goods. As a first step, the government has provided a welcome extension of the foreign trade policy incentives which were to expire on April 1.

As an immediate measure to protect exports, CII has suggested that exports be classified under essential services so that they can operate with free movement of cargo across states. Delays in filing of bills of entry and payment of customs duties should be given a one-time relaxation of three to six months.

A key issue facing exporters is credit access. The extension of the interest subvention scheme available for MSME exporters could be announced immediately. Further, to tide over the current crisis situation, the scheme could be extended to all exporters as well as those manufacturing mainly for exports. For imports related to exports, banks need to prioritise credit documents and provide special cash credit funding.

Most nations are proactively supporting their exporters during these difficult times. For example, China increased export refund facility by 2% recently. Such moves make Indian goods less competitive in global markets and must be compensated through an additional duty drawback of at least 3% for the next six months to avert mass closure of enterprises.

Another challenge for exporters due to the current lockdown measures is delays in clearances of import containers which attract increase in demurrage and container freight station charges. Such charges should be waived to avoid cost escalation, along with relaxation in time for submission of documents. Some facilities, such as exports inspection council which provides certificates of origin, need to continue operations to avoid delays in exports.

Certain ports and airports should be specifically identified for handling exports on priority basis. To ensure that goods reach these exit points, self-certification should be considered as valid for inter-state movement.

Clearly, the current geographic configuration and concentration of global value chains will dramatically reorient due to the pandemic. The sourcing and import disruptions that have occurred as a result of Covid-19 mean that countries will be seeking to diversify their markets and sources of imports. This will also need to be taken up multilaterally.

India stands a good chance to be able to leverage the evolving trend if it makes strong efforts to expand its export basket and reduce domestic logistics and procedural costs. To diversify exports, agricultural products present a good opportunity. The agriculture ministry has identified 21 products which could be prioritised.

Targeting a few countries per product and meeting their specific standards and sanitary and phytosanitary import requirements also needs attention – this can be done through a government industry standards taskforce. Given air travel disruptions, the government could consider instituting special flights with appropriate sanitary and disinfectant provisions to enable exports from the horticulture, floriculture and processed food sectors.

Two, meat, poultry and fisheries sector could see enhanced exports as well. Trade facilitation by simplifying farm registration procedures for greater traceability and making antibiotic testing easier is required. Easy access to cold storage and warehousing facilities in marine or other food parks at concessionary rates would also be helpful, as would greater avenues to enable processing and value addition.

Three, India has been called the ‘world’s pharmacy’ because of the dominance and quality of its generic medicines. Its supply of drugs to fight Covid-19 to the US and Brazil was a welcome move as it strengthened the India brand as a reliable source of pharma products.

The government has announced an incentive programme of Rs 10,000 crore for spurring domestic API production and in the short term, imports of API could also be considered for ramping up manufacturing for domestic use and exports. Alternative sources of APIs such as Japan, Canada, the Netherlands should especially be explored.

Indian pharmaceutical and biotech firms could also look at collaboration with global peers seeking to roll out the new Covid-19 vaccine and treatment medications. For both clinical trials and quality manufacturing, India could position itself as the ideal partner.

Over the medium term, global trade governance will emerge as a critical area for the world to work on in order to minimise disruptions and coordinate actions. This can only be done collectively and strengthening the WTO would be the best mechanism to achieve this.

Indian industry remains fully committed to working with the government to navigate these uncertain times and begin the process of realising India’s full potential in trade.

Source: timesofindia.com- Apr 13, 2020

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How a technical glitch is costing Indian exporters dearly

A technical glitch is denying Indian exporters the much needed benefit under the interest equalisation scheme (IES). IES was announced by the government in the Foreign Trade Policy (2015-20), the validity of which was extended by another year recently.

A directive from the Reserve Bank of India (RBI) is all that banks need to pass on the benefits to their exporter customers. The current circular, issued by RBI on February 21, 2019 had instructed banks to pass on the benefit of interest subvention under the scheme only till March 31, 2020 -- the date on which the FTP 2015-20 was due to expire.

The extension of the Foreign Policy till March 31, 2021 was notified by the Director General of Foreign Trade on the March 31. However, RBI is yet to officially notify the change to the servicing banks.

Under IES scheme, large sector manufacturers and merchant exporters of 461 specified four-digit tariff lines are eligible for 3 per cent interest subvention per annum. The rate of equilisation is 5 per cent for MSME sector manufacturers across all tariff lines. The IES scheme for pre and post shipment rupee export credit is implemented by DGFT, while operational guidelines to the banks are issued by the RBI.

In 2018-19, the Union Budget had allocated Rs 2,500 to help exporters through interest subvention.

The exporters have already approached RBI through respective export promotion councils to look into the matter. In the absence of the circular issued by RBI for extension to the banks on the pre and post shipment IES availed by exporters from April 1, 2020, the banks are charging full interest at prime lending rate with no benefit passed on to the exporter.

The technical issue is adding to the liquidity problems of the exporters, already in trouble due to shipments that are held up due to restrictions associated with the country wide lock down.

Source: businesstoday.in- Apr 12, 2020

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Tirupur garment units fear losing biz to China, Bangladesh

Their peers in Bangladesh and China working without a lockdown has made Tirupur textile units' owners jittery, for there is a serious threat of losing out on international orders.

Speaking on their behalf, the Tirupur Exporters Association has requested Central and State governments to allow the textile cluster to reopen, so that they can send samples to clients in US and Europe.

"If we do not send the samples on time, we could lose business with many foreign brands forever," the association has warned. "We have to send the samples by April 10. Only then would we get orders for spring-summer collections," says Raja M Shanmugam, president of the association.

"If we miss this opportunity, countries such as China, Pakistan, Bangladesh, Vietnam and Cambodia will grab the orders." Factories in China and Bangladesh are currently functioning, and they will miss an opportunity to grab these orders, adds Shanmugam.

"We are already suffering heavy losses, to the tune of Rs12,000 crore. There have hardly been any orders since January. If we lose the spring-summer order, our losses will double up in the next three months."

The association has already held talks with the Centre, and is awaiting a positive decision in this regard.There are over 10,000 garment manufacturing industries in Tirupur, employing over 6 lakh people. The cluster on an average exports textiles worth Rs 2,500 crore a month. Cotton knitwear sent from here are in much demand in European countries.

"Most exporters have already procured raw materials. Now, we only need permission to produce the samples. We assure to begin manufacturing of samples only after putting in sufficient safety protocols and measures. We will not risk the lives of our workers," says Shanmugam.

10,000 garment manufacturing industries in Tirupur, employ over 6 lakh people, and exports Rs 2,500 crore worth textiles in a month.

Source: newindianexpress.com- Apr 13, 2020

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Indian garment sector needs more govt support: CMAI

India's garment industry, especially micro, small and medium enterprises (MSMEs) that comprise 90 per cent of the sector, needs more government support for wages and working capital, according to a survey conducted by the Clothing Manufacturers Association of India (CMAI), which found a fifth of the respondents could close their business after the lockdown.

About three-fifths of the respondents are expecting a revenue drop of more than 40 per cent, and 29 per cent of them expect a fall in revenue of 20-40 per cent. Hence, CMAI believes that the apparel industry could take a hit of almost ₹1 trillion due to the lockdown.

Almost 50 lakh jobs in the sector are at risk.

While 81 per cent of respondents have received order cancellations from buyers, four-fifths of them believe they will not be able to sustain current workforce without government support, CMAI said in a press release.

Almost all are expecting their payments to be delayed and 43 per cent are expecting their inventory to rise by more than 40 per cent, the survey found.

Four-fifths of the respondents indicated they will have to downsize their organisation immediately. A minimum 30 per cent reduction in the number of employees and about 20 per cent reduction in salaries for remaining employees is the action that CMAI members are likely to take to ensure survival after the lockdown is lifted.

In the light of the findings, CMAI has urged the government to take a host of measures to protect the apparel industry. These include 50 per cent wage subsidy of up to ₹5,000 per month for five months from March to July, the government bearing the provident fund and Employee State Insurance Scheme (ESIC) contribution of employer and employee for three months from March to May for employees drawing a monthly salary of not more than ₹15,000 with no cap on number of employees in the company.

All banks should offer interest subvention of 5 per cent on total borrowings and 25 per cent additional working capital should be made available on a mandatory basis, CMAI suggested.

While the Reserve Bank of India (RBI) has already allowed a three-month moratorium on terms and working capital loans, this needs to be extended to six months. Further, purchase bills discounting and letter of credits dues must also be offered a 90-day moratorium, CMAI recommended.

The Securities and Exchange Board of India should be instructed to relax rules for raising capital for listed companies due to the sudden fall in stock prices and it should also provide a 90-day moratorium on listed debt instruments that are used for financing working capital and term loans, CMAI added.

Source: fibre2fashion.com- Apr 11, 2020

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Cotton purchase starts, mandi board to test staggered procurement model

To test the working of the staggered wheat procurement plan, the Punjab State Agricultural Marketing Board authorities have decided to resume cotton purchase in Mansa district from Monday on a similar pattern.

Under the plan, farmers will be issued coupons to enter the mandi premises to sell their pending stock of raw cotton.

State cotton coordinator Rajnish Goel told HT that arhtiyas have been roped in to invite 20 farmers in a day to ensure adherence of the pandemic safety protocol.

He said the stock will be purchased by the Cotton Corporation of India (CCI) at the minimum support price (MSP).

“Coupons issued to farmers by the local mandi officials will serve as curfew passes. Farmers will be allowed to sell their pending stock at designated spots in the mandi. Limited arrival of farmers will be ensured to maintain social distancing during the process,” said Goel.

As per the state mandi board officials, 9.40 lakh quintal of cotton has already been purchased in Mansa and an estimated 50,000 quintal is still lying with the farmers in the district. In Punjab, an estimated 5 lakh quintal of cotton is yet to arrive in the mandis.

Cotton purchase was suspended after curfew was imposed in Punjab on March 23.

Goel said the cotton purchase will help in identifying gaps for staggered wheat procurement plan.

"After experimenting with 20 farmers in Mansa, we will gradually increase the allowed number to 40. In the second phase, a similar plan will be introduced to benefit cotton farmers in Bathinda, Faridkot, Fazilka and Muktsar districts," he added.

State agriculture department director Sutantar Kumar Airi, wheat harvesting in Punjab will begin from April 15 but a sizeable area in south Malwa belt will witness it after April 20.

Meanwhile, sources in the CCI said the agency is ready to restart the purchase of cotton. "After CCI raised the issue of overstocking in various warehouses, the state authorities began granting permits to transport ginned cotton in Mansa and other districts. We are working to move cotton seed to buyers in Punjab and other places," a CCI official said.

Source: hindustantimes.com- Apr 12, 2020

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Employers federation seeks measures to tide over crisis

The Employers Federation of Southern India (EFSI) has made a representation to the Tamil Nadu government seeking measures for industries to tide over the crisis on account of lockdown due to COVID19.

The federation has requested the State government to extend the time limit for renewal of licences and submission of returns under various labour enactments up to June 30.

Permission to operate 12-hour shift for six months to reset the production lines to a higher capacity and exemptions to all factories and establishment with regard to hours of overtime for 6 months are its other requests. Exemption to work compensatory days for the lockdown days and to work beyond ten working days continuously and weekly off have also found a place in the demands.

The letter, addressed to the Chief Secretary, mentioned payment of 50% of wages in respect of workers earning more than ₹.24,000 [ceiling as prescribed under the payment of wages Act, 1936] a month for the lockdown period and wanted revision of dearness allowance (w.e.f 01.04.2020) payable under the Minimum Wages Act deferred by six months.

“Under the Apprentices Act, stipend for apprentices from the board of apprentices is not reimbursed to employers in a timely manner. The pending claim for reimbursement is done immediately to tide over the financial crisis,” the letter said.

Other requests include postponement of licence fees, fine and penal interest any payable be waived as special case and all punitive action initiated against employers, such as issuance of show cause notices for deviation, non-compliances etc be deferred for six months after obtaining the reply from the employers concerned, except for safety related issues.

“In order to cover maximum beneficiaries under the building and other construction workers act, the condition with regard to engagement of construction workers for not less than 90 days during the preceding period of 12 months be relaxed. Suitable relaxation is recommended to the Government of India for amendment in the act,” the federation said.

The 100-year-old federation represents 750 employers of southern India and 20 other affiliated associations belonging to textile, sugar, cement, plantation, leather and MSME sectors.

Source: thehindu.com- Apr 13, 2020

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