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INTERNATIONAL NEWS

Why EU-Vietnam free-trade deal can't topple China as world's factory

Even as many in the region hail a free-trade deal between the European Union and Hanoi for opening up new economic possibilities, analysts say it is unlikely to be a silver bullet for Vietnam's post-Covid-19 recovery.

Chinese analysts also think it is unlikely the European Union Vietnam Free Trade Agreement (EVFTA), which was ratified on Tuesday, will result in a substantial number of foreign investors and manufacturers relocating from China to Vietnam.

The deal will cut or eliminate 99 per cent of tariffs on goods traded between the two. In the case of textiles and apparel, 77.3 per cent of tariffs will be eliminated after five years and the remaining 22.7 per cent after seven years.

According to the chairman of the European Chamber of Commerce in Vietnam, Nicolas Audie, the EVFTA comes "at an advantageous moment for European companies".

Expected to take effect in July, the EVFTA will open up Vietnam's services, including post, banking and shipping and public procurement markets. It is the EU's second deal with a member of Asean (the Association of Southeast Asian Nations) after Singapore, and among only a few the bloc has with developing countries. The deal will benefit companies such as Saigon-based craft beverage firm Saigon Cider, which exports to France and Cambodia.

Its British founder, Hannah Jefferys, who is also in talks with German and Portuguese companies, said: "Customers will be offered better prices and get better mark-up from our products. The FTA will make exports more feasible as many costs will be removed."

Like many businesses affected by the pandemic, sales at Saigon Cider have taken a hit during the global lockdown. "Ours is a luxury product. When the economy goes down, people tend to go for the mass-market and cheaper products," Jeffreys said.

A six-pack of cider is priced at 510,000 dong, or about US$21, in a country where draught beer is sold for about US$1.50 per litre.

In late January, Vietnam not only shut its borders with China but also suspended visas to prevent foreigners from entering starting mid-March.

Audie, a lawyer who has worked in Vietnam since 1995, added: “It can be seen as a road map to recovery, one which gives European companies greater access to one of the world’s fastest-growing economies at a time when few others are open for business.”

He said businesses in Vietnam had been able to resume quickly due to the country’s swift and successful handling of the pandemic.

Audie also expected to see an increase in EU investments in the country in the months ahead.

“European companies will soon have better access to Vietnam’s growing middle-class consumer market, as well as its thriving service sectors, such as higher education, telecommunications and banking,” he said.

According to the European Commission, Vietnam is the EU’s second-largest trading partner in Asean after Singapore, with trade worth 49.3 billion euros (US$56 billion) for goods and over 3 billion euros for services. The Southeast Asian country’s total imports and exports to China stood at US$517.26 billion, according to the Vietnamese government.

RELIANT ON CHINA

However, Trinh Nguyen, a senior economist for Asia at Natixis, a French corporate and investment bank, who once referred to Vietnam as “an export rock star of Asia”, said the increase in Vietnamese exports as a result of the EVFTA was likely to be offset by its reliance on Chinese imports for production.

To reduce this dependency, Nguyen said the country needed to improve its tertiary education and push for the training and localisation of suppliers.

Natixis economists say Vietnam’s dependency on Chinese imports has risen over the years. Its linkages with China increased substantially from 2014 to 2018 as compared to other Asean countries.

According to Vietnamese customs figures, Vietnam's textiles and garment production relies heavily on China as a source of fabric. Last year, Vietnam exported US$1.59 billion worth of textiles and garments to China and imported US$11.52 billion worth of input materials.

Nguyen said the free-trade deal stipulated rules of origin for textiles that would force more of the supply chain to move to Vietnam, although that was a short-term worry for the sector as it was currently cheaper to import input materials. "I expect more inflows of investment to raise the domestic input in the economy," Nguyen said.

Click here for more details

Source: scmp.com– Jun 14, 2020

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Pandemic-hit global merchandise trade could plunge 20% this year – U.N.

The international trade in goods is expected to nosedive by 20% this year after a 5% drop year-on-year in the first-quarter and what could be a 27% plunge in the second-quarter, says the United Nations Conference on Trade and Development (UNCTAD).

UNCTAD's forecast is in line with the World Trade Organization's (WTO) expectation that the decline in international trade this year will be between 13 and 32%.

"International trade is likely to remain below the levels observed in 2019," said UNCTAD director of international trade Pamela Coke-Hamilton in a statement on Thursday (June 11). "But how far depends on the pandemic's evolution and the type and extent of the policies governments adopt as they try to restart their economies."

Among the world's biggest economies, China's first-quarter exports shrank by 14% but saw an uptick of 3% in April.

Exports out of the United States dropped by 3% in the first three months of 2020 and plunged 29% in April.

BY REGIONS

UNCTAD said preliminary data for April suggests the sharpest downturn for South Asia and the Middle East, which could register trade falls of up to 40%.

East Asia and the Pacific regions appear to have fared the best, with trade drops remaining in the single digits both in the first-quarter as well as in April.

"For developing countries, while declines in exports are likely driven by reduced demand in destination markets, declines in imports may indicate not only reduced demand but also exchange rate movements, concerns regarding debt and a shortage of foreign currency," said UNCTAD.

Click here for more details

Source: salaamgateway.com– Jun 13, 2020

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China textile & apparel export in May 2020

China's textile and garment exports in the first five months of the year totalled USD96.16 billion, down 1.17 per cent year on year, official data showed.

The decrease narrowed by 8.8 percentage points from the figure in the January-April period, according to the Ministry of Industry and Information Technology (MIIT).

From January to May, the country's textile exports climbed 21.3 per cent year on year to total USD57.95 billion, while garment exports dropped 22.8 per cent to USD38.21 billion.

In May alone, led by the export of face masks, textile exports came in at USD20.65 billion, up 77.3 per cent from a year ago, MIIT data showed.

China exported over 70.6 billion masks and 340 million protective suits from March to May, according to a white paper titled Fighting COVID-19.

Source: borneobulletin.com.bn– Jun 15, 2020

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Textile, Apparel Trade Plunges 12 Percent, Study Says

A U.N. agency projects global trade overall in value terms will contract by 27 percent in the second quarter.

Global trade in textiles and apparel, impacted by the the coronavirus, contracted by almost 12 percent in the first quarter, outpacing the overall 5 percent decline in the value of international trade in goods, a United Nations report said Thursday.

China registered an 18 percent decline in textile and apparel exports in the first three months of the year, but posted a double-digit recovery in April, with shipments increasing by 11 percent, said Alessandro Nicita, international economist at the U.N. Conference on Trade and Development, and a lead author of the study.

U.N. economists say the upturn in China's textile and apparel exports in April compared to the same month in 2019 was probably due to a rebound in orders that were not shipped in the first quarter.

However, U.S. exports of textiles and apparel, which declined 10 percent in Q1, plummeted 62 percent in April, Nicita said.

In a somber outlook, UNCTAD projects global trade overall in value terms will contract by 27 percent in the second quarter and estimates international trade will decline by "around 20 percent for the year 2020."

Leading indicators such as the Purchasing Manager Indices, said the report, "also signal further deterioration in international trade in the second quarter. While PMI's tracking international trade indicate the pace of contraction has slowed in May, they have remained below the 50 points benchmark."

Meanwhile, a report published by the World Trade Organization Wednesday said manufacturing Least Developed Country exporters, such as of textiles and apparel, "are likely to experience a significant fall in export revenues."

The WTO report noted, for example, that according to the export promotion agency of Bangladesh, "the country's exports registered an 83 percent decline in April 2020 compared to April 2019."

"Reportedly, Bangladesh and Cambodia have received order cancellations worth several billion U.S. dollars. Moreover, some retailers in export destinations have started to file for bankruptcy protection, causing significant worries to suppliers in LDC's, as existing contracts risk being canceled," the WTO said.

Source: wwd.com– Jun 13, 2020

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USA: Outlook Dimmed on Demand and Stocks

The remaining outlook for old crop and near term outlook for new crop got dimmer this week with release of USDA's supply/demand numbers/projections on June 11. We've still got a long way to go with new crop, but yesterday's numbers raise some caution flags.

We're coming off a tough 2019 crop year. To come out better in 2020, we've clearly got some challenges ahead. Yesterday's report, at least in my mind, seemed to reinforce that and solidify the direction for prices and the hurdles we face toward a healthier cotton outlook for the 2020 crop year and beyond.

New crop December futures, after flirting with 61 cents, have since fallen back to the 59 to 60 cents area. There is clearly resistance now at 61 cents and support at 55 to 56 cents. Price direction will hinge on demand and exports and U.S. crop size and condition. The first USDA estimate of actual acres planted will be released on June 30.

The main highlights and takeaways from the June report are:

- The 2020 crop is still projected at 19.5 million bales.
- U.S. exports for the 2019 crop year remain at 15 million bales, although we are not on target to meet that level.
- U.S. mill use for the 2019 crop year was lowered 200,000 bales.
- 2020 crop year projected Beginning Stocks was raised 200,000 bales due to the downward revision in use for the 2019 crop.

- U.S. mill use for the 2020 crop year was also revised downward by 100,000 bales.
- World demand (use) for the 2019 crop year was revised down by 2.35 million bales to now only 102.65 million bales – 17% less than 2018 and the lowest use since 2003.
- As a result of lowered use, 2020 carry-in stocks will be higher than earlier projected.
- World use is expected to rebound for the 2020 crop year, but the June 11 report lowered that increase by 2 million bales.
- Ending stocks for the 2020 crop year are now projected to top 104 million bales—almost 5 million bales higher than for 2019 and the largest stocks since 2014 and second highest on record.

The report suggests that rebound in demand/use from the coronavirus pandemic may be slower than earlier projected. I also wonder what can be done to invigorate the U.S. textile mill industry so we are not as dependent on exports. Large stocks in China used to be the problem. Stocks in the ROW are now the problem.

Source: cottongrower.com– Jun 13, 2020

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Global trade of chenille fabrics moderately declines

The global trade of chenille fabrics has reported a moderate decline in the year 2019. The total trade decreased 5.24 per cent from $1,906.83 million in 2017 to $1,806.84 million in 2019, according to the data from TexPro. The total trade of chenille fabrics has substantially declined 7.67 per cent in 2019 compared to the previous year.

Further it anticipated to drop to $1,670.04 million in 2022 with a rate of 7.57 per cent from 2019, according to Fibre2Fashion's market analysis tool TexPro.

The global export of chenille fabrics was $1,020.51 million in 2017, which fell 8.17 per cent to $937.13 million in 2019. Total exports were down 8.69 per cent in 2019 over the previous year and is expected to move down to $824.66 million in 2022 with a rate of 12.00 per cent from 2019.

The global import value of chenille fabrics was $886.31 million in 2017, which was reduced 1.87 per cent to $869.71 million in 2019. Total imports dropped 6.54 per cent in 2019 over the previous year and is expected to plunge to $845.38 million in 2022 with a rate of 2.80 per cent from 2019.

China ($424.14 million), Turkey ($91.46 million) and Belgium ($56.47 million) were the key exporters of chenille fabrics across the globe in 2019, together comprising 61.04 per cent of total export. These were followed by US ($47.52 million), Vietnam ($46.33 million) and UK ($35.29 million).

US ($165.75 million), Vietnam ($114.69 million) and UK ($92.19 million) were the key importers of chenille fabrics across the globe in 2019, together comprising 42.84 per cent of total import. These were followed by Poland ($53.40 million), Germany ($35.63 million) and Philippines ($31.98 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main importing countries, was attained by Vietnam (43.31 per cent) and US (19.78 per cent).

Source: fibre2fashion.com– Jun 14, 2020

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Egypt, UK to sign free trade agreement after Brexit: Trade Minister

Egypt will soon sign a free trade agreement with the UK following the latter's exit from the EU, commonly known as Brexit, according to Minister of Trade and Industry Nevine Gamea.

The Minister said that the past period witnessed intensive negotiations between the two countries to reach an agreement on free trade, which will soon be finalised.

The announcement came during a virtual conference, entitled "The Role of the Government in Supporting the Private Sector", organised by the British Egyptian Business Association (BEBA) on Sunday.

Gamea said that as the UK considers Egypt the main gateway to Africa, her ministry was looking to obtain additional advantages especially concerning the export of crops.

According to government data, the UK has the third highest trade exchange among European countries with Egypt. The volume of trade exchanged between the two countries reached $2.5bn during the first 10 months of 2019, compared to $2.4bn during the same period in 2018.

During the conference, Gamea talked on intensifying local industrialisation, which is a long-standing issue that has been discussed for years, but whose implementation is not easy. The minister explained that there are requirements if products are manufactured locally, including that they incur higher costs over imports. This has meant that this aspect of Egypt's productivity needs to be looked at more comprehensively.

Gamea noted that the Ministry of Trade and Industry has held several meetings with industrialists in several sectors, most notably in engineering, textiles, and ready-made clothing. These meetings took place with participation from the Ministry of Finance, and were set up to understand the needs of manufacturers working in Egypt.

Gamea also revealed that customs distortions were the biggest obstacle facing the ministry's plans to deep local industrialisation.

The minister said that the government will review the new export subsidy programme, which was launched last November, in which overdue arrears are being paid. She noted that the programme has met with opposition from several companies, which necessitated the review.

Sessions are already being held to review the programme, with the agreement that the programme will be postponed until the required modifications and changes are put into effect.

The Minister asserted that the political leadership and the government are determined to quickly pay the subsidy arrears of for exporting companies, especially in light of the negative repercussions of the coronavirus pandemic on the global markets.

She said that EGP 3.168bn in export subsidy arrears have been disbursed so far from the Export Development Fund to exporting companies from January to May

Gamea said that the state has taken urgent measures to support the industrial sector in light of the ongoing coronavirus (COVID-19) pandemic, which has severely impacted the economy.

"We have taken several measures to protect industry, to provide production requirements for factories, and not to disrupt the production process," she assured. BEBA Chairperson Khaled Nossair said that the association is keen to support all measures and initiatives adopted by the state in facing the pandemic's effects. He added that BEBA is holding meetings and discussions to follow up on all new measures on the economic stage.

Ahmed Fekry Abdel-Wahab, Board Member at the Federation of Egyptian Industries (FEI), concluded that industry faces unprecedented challenges amid the uncertainty of the current period. He noted that the private sector is looking forward to a message of reassurance from the government on this subject.

Source: menafn.com– Jun 13, 2020

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US consumers urge retailers to reduce sourcing from China

About half of US consumers have urged retailers to cut back on sourcing from China, according to a study released this week by Coresight Research. Two-fifths of these American consumers were less willing to buy products made in China due to the COVID-19 pandemic.

This was the first time the retail research firm's weekly survey asked US consumers about their sentiment toward things made in China in the wake of the pandemic.

The most recent survey also pointed to the continued challenges facing US retailers as the US economy reopens—over three-fifths of consumers expect the crisis to last for more than six months.

Just as the issue of sustainability is no longer an afterthought in the fashion industry, the coronavirus outbreak has again highlighted the vulnerabilities facing a global supply chain driven often only by lowest costs and over-dependence on China, known as the world's factory and the biggest source of imported goods to the US.

The coronavirus pandemic is drawing attention to the ways in which the United States and other economies depend on critical manufacturing and global value chains that rely on production based in China, the non-partisan think tank Congressional Research Service said in an April study.

Source: fashionatingworld.com– Jun 13, 2020

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Global shipments of textile machinery declines in 2019

According to the 42th annual International Textile Machinery Shipment Statistics (ITMSS) released by ITMF, global shipments of new short-staple spindles, open-end rotors and long-staple spindles declined 20 per cent, 20 per cent and 66 per cent, respectively in 2019 compared to the previous year. The survey was compiled in cooperation with more than 200 textile machinery manufacturers representing a comprehensive measure of world production.

Shipments of draw-texturing spindles declined 4.5 per cent while delivery of shuttleless looms shrunk 0.5 per cent. Similarly, shipments of large circular machines contracted by 1.2 per cent while that of flat knitting machines fell by 40 per cent. Deliveries in the finishing segment also dropped 2 per cent on average.

The total number of shipped short-staple spindles decreased by about 1.7 million units in 2019 to a level of 6.96 million. Most of the new short-staple spindles (92 per cent) were shipped to Asia & Oceania where delivery decreased by 20 per cent.

While levels stayed relatively small, Africa and South America saw shipments increasing by 150 per cent and 120 per cent respectively. The six largest investors in the short-staple segment were China, India, Uzbekistan, Vietnam, Pakistan, and Bangladesh.

Global shipments of single heater draw-texturing spindles increased 12 per cent to 25'500 in 2019. With a share of 88 per cent, Asia & Oceania were the strongest destinations for single heater draw texturing spindles. China and Chinese Taipei were the main investors in this segment with a share of 64 per cent and 12 per cent of global deliveries respectively.

Source: fashionatingworld.com– Jun 13, 2020

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Investor interest in Myanmar garment sector still strong despite lower exports

Foreign investor interest in the garment manufacturing sector is still strong despite a fall in the volume of garment exports in fiscal 2019-20, according to the government.

Of the 178 foreign enterprises endorsed by the Myanmar Investment Commission (MIC) and permitted to invest in Myanmar between October 1 and May 31, more than three quarters channeled capital into the manufacturing sector, according to the Directorate of Investment and Company Administration (DICA). The data showed that the new investors include garment manufacturers.

The MIC will prioritise investments in garment manufacturing going forward as these are labour intensive industries likely to create a large number of jobs, Director General of DICA U Thant Sin Lwin told state media. Manufacturers that are able to produce face masks and other personal protective equipment related to COVID-19 will also be given priority.

Enquiries from investors are still flowing in even though garment exports fell to just US$2.7 billion between October 1, 2019 and May 31, representing a $24 million decline from the same period a year before due to order cancellations from the EU as a result of COVID-19, according to U Khin Maung Lwin, assistant secretary of the Ministry of Commerce.

This has also led to a rising number of disputes between employers and their employees as factories are forced to lay off or close. The industry hires up to 700,000 predominantly female workers across 600 factories, according to data provided by the EU.

Disruptions to the Myanmar garment sector first started in February, when raw material imports from China became sporadic as a result of COVID-19 closures and lockdowns.

Things got worse after the coronavirus was declared a global pandemic by the World Health Organisation on March 11, with order delays and cancellations from major export countries like the EU becoming more frequent.

"The garment sector has been facing problems since COVID-19 broke out. We have yet to receive any major new orders from the EU," U Khin Maung Lwin said. Around 70 percent of garment products made in Myanmar are exported to the EU as well as Japan, Korea, Canada and the US.

Buoyed by financial aid from the government and the EU though, the industry is now showing signs of recovery. "We are hearing news of orders that were previously cancelled being revived again. There is also some export revenue coming from the Myanmar-Thai border, where garment businesses in Myawaddy have exported around $71 million worth of products to Thailand," U Khin Maung Lwin said.

The EU in April launched a €5 million (K7.9 billion) Myan Ku emergency cash fund to support garment workers who have lost their jobs as a result of COVID-19. Since then, it has already disbursed over K1 billion from the fund to 12,913 garment workers, including more than 11,000 female garment workers in Yangon, Pathein, Bago, Mandalay and Magwe.

The government, through its COVID-19 Economic Response Plan has also set aside up to $500 billion in loan funds for troubled industries, including garment manufacturing.

The garment manufacturing sector generated $5 billion worth in export revenues in fiscal 2018-19, according to the Ministry of Commerce.

Source: mmtimes.com– Jun 14, 2020

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French textile manufacturers left with millions of unsold masks

The French praised the altruism of their prized textile and luxury goods companies when production facilities got diverted from churning out the latest fashions to making cloth masks designed to protect the general public from the coronavirus.

Now, the companies that helped France avoid a feared shortage of virus-filtering face wear for everyday use say they need help to unload a surplus of 20 million masks. They asked the French government for assistance promoting and finding buyers for the unsold output of the industry's national effort.

Hundreds of textile and clothing manufacturers answered the government's call for millions of masks superior to homemade versions. President Emmanuel Macron last month sported a military-tested model embroidered with the tri-color national flag to advertise the “Made in France” masks.

Yet within weeks, demand dried up for the domestically produced masks that sold for a few euros at supermarkets and pharmacies or were available in bulk for free distribution by businesses and local governments. Manufacturers and the government acknowledged that many suppliers and consumers still opted for cheaper disposable face masks from Asia.

“They were more readily available,” Guillaume Gibault, founder of trendy underwear brand Le Slip Francais (The French Brief), told French public radio service RFI.

Gibault sees the slump as a marketing and distribution problem. The washable, specially engineered masks produced by his company and others saw “a very strong and immediate demand” before the excess accessories piled up in warehouses and factories.

“Not everyone necessarily knew about what was available around them, and the public didn’t necessarily know where or what to buy,” he said.

Some textile companies complained that the French government was slow to validate their masks as effective in filtering out small particles, which slowed their ability to get to market before people were allowed to start emerging from their homes and needed masks in stores or on public transportation.

A group of industry representatives got time with two junior government ministers this week to discuss the surplus masks, as well as broader concerns about the health of fashion, textiles and luxury goods makers amid the economic fallout of the pandemic and in the long term.

After the meeting, the ministers offered praise and pledged the government's help to spread the word to distributors, local governments and other potential customers about the environmental and employment benefits of the French masks and finding buyers at home and abroad for the surplus stock.

Agnes Pannier-Runacher, state secretary to France’s economy minister, told French broadcaster RTL that the government’s objective “is to convince large buyers to switch from single-use masks to reusable washable textile masks.” Gibault and French Textile Industry Union President Yves Dubief agreed to lead the mission.

“In a few weeks, the French textile industry has managed to mobilize and redirect its productive apparatus on our territory in order to provide the French durable textile masks with guaranteed filtration in sufficient quantities," Pannier-Runacher said. "This impressive effort is to be commended. It must now be long-term and be given support."

The French Textile Industry Union was the first to sound the alarm in early June on this problem of surplus. “The demand was such that no one had anticipated such a brutal halt. But in the textile industry, once launched, production does not stop with a snap of the fingers,” Dubief told French magazine Challenges.

Some French companies were disgruntled because it was the French government that urged many of them to get into mask-making and to increase capacity so the country would produce 5 million masks a day that could be sold or given to the general public, local governments and corporations by mid-May.

The knitwear manufacturer behind the mask Macron flashed during a school visit at the beginning of May, Chanteclair, has a lot more where the president's came from. Owner Thomas Delise also has many unanswered questions.

The French government said this week that part of the joint industry-government mission will be “to support the sector in adjusting its production capacities to collective needs in masks over the next few months.” For his part, Delise thinks that blocking large imports with trade barriers might help what ails his company.

"We don’t know how the pandemic will evolve. We don’t know which instructions the government will give, we don’t know what kind of equipment the professionals will want. So today, yes, we have a surplus stock of 600,000 masks and it obviously has an impact on my company.”

Source: dailysabah.com– Jun 13, 2020

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Fibre2Fashion webinar moots India-Bangladesh collaboration

For resurrection of the textile-apparel industry post-COVID-19 pandemic, stakeholders of the Indian and Bangladesh textile industry have mooted the idea of greater collaboration between the industries of the two countries. A textile-apparel regional hub would play a vital role in marketing to the European countries, they said during a panel discussion organised by Fibre2Fashion.

"Collaboration is the only way forward. There is no alternative to collaboration," said Bangladesh Garment Manufacturers and Exporters Association (BGMEA) president Rubana Huq while emphasising on collaboration between the textile-apparel industries of India and Bangladesh during the virtual panel discussion 'Reboot – Rebuild – Rebound: Fashion industry ready for Resurrection?'

Agreeing to the idea, A Sakthivel, chairman of India's Apparel Export Promotion Council (AEPC) said, "Regional cooperation is a must. It will play a vital role in marketing to Europe." He added that virtual fairs and virtual marketing should also be held in both India and Bangladesh.

Participating in the discussion, Stephen Lamar, president & CEO, American Apparel & Footwear Association (AAFA), welcomed the idea of creating a regional hub between India and Bangladesh for textile and apparel.

Stressing on digitisation, he said: "COVID-19 has taught us that digitisation is going to be very important. If you are not using technology actively, you are going to fall behind."

"Digitisation saves time and resources. Implementation of digitisation is collaboration of supply chain—designers, garment manufacturers, etc. It is happening, but needs to happen much quicker," added Matthijs Crietee, secretary-general of International Apparel Federation (IAF).

Explaining that buyer-supplier synergy is one of the biggest problems in the industry, he said, "Products are made which are not bought. Then those products are sold at a discount. We cannot have sustainability if there is over production and supply-demand mismatch. So, industry has to become smarter by teaching middle management with knowledge, installing systems, and conducting a lot more trainings in the industry."

According to Crietee, normally no industry produces more and then sells at a discount. The problem of over production in textile-apparel industry must be addressed and the industry should become 'normal' like other industries.

Hoang Ngoc Anh, acting general secretary of the Vietnam Textile and Apparel Association (VITAS), said ensuring continued employment of workers, sustainable development, and adjusting the supply chain are important. In view of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the EU-Vietnam Free Trade Agreement (EVFTA), she said the Vietnamese government needs to focus on garment industry development planning, and allow investment in dyeing, sewing, etc to maximise benefits from these agreements. She added that more cooperation and collaboration should be facilitated with governments of other Asian countries.

Arguing for a balanced approach in automation, Huq said the Bangladesh garment industry employs 4.1 million workers, who are dependent on the industry for their livelihood. "Since next-gen takes shopping as an experience, we need to insert a lot of humanism. The story of workers, the story of livelihood needs to be told. Let's adapt a more better and human strategy, while we move on with automation."

Stating that the pandemic has brought a lot of thinking in the industry, Sakthivel said the industry has started working on strengthening sportswear and activewear, and after the crisis is over, India will be one of the largest producers of manmade fibre (MMF) products. India is presently mainly a supplier of summer/cotton products, and it is now time to diversify and be able to supply products throughout the year for all seasons.

Indian textile-industry has good backward linkage, but it lacks in economies of scale, he said. However, since Indian apparel industry is already producing with zero pollution, it has a good future as the younger generation wants to buy eco-friendly clothing.

"Trust and partnership has taken a beating on the supply chain over the last couple of months," said Lamar. So, companies who want to be successful in the 'new normal', would have to do a lot of work. "The supply chain is going through a lot of changes; we will see an acceleration of diversification out of China. There might be a renewed rhetoric of the trade war." But, he quickly added, "a lot of services will remain in China, if not for any other reason, China is a big market itself."

On the question of sustainability, he said, "We have a chance of changing the footprint, and we have to ensure that new investments in Vietnam are done in a sustainable manner."

Putting across her point, Huq said, "The kind of fast-fashion consumption that was there earlier is not going to be back, and there will be a drop in consumption." To avoid reflecting the same on livelihood of workers, prices should go up.

"What we are seeing in Asia should be transmitted to the whole world. We have more than 100 factories that are LEED certified, and we have more than 25 factories that are Platinum. It will be worthwhile for us to collaborate regionally and come out with a win-win situation."

Crietee added the LEED tag tells a good story, but "we do not have something like that to put on a clothing product."

Source: fibre2fashion.com– Jun 11, 2020

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Zara's owner bets crisis will speed up fashion's big trend

Zara's owner has a reputation for spotting fashion trends early. Now, the world's top clothing retailer expects the Covid-19 crisis to turbocharge the shift toward e-commerce.

On Wednesday, Spain-based Inditex said it was speeding up its digital plans. Executive Chairman Pablo Isla wants more than 25% of group sales to happen online by 2022, almost double the 14% recorded in the company's last full year.

The new target, announced alongside quarterly results, is punchy: Online's share increased by just 4 percentage points between Inditex's 2017 and 2019 fiscal years.

It was a tougher first quarter for the company than analysts were expecting. Demand was strong online, but sales in the three months through April still fell 44% compared with the same period last year. Less than one-fifth of its physical locations were back open by the end of April.

To quicken the digital transition, around 1,200 stores will be closed between now and 2022, shrinking the retailer's global network by up to 12%. Shops that remain open will be larger, however, and in better shopping locations.

Inditex thinks purchases that previously took place in the small stores marked for closure will happen in nearby flagship shops or online instead. If management is right, sales densities and profitability in the remaining stores should increase.

Inventory levels can be managed more efficiently in large flagships, meaning fewer items end up on the sale rack. This is already Inditex's strong suit. It shifts up to three-quarters of its inventory at full price compared with 60% for its rivals, according to a former Inditex executive recently interviewed by UBS.

Even this year's store closures don't seem likely to break this record: Inventory levels remain surprisingly healthy. At the end of April, Inditex had 10% less stock than after its first quarter last year. As the company sources much of its clothing in Europe, it was able to turn off supply more quickly than rivals who buy from factories in Asia.

Zara's owner has been working on its digital strategy since 2012 and has net cash of €5.8 billion. That gives it a leg up over rival global fashion retailers, like Hennes & Mauritz, many of which are farther behind in their online transformations and locked into long leases in weak locations.

Inditex is betting the coronavirus crisis will accelerate the existing big fashion trend. It also looks in a stronger position than competitors to prepare.

Source: livemint.com– Jun 13, 2020

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Is men's couture going to be stuck in no man's land?

In April, New York-based fashion retail website Moda Operandi announced the closure of its men's division "and focus on our core business around women's fashion, fine jewellery and home products".

The retail industry, which had already been undergoing a slump, saw more names fall to the coronavirus crisis. J Crew, luxury retail chain Neiman Marcus, Aldo Group and J C Penney filed for bankruptcy.

What about the designer menswear segment in India, where the highest spends in fashion come from the wedding business, and where the number of coronavirus cases is still on the rise? Indian multi-designer brands weigh in.

HOW VIABLE IS MENSWEAR?

Devangi Parekh, creative director of Aza Fashions, says that though they offer an expansive selection of designer occasionwear for men (online and at their Bandra store in Mumbai), it has always been a smaller segment than women's apparel in terms of sales for this brand. "Menswear is the largest segment of the Indian apparel market and it is growing.

However, this is concentrated more around workwear and Western formals rather than Indian occasionwear. This is reflected in the fact that we see more Indian designers focus on womenswear and it does still make sense for us too to focus more on womenswear," she says.

Parekh adds, however, that in the recent past she has seen an increasing interest among young designers who want to work on contemporary and fusion wear for men in the luxury space—and adds that they will continue promoting such designers.

For Tina Tahiliani Parikh, executive director of multi-designer retail brand Ensemble India, menswear is a relatively new domain in the company's 32-year journey, a category added only two years ago. Though she accepts that womenswear in India has always been a better option to bank on, she maintains they will not skip the emerging designer menswear space given the ethos of Ensemble as a platform for local design talent.

“It’s no secret that womenswear is a larger piece of the pie. Especially for us, the menswear division is still young and fledgling. But we will 100% support the segment through the coronavirus period (and continue to retail them). The future of menswear remains to be seen. (But) It will be foolish on our part to abandon it at this stage," says Parikh.

When it comes to menswear, what sells most at Aza is contemporary ethnic wear that offers a spin on traditional silhouettes, says Parekh. Think draped kurtas, Indo-Western sherwanis, cool bandhgala suits or trendy bandis that can be worn to a dinner party. Online, they have more international buyers, who are relatively more conservative in their styling, so classic kurtas and bandis along with Indo-Western sherwanis for weddings tend to dominate. Abhishek Agarwal, founder and CEO of Purple Style Labs (the parent company of Pernia’s Pop-Up Shop), says the menswear segment is smaller because men go for Indian designers mainly when they are looking for occasionwear.

“Unless you are wearing Indian ethnic clothes, you don’t really buy premium Indian designers. Men are not looking to buy a jacket or a blazer from an Indian designer. It’s more about fabric and fits for men than the designer name and men mostly shop from studios and a lot of it is made to measure. So I feel occasionwear is still going to be experience-centre-driven," says Agarwal. Men have many options when they wish to spend ₹2,000-3,000 on a kurta, he says, but the choice shrinks in the ₹8,000-10,000 range. The last few years, however, have been promising, with not just new names but established womenswear designers entering the menswear segment.

CHANGE IN DEMAND

“We have seen a greater dip in demand (since the virus outbreak) for menswear than the corresponding figure for womenswear," says Parekh. She says while they still have requests from clients looking for occasionwear for forthcoming weddings, overall men believe they can repeat what they have, especially classic kurtas bought for weddings, Diwali or other occasions, while women typically want something new.

Agarwal says they too have seen a slump, with more sales happening in the lower price bracket of ₹10,000-50,000, a section they now plan to focus on. Pernia’s mainly sells kurtas and bandis for men and Agarwal is positive about growth in this segment as the country begins the unlocking process.

“It’s too early to say anything now, (the slump) might be for a short period of three months. But things might go back to good till August, or later. I don’t see a reason why someone will not buy a kurta for, say, Karva Chauth, which is close to Diwali," says Agarwal. He adds that men are value buyers and don’t mind paying more for quality, and this is something brands should optimize on.

Parikh says that since Ensemble, like everyone else, had to shut down without warning, they already have a lot of new occasionwear stock—and inquiries for the forthcoming festive season and weddings have begun. “I will test the waters to see how it’s going to be before placing an order for new things though. Our focus now will be to give good deals and a combination of easy, accessible price points for a lot of designers."

THE WAY AHEAD

Parekh says there are two schools of thought on demand. One, that contemporary apparel at value-driven price points will become very important. Two, that high-quality classic occasionwear transcends seasons and given that there won’t be many social occasions, people will look for classic pieces that can be repeated.

“Value and competitive pricing will become important and quality assurance will be key. Given the uncertainty around us, a lot of people are confused about what will be trending when things improve or when a wedding or a celebration will actually happen because dates keep shifting. So people prefer to be on the safer side and buy something classic," she says. The focus on quality and finishing will be stronger than ever since gatherings are expected to be smaller and more intimate.

“We will also focus on sustainability, handloom, accessories and menswear too. Till there’s a little clarity on how people can gather and celebrate, they might be a little more focused on ready-to-wear pieces as pujas and festivals also account for a large chunk of our sales. Slowly, more expensive pieces will start moving as it’s not like no one will get married in 2020," Parikh sums up.

Source: livemint.com– Jun 13, 2020

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Zara is Closing Over 1,000 Stores to Invest in Online Shopping

Zara is the latest fashion brand to start closing retail stores across the globe due to the ongoing COVID-19 pandemic, which has kept many shops closed since mid-March.

On June 12, the fast-fashion retailer's parent company, Inditex, announced its plans to shut down between 1,000 and 1,200 brick-and-mortars over the next two years and divert resources into online sales strategies.

It's not yet known exactly which Zara locations will be affected, but the closings will be "stores at the end of their useful life" and "whose sales can be recovered in nearby stores and online," the company said their statement.

Under that plan, Inditex CEO Pablo Isla confirmed the company will "increase the online customer service teams and the dedicated packaging both from the specific online stockrooms and from the stores," as well as offer customers "uninterrupted service no matter where they find themselves, on any device and at any time of the day."

Isla added that the company plans to invest $1 billion into its online shopping platforms over the next three years and another $1.7 billion on upgrading stores to be better equipped by "deploying advanced technology solutions."

While Inditex reported a loss of about $460 million between February and April, coinciding with the shut-down of worldwide locations due to social-distancing mandates, according to The Guardian. Online sales, however, rose by 50% the same quarter, compared to the previous year.

Shoppers can expect similar announcements to come from some of their favorite brands. Coresight Research predicts as many as 25,000 U.S. stores could close this year. (For context, nearly 8,000 to 9,300 stores closed in the U.S. in 2018 and 2019, respectively.)

Within the past week, Fast Company reports that The Children's Place, Guess, and Signet Jewelers all announced store closures, while Victoria's Secret, Gap, and JCPenney have also confirmed they've been forced to close some of their doors due to the crisis. It's clear that shopping malls as we knew them before COVID-19 will never be the same.

Source: glamour.com– Jun 13, 2020

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Pakistan: Textile sector 'masking' its way forward

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Source: dawn.com– Jun 15, 2020

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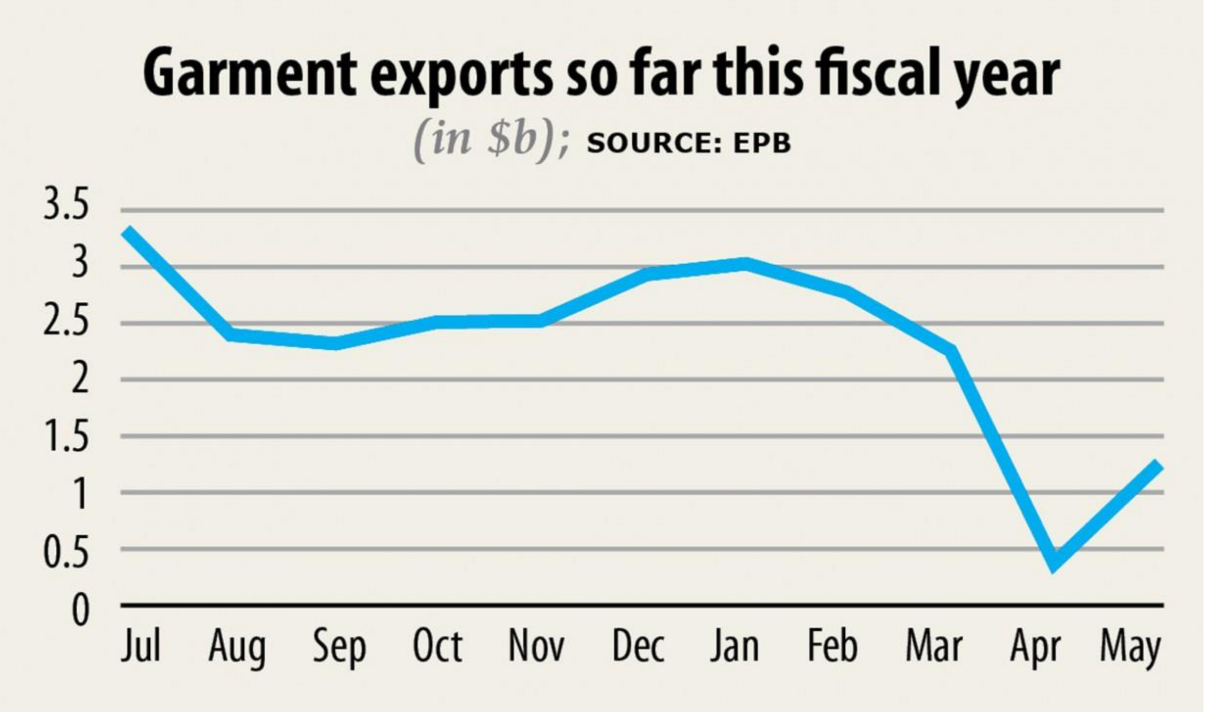
Bangladesh: Apparel exporters need more support to stay the course

Apparel exporters and textile millers demanded the government accommodate more measures in the proposed budget to recuperate exports and buck up job creation such that the sector can weather the looming economic storm unleashed by the pandemic.



Steps needed to revive exports are absent in the budget, and on top of that, source tax has been jacked up to 0.50 per cent from 0.25 per cent for the sector that fetches more than 84 per cent of the total export earnings, they said.

Garment manufacturers said they get some sort of incentive from the government every year but the support should have been extensive this year given the economic meltdown that is sweeping across the globe.

The garment and textile millers want the government to double cash incentive on export receipts from all destinations to 2 per cent at least for the time being, which, they said, would help them meet their match in the global market.

"The budget is as usual unless some concrete steps are taken to revitalise garment exports," said Mahmud Hasan Khan Babu, managing director of Rising Group, an apparel exporter.

Considering the time and the overall business situation, the garment sector deserves a reduction in source tax to 0.25 per cent and an increase in cash incentive to 2 per cent, he said.

"We see a grim picture in work orders at least for the next three months as most Western retailers did not reopen their outlets to the full. So we need support to stay the course," said Fazlul Hoque, managing director of Plummy Fashions, another leading exporter.

Hoque said many of the garment manufacturers cannot borrow from the government-announced stimulus funds because of stringent conditions.

If the conditions are relaxed at least for the micro, cottage, small and medium enterprises, many factories would survive the pandemic-induced recession, he added.

"The finance minister should have planned something big for the garment sector," said Shahidul Haque Mukul, managing director of Adams Apparels.

For instance, he said, the government could have announced more cash incentive on exports to the EU and the US, the two big markets that take about 80 per cent of Bangladesh's total garment shipment.

"This was not the right time to increase source tax," said MA Jabbar, managing director of DBL Group, another top apparel exporter of the country.

The government should provide special healthcare support to garment workers, he said, adding that augmented allocation for healthcare, education and industries could be a game-changer for the economy.

"During this critical time, the government should support the backward linkage industries of the garment sector so that they can supply quality products at competitive prices," he said.

Had the government been able to devalue the local currency against the dollar by 10 per cent, no other measures were needed for the sector, said Ahsan H Mansur, executive director of the Policy Research Institute.
Mansur, however, said the government cannot devalue the local currency arbitrarily as the country will then have to foot a huge import bill.

"But the garment sector needs more incentive to remain competitive in the international market and save the jobs of workers."

The apparel industry is not going to see fresh or foreign investment anytime soon, said AK Azad, managing director of Ha-Meem Group, adding that special measures should be adopted for small and medium enterprises.

"The repayment conditions for their loans taken from the stimulus packages can be eased."

Azad sees gloomy days ahead since new work orders in the sector nosedived by at least 45 per cent.

Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association, demanded 10 per cent cash incentive, instead of 4 per cent, at least for the next six months.

"If Bangladesh doesn't fare well in the EU and the US, Indian and Pakistani exporters will grab those markets. It's about time garment exporters embarked on all-encompassing value addition by improving the primary textile sector," Khokon added.

The government's stimulus package of Tk 5,000 crore for paying garment workers' wages was not enough as many factories could not avail themselves of the fund, said Arshad Jamal Dipu, vice-president of the Bangladesh Garment Manufacturers and Exporters Association.

The government should have brought down the corporate tax for garment factories, he said, adding that the overwhelming target to borrow from the banking sector might shrink the cash flow into the private sector.

Source: thedailystar.net– Jun 15, 2020

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Bangladesh: Budget FY21: Apparel accessories makers, exporters demand lower corporate tax

Currently, the apparel sector pays 12% corporate tax, while it is 35% for the accessories and packaging makers

The country's garment accessories sector demanded the same facilities as the readymade garment (RMG) industry itself in the proposed budget for FY20-21, urging the government to bring down the corporate tax rate to 12%, like it is for the apparel sector.

Currently, the apparel sector pays 12% corporate tax, while it is 35% for the accessories and packaging makers.

This backward linkage industry for the apparel sector also urged the government to keep source taxes unchanged at 0.25% instead of the proposed 0.5% for FY20-21.

Bangladesh Garments Accessories and Packaging Manufacturers and Exporters Association (BGAPMEA) made the call reacting to the proposed budget for fiscal year 2020-21, announced in parliament on Thursday.

"As per the export-import policies of Bangladesh, direct and prospective exporters are entitled to enjoy equal facilities. But our corporate tax rate is higher than other direct export-oriented sectors, including the RMG sector," said BGAPMEA president Abdul Kader Khan.

"For fiscal year 2020-21, our corporate tax rate is set at 32.5% from 35%, while the rate is set at 12% for exporters of apparel goods, and 10% for apparel manufacturers with certified green factories, said the business leader.

"To fight the impact of the Covid-19 pandemic, we are requesting the government set the corporate tax for garment accessories and packaging manufacturers at 12%," said Kader.

Most of the manufacturers in the sector are small and medium enterprises, which have been hit the hardest by Covid-19. For the sake of the industry's survival, we are requesting the government keep the source tax unchanged at 0.25% for FY20-21 instead of the proposed 0.5%, he pleaded.

According to BGAPMEA data, there are about 1,700 small and medium accessories and packaging makers, who are capable of providing 95% supply of accessories products to the country's $34 billion apparel industry and other export oriented packing industries, including frozen foods and pharmaceuticals.

Though the government has announced a 1% cash incentive in the proposed budget, the RMG's backward linkage industry is not getting it, said Kader.

He also urged the government to include the sector for cash incentives as it exports its goods directly as part and parcel of exports themselves.

In the last fiscal year, the sector contributed over $7.5 billion to the exports of the apparel sector, of which nearly $1 billion came from the direct export of accessories goods.

Source: dhakatribune.com– Jun 14, 2020

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Bangladesh: BTMA urges govt to further reduce VAT on man-made fibre yarn

Bangladesh Textile Mills Association (BTMA) Saturday urged the government to further reduce VAT on man-made fibre yarn and withholding tax to help face the challenges amid the Covid-19 pandemic and the global economic downturn.

It also demanded that the existing alternative cash assistance be increased by 6.0 per cent for 06 months using local yarn on FOB Value.

The BTMA in a budget reaction on Saturday said the proposed 0.5 per cent withholding tax on export prices of all types of readymade garments will be challenging for the textiles and clothing industry to survive in the international market in the Covid-19 context.

BTMA president Mohammad Ali Khokon in the statement requested the government to continue the existing 0.25 per cent withholding tax in the coming fiscal.

Local textile mills that meet the local yarn demand lost the Pahela Boishakh, Eid-ul-Fitr and Zakat market worth of Tk 200 billion due to the government's announced general holidays, he said.

To compensate the loss, BTMA proposed to waive VAT on all kind of yarn, he said, welcoming the budget proposal for reducing it to Tk 3.0 from the existing Tk 4.0.

But a fixed Tk 6.0 ad valorem VAT has been proposed to impose on man-made fibre produced yarn, which won't benefit the related textile mills, Mr Khokon said.

"The textile mills are suffering due to the dearth of the export orders of yarn and buyers," he said requesting the government to reconsider the proposal and impose Tk 2.0 ad valorem VAT on every man-made fiber produced yarn.

BTMA observed that the global spread of the corona virus pandemic and the consequent global economic downturn have severely damaged the financial viability of the country's overall manufacturing sector, including all the export-oriented textile mills and local textile mills.

For tackling and overcoming the financial crisis due to the corona virus pandemic, the BTMA requested to increase the existing alternative cash assistance to 10 per cent from 4.0 per cent for six months using local yarn on FOB value to compensate for the loss faced by the export-oriented textile mills because of the aggressive promotional strategy taken by the competing countries.

He, however, said the proposed tax holiday facility in the budget will increase investment and encourage the establishment of artificial man-made fibre manufacturing Industry.

Terming the proposal to automate bonded warehouse management for accelerating the manufacturing activities of the export-oriented industry 'positive', he said this will help reduce the cost of business.

The BTMA requested to consider its proposals to change the tariff structure of some HS coded fabric to stop unethical trade and to protect the fair interests of the domestic industry.

The BTMA president termed the proposed continuation of incentives and reduction of some taxes to overcome the financial crisis to keep the industry afloat 'very positive and appreciable'.

He, however, said the proposed reduction in the tax rate of non-listed companies from 35 per cent to 32.5 per cent will be helpful.

Source: thefinancialexpress.com.bd– Jun 13, 2020

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Pakistan: APTMA for 5-year export policy

Textiles industry officials on Saturday urged the government to announce a five-year export policy immediately in order to end the uncertainty.

“Textile industry was expecting a reduction in Sales Tax to 5 percent if the government was not extending zero-rated status to the export-oriented industry to resolve the liquidity crunch due to stuck refunds,” said Adil Bashir, chairman All Pakistan Textile Mills Association (APTMA) Punjab, in his post-budget statement.

“Only this one step would also bring the unorganised sector into the tax net.”

Bashir said, the textile industry was demanding a reduction in the turnover tax by half to the existing level of 1.5 percent and enable the industry to compete with regional competitors.

He said APTMA had also asked for the continuation of energy package for export industry to ensure the provision of electricity at 7.5 cents per kWh and RLNG at $6.5 per MMBTU in next budgetary year.

Chairman APTMA Punjab, expressed the hope the government would announce the export policy without delay to attract fresh investment in the export-oriented sector, create jobs and put an end to the uncertainty about the continuity of government policies.

Source: thenews.com.pk– Jun 15, 2020

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Pakistan: Cotton stakeholders demand imposition of 5pc tax on industry

Stakeholders of cotton demanded of government to impose five per cent tax on cotton, textile and ginners to honour it pledge made with them before budget for FY-2020-21.

In a statement issued here on Sunday, former provincial minister for textile and former Multan Chamber of Commerce and Industry (MCCI) and Dera Ghazi Khan, president Khawaja Jalaluddin Roomi said when government had started consultation with every section of society on budget, its team pledged that it would implement five per cent tax on the textile industry, but it proposed 17 per cent tax in the budget.

He stated that it was not doable, adding that farmers are already facing great difficulties in these pressing times due to COVID-19. He insisted that government should honour its promise of imposing five PC tax on the Industry now. Roomi informed that government should decide promptly to extend maximum relief to masses adding that it should focus attention on Pakistan Railways (PR) first of all.

Though government has earmarked Rs40 billion for PR in the budget, but the condition of the railways is worsening day by day, former president Multan Chamber of Commerce & Industry (MCCI) said suggesting that Public Private Partnership should be encouraged to save it from financial crises.

Former minister recommended that number of cargo trains should be increased keeping in view the conditions of roads in the country. An advisory board consisting of members from chambers of commerce should be revoked which should give its recommendations within three months for PR financialissues, Roomi suggested.

For bringing reduction in unemployment ratio, government should introduce soft loans for youth, he said and added that consultative sessions should be held at chambers of commerce wherein finance ministry representatives participate and pass on its recommendations to government after working on new ideas of jobs recommended by youth.

Khawaja Jalauddin Roomi said Punjab government should allocate maximum development funds for South Punjab to mitigate its numerous problems.

Source: nation.com.pk– Jun 14, 2020

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Pakistan: No relief for textile industry in budget, say industrialists

Expressing their views on Budget 2020-21, industrialists of textile and export oriented sector said no relief was announced for the textile industry in the federal budget while the industry is already on the verge of bankruptcy due to world wide economic recession as a result of Covid-19.

While talking to Business Recorder, Pakistan Apparel Forum leader Muhammad Javed Bilwani said there is nothing for textile sector so far, except an announcement on reduction on duties on the import of raw materials. Sales tax on local sales has been reduced to 12 percent from 14 percent.

"They had imposed 17 percent sales tax saying that they would bring local buyers into the tax network, but that area was not addressed," he said adding that trade was going to decline 40 to 50 percent in the world.

He said more industry would close in Pakistan and textile sector would go down. "Number of exporters is decreasing in Pakistan," he added.

Talking about automation of custom refunds, he said it had already been done. Actually, they were committed for automation of custom refunds in Jan 2019 but that has worked now.

The All Pakistan Textile Mills Association (APTMA) Punjab chairman Adil Bashir while talking to Business Recorder urged the government to announce a five-year export policy immediately in order to end the uncertainty.

Commenting on the federal budget 2020-21, APTMA chairman (Punjab) said the APTMA was expecting a reduction in Sales Tax to five percent if the government was not extending zero-rated status to the export-oriented industry to resolve the liquidity crunch due to stuck up refunds.

Only this one step would also bring the unorganized sector into the tax net, he added.

Furthermore, he said the textile industry was demanding a reduction in the turnover tax by half to the existing level of 1.5 percent and enable the industry to compete with regional competitors.

He said APTMA had also asked for the continuation of energy package for export industry to ensure the provision of electricity at 7.5 cents per kWh and RLNG at $6.5 per MMBTU in next budgetary year.

In the outgoing year, he said, the energy package has directly resulted in a volumetric increase of 32 percent of textiles over the last 18 months. This significant increase in volumes has come in a highly competitive international market where unit prices of products have fallen by as much as 26 percent, he added.

According to him, a lot of the major retail chains in the US and EU are filing for bankruptcy as a result of Covid-19 and the remaining ones are forcing up to 30 percent discounts and delayed shipping on orders already placed and in some cases shipped. By all accounts demand for textiles has crashed and is unlikely to attain the previous levels for the foreseeable future. Competition for the remaining market where price levels will be substantially low is likely to be intense.

Under the emerging circumstances, he said, continued provision of regionally competitive energy is absolutely essential if Pakistan is to continue to rely on reasonable export earnings to support its Balance of Payments.

He said Pakistan has a continuing balance of payments crisis and is being financed by local and international borrowing. More debt piling or borrowing is not a feasible solution. Therefore, this challenge can be overcome only by increasing exports, he stressed.

Adil mentioned that the government has clearly stated its intention to promote exports. The government specifically took action to overcome some disadvantages faced by Pakistani exporters such as the provision of regional competitive energy prices, which were otherwise higher than those of regional, and competitor countries.

In the 18-month period when competitive energy prices were implemented, he said Pakistan's textile exports increased in real (US$ terms), even though prices per unit values of exports were lower. So even though the external environment was not favourable, textile exporters were able to compete in international markets and achieved increased exports which would otherwise have fallen by over $3 billion per year necessitating increased borrowing.

APTMA chairman (Punjab) has expressed the hope that the government would announce the export policy without delay to attract fresh investment in the export-oriented sector, create jobs and put an end to the uncertainty about the continuity of government policies.

Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA) chief coordinator Ijaz Khokhar said the budget speech was not understandable. Small and medium industry has been given no relief for industrialisation. "No revival of industry was discussed. No announcement regarding improvement of exports was made," he added.

He said zero-rated sales tax regime was demanded, but the budget did not discuss the sales tax at all. "It is not very encouraging. It was called a tax free budget, but they have increased other taxes. "Public will be affected as tax structure has been changed."

Khokhar said they were not happy with the budget. "No proposal of PRGMEA has been incorporated. I don't see any growth in exports," he said.

"Exports were not going to increase, but the government should have given taken steps to revive them. Our productivity will not increase from 50 to 60 percent. Competitiveness is not in our hand anymore."

If the government supports industry, liquidity would have improved, "now, unemployment will increase". How would they handle this is what matters now.

"We are going down in agriculture and cotton crop, but no preventive measure was announced, we have come to 8.5 million bales from 13 million bales," Khokhar said.

Karachi Cotton Brokers Association chairman Naseem Usman while talking to Business Recorder said the speech did not mention anything about textile and cotton, nothing was done regarding the unilateral demand of the sector regarding zero-rating of sales tax; utility tariff was not reduced.

"There has been no relief for the textile industry, ginners and farmers," Usman said, reminding that Finance Advisor Hafeez Shaikh in a meeting with ginners a few days back had said that Rs50 billion subsidies would be given to growers. "But the speech lacked that announcement."

Naseem ironically said people related to textile sector should invest in construction sector where there is no income tax, sales tax and with holding tax as well as no fear of paying monthly salaries and gratuity.

He also questioned the proposal to allocate Rs10 billion for managing the locust swarms, and said the damage caused by the locust was beyond Rs10 billion. "It is not a business friendly budget," he said.

Source: brecorder.com– Jun 14, 2020

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Pakistan: Textile exports maintained at 59% during 2019-20

Textile exports of the country maintained about 59 percent, according to Pakistan Economic Survey (PES) 2019-20.

Textile is the most important manufacturing sector of Pakistan and has the longest production chain, with inherent potential for value addition at each stage of processing, from cotton to ginning, spinning, fabric, dyeing and finishing, made-ups and garments.

The sector contributes nearly one-fourth of industrial value-added and provides employment to about 40 percent of industrial labor force. Barring seasonal and cyclical fluctuations, textiles products have maintained an average share of about 59 percent in national exports.

Source: dailytimes.com.pk– Jun 14, 2020

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NATIONAL NEWS

India to step up free trade agreement talks despite self-reliance mantra

India hasn't shunned efforts to forge "balanced" trade agreements despite renewed push for self-reliance, and talks with key partners, including the US, the EU and Australia, will gain momentum once the impact of the pandemic wanes considerably, an official source told FE.

"We have not abandoned the principle of free and fair trade. The government is very clear that 'Atmanirbhar Bharat' is neither protectionist nor isolationist. It's about getting our act together to improve domestic production of finished goods, gain from better intergration with the global value chain and ensure fair trade," the source said. "Every country tailors its policies to suit its best interest, and we are no different," he added.

Prime Minister Narendra Modi last month announced a Rs 21-lakh-crore relief packge, with the theme of "Atmanirbhar Bharat".

After its pull-out from the China-dominated Regional Comprehensive Economic Partnership (RCEP) agreement in November last year, New Delhi had decided to step up talks for a slew of "balanced and fair" trade pacts, in contrast with earlier FTAs that "worsened India's trade deficit". It had aimed at a "limited" deal with the US, which had been in the works for several months, and a broader free trade agreement (FTA) after the presidential elections there in November.

Similarly, India wanted to clinch a trade deal with Australia—an RCEP member—this year and revive stalled talks with the EU. It had also planned to launch or fast-track bilateral talks for FTAs with the UK, South Africa and Mexico. With Brexit formally over, talks with the UK were to be launched early.

Also, New Delhi wanted to speed up talks with European Free Trade Association members – Switzerland, Norway, Iceland and Leichtenstein – for a separate trade pact in parallel to its discussions with the EU.

It was also seeking to rework its existing FTAs with Asean, Japan, Malaysia and South Korea to trim its trade deficit with these nations.

However, as the outbreak of Covid-19 forced governments worldwide to shift their focus to tackling the unprecedented health and economic crisis at hand, New Delhi, too, deployed much of its apparatus for this purpose. Also, given that the pandemic can potentially alter the course of world trade (as anti-China sentiments surge), it makes sense for India to wait and capture post-Covid realities in negotiations, analysts say.

Earlier this year, on the sidelines of the World Economic Forum summit in Davos, commerce and industry minister Piyush Goyal had held bilateral meetings with EU trade commissioner Phil Hogan, Mexico's secretary of economy Graciela Márquez Colín, South African trade minister Ebrahim Patel and Japan's state minister of economy, trade and industry Makihara Hideki to boost prospects of bilateral trade.

India's tactical shift from multilateralism to bilateral engagements had come at a crucial time. Even before Covid-19 caused a havoc, world trade was witnessing heightened uncertainties. A trade war between the US and China, and a collapse of the WTO's dispute appellate system had only multiplied challenges for India that had been a staunch advocate of the multilateral trading system.

The WTO has now forecast a 13-32% contraction in global trade for 2020, and economic growth is expected to hit the nadir since the Great Depression in 1930s. These will weigh on India, with analysts predicting an up to 6.8% contraction in its GDP in FY21, before a smart recovery next year, partly due to a favourable base.

While retreating from the 16-nation RCEP, New Delhi had said the pact, in its existing form, was unbalanced and was "really not fulfilling the guiding principles on which it started".

Importantly, the Economic Survey for 2019-20 has pointed out that generally FTAs have been beneficial for India. Between 1993 and 2018, India's exports of manufactured products grew at an annual average of 13.4% to partners with which it has trade agreements and such imports grew 12.7%, it says. In comparison, its overall goods exports grew at an average of 10.9% and imports 8.6% during this period.

However, amid growing protectionism across the globe, India, too, has raised imposed duties on a host of products, including shoes, toys, wooden furniture, kitchenware, appliances and certain food items, this year, which will only increase its average import duty from the already-elevated level of

17.1%. Although some other countries, including China, Japan and South Korea, boast of lower tariffs than India, they have erected massive non-tariff barriers to discourage imports that they deem non-essential.

Source: financialexpress.com– Jun 15, 2020

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Anti-dumping duty on Nylon Tyre Cord Fabric from China extended by six months

The Finance Ministry has extended by six months the validity of existing anti-dumping duty on Nylon Tyre Cord Fabric (NTCF) imports from China.

It may be recalled that Finance Ministry had in June 2015 imposed definitive anti-dumping duty that ranged from $ 0.52 a kilogram to $ 1.10 a kilogram on NTCF imports from China for a period of five years. This anti-dumping duty has now been extended by six months-- till December 11 this year.

This move of the revenue department follows sunset review investigation initiated by the Designated Authority in the Commerce Ministry, which had recommended that anti dumping duty be extended by six months, official sources said.

The petition seeking Sunset Review investigations was filed by the Association of Synthetic Fibre Industry on behalf of two of its member companies-- SRF Limited and Century Enka Ltd.

NTCF finds application in different kinds of automotive tyres such as bus and truck tyres, two wheeler tyres, light commercial vehicle tyres and cycle tyres.

This is not the first time that NTCF imports from China are facing anti-dumping action. Ever since 2003, there has been anti-dumping action/investigation against NTCF imports from China, tyre industry observers said.

Source: thehindubusinessline.com– Jun 13, 2020

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GST Council mulls borrowing to pay July compensation

GST (Goods & Services Tax) Council on Friday gave some relief to businesses in terms of compliance. It also proposed to consider and decide about borrowing as a mean to pay compensation to States next month.

Meanwhile, Chairperson of GST Council and Finance Minister Nirmala Sitharaman said that GST collection during the month of April and May has been in the range of 45 per cent of the normal collection (which is approximately ₹1 lakh crore).

Though, 40th meeting of the Council had limited agenda but went for nearly four hours to discuss and deliberate various issues. Finally, it took decisions only on a few.

Accepting demand from businesses, it decided to make changes in a late fee and interest structure for late filing of GST returns for the tax period July 2017 and January 2020.

Sitharaman said assesses with no tax liability can file returns without any late fee or interest. However, assesses with tax liability will have to pay a maximum of ₹500 per return along with interest (up to 18 per cent).

To avail the benefit of lower fee regime, the assesses will have to file all the pending returns and pay the tax dues between July 1 and September 30.

Returns during Covid period

The Council decided that for small taxpayers (means annual turnover up to ₹5 crore, rate of interest to be halved (from 18 per cent to 9 per cent) in case returns related for the period February, March and April are is filed after July 6 but before September 30. This also means no interest on returns filed till July 6 and afterwards interest to be levied.

The Council also approved a proposal related with returns for May, June & July. It was decided that for taxpayers having aggregate turnover up to ₹5 crore, further relief provided by waiver of late fees and interest if the returns in Form GSTR-3B for these three months are furnished by September. Staggered dates for different States will be notified later.

In order to facilitate taxpayers who could not get their cancelled GST registrations restored in time, an opportunity is being provided for filing of the application for revocation of cancellation of registration up to September 30 in all cases where registrations have been cancelled till June 12.

Experts' take

Talking about relaxation in fee etc. Harpreet Singh, Partner at KPMG, said: “These are logical as many taxpayers were unable to undertake compliances during the lockdown and late fees or interest could have been a bit harsh.”

According to Pritam Mahure, a Chartered Accountant, almost all the reliefs announced in GST Council Meeting are more around procedural compliance such as late fees waiver, relaxation in filing due dates and the substantive measures are still awaited.

“Whilst the procedural measures will help certain section of taxpayers still it may be noted that, in the long-run, only substantive GST measures would help GST payers sail over the challenging Covid-19 times," he said.

Saloni Roy, Senior Director at Deloitte India, feels the Government is faced with a tough balancing act. On the one hand, it needs robust GST collections to help meet its regular plus the extraordinary nature of expenses during the pandemic.

On the other side, businesses are looking for reliefs from Government to help them tide the major disruptions, loss of revenue and uncertainties.

Source: thehindubusinessline.com– Jun 14, 2020

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DGFT cautions exporters, importers against fake websites

The Directorate General of Foreign Trade (DGFT), an arm of the commerce ministry, has cautioned exporters and importers against "fake" websites and platforms which are allegedly charging fees and collecting their confidential data.

It has been brought to the notice of the directorate that certain vested interests/persons are using multiple websites and e-mail IDs mimicking and resembling official website and e-mail of the DGFT for misleading and duping exporters and importers, it said.

"In order to contain these issues, trade stake holders are advised to avoid accessing and engagement with such websites and platforms. Trade stake holders are also requested to avoid sharing any information and making payments on these platforms," DGFT said in a trade notice.

It has also initiated steps to make systematic changes to establish secure communication with its stake holders.

Exporters and importers are requested to "avoid sharing their details with private/unrelated/unknown persons/entities etc which may have a potential for misuse and fraud," it said.

The fake websites and e-mails claiming to be officials responsible for DGFT refunds have been sending communications to trade stake holders and "falsely" claiming to provide services rendered by DGFT such as issuance of the import and export code (IEC) number.

These websites appear to charge large fees from applicants besides collecting their confidential data, it added.

Some of these fake websites are registered in the domain names of ".org", ".in" and ".com", it said. Exporters and importers have reported that they have received mails from e-mail IDs such as dgft-email.nic.in, contact@dgft-in.email, im1@dgftcom-in-icu, Info1@in-gov.email, and dgft3@mail-govt.email.

These email IDs, being similar to government IDs, may potentially result in misleading and duping of the applicants, the directorate said.

"With the furtherance of digital mode of services delivery by DGFT and its regional authorities, the proliferation of impersonation/fake website, platforms, providers etc needs to be continuously checked and reported," it said.

It has asked traders to bring to notice such persons/ websites/ platforms/providers to the DGFT helpdesk at the toll free number 1800-111-550 or via e-mail at dgftedi@nic.in.

DGFT regional authorities are also being directed to spread awareness among exporters/importers about these matters.

Source: outlookindia.com– Jun 14, 2020

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FIEO urges Piyush Goyal to fast-track free-trade pact with EU

Exporters' body FIEO has urged Commerce and Industry Minister Piyush Goyal to fast-track the process of engagement with the European Union on the long-pending free-trade agreement (FTA) with India and conclude it in an expeditious manner.

India and the EU are negotiating a comprehensive FTA, officially dubbed as the Bilateral Trade and Investment Agreement (BTIA), but the talks are stalled since May 2013 due to differences on several matters.

Federation of Indian Export Organisations (FIEO) President S K Saraf said Vietnam, a strong competitor of India, has already signed a similar agreement with the EU, which is likely to be operational by July-August 2020.

"The EU is the largest market of our exports accounting for 18 per cent of our exports. Vietnam is a close competitor of India in the market as our exports to the EU stood at USD 58.4 billion, while Vietnam exports were USD 52.2 billion in 2019," Saraf said in a letter to the commerce minister.

With the signing of the agreement, Vietnamese products will get further edge in the EU markets as the landed price of their products would become cheaper as compared to Indian products, he said.

"This does not augur well for many Indian products, particularly apparels, footwear, leather goods, furniture, tea, coffee and marine products. Since India is gaining traction in electrical and electronics goods, concession to goods manufactured in Vietnam will pose a challenge to our products," Saraf said.

He said the EU-Vietnam Investment Protection Agreement has also been signed and, due to this, Vietnam will be attracting a lot of investments moving out of China particularly those with the EU as their market.

He added that due to these developments, Indian exporters are quite concerned and would request for acceleration in the process of completion of a similar agreement with the EU.

"We request you to kindly hasten the process of engagement with the EU to close India EU BTIA expeditiously," the FIEO president said.

Citing certain data, he said that in 2019, India exported apparels worth USD 7 billion to the EU, while Vietnam shipped worth USD 7.10 billion. Similarly, India exported electrical and electronics worth USD 4.9 billion in the same year, Vietnam shipped USD 22 billion.

Earlier, Apparel Export Promotion Council (AEPC) Chairman A Sakthivel also urged the government for early conclusion of the proposed FTAs of India with countries such as EU and Australia to boost exports.

"There is an urgent need to have a level-playing field in terms of market access and margin of preference in the biggest global market for Indian apparel that is the EU," Sakthivel has said.

Source: financialexpress.com– Jun 14, 2020

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India's forex reserves jump $8.22 billion; cross half-a-trillion mark for first time

The country's foreign exchange reserves crossed the half-a-trillion mark for the first time after it surged by massive USD 8.22 billion in the week ended June 5, according to the latest data from the RBI.

The reserves rose to USD 501.70 billion in the reporting week helped by a whopping rise in foreign currency assets (FCA).

In the previous week ended May 29, the reserves had increased by USD 3.44 billion to USD 493.48 billion.

In the week ended June 5, FCA, which is a major component of the overall reserves, rose USD 8.42 billion to USD 463.63 billion.

Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.

The gold reserves declined by USD 329 million to USD 32.352 billion in the reporting week, the Reserve Bank of India (RBI) data showed.

In the reporting week, the special drawing rights with the International Monetary Fund (IMF) were up by USD 10 million to USD 1.44 billion.

The country's reserve position with the IMF also rose USD 120 million to USD 4.28 billion during the reporting week, the data showed.

Source: financialexpress.com– Jun 14, 2020

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Behind the curve: On GST compensation to States

The Centre must help States tide over the pandemic crisis by giving GST dues

Meeting for the second time since the pandemic took hold in the country, the GST Council, last Friday, decided to relax late fees and interest payable for those taxpayers failing to file returns on time.

For businesses with no tax liabilities under the indirect tax regime, the late fees were completely waived. This is in line with similar relaxations announced by the Centre in March, before the lockdown was declared, to ease compliance deadline worries of small businesses in particular.

Since the full lockdown lasted longer than initially envisaged, and only began to unwind this month, the forbearance on offer was a necessary step. But given the extent of economic damage as well as the States' fiscal positions in the period between these two meetings of the Council, its decisions are far from sufficient.

In March, GST collections had slipped to ₹97,597 crore after surpassing the ₹1-lakh crore mark over the previous four months, and the numbers for April and May will not be known before July. Finance Minister Nirmala Sitharaman has told State representatives in the Council that just 45% of the indirect tax target had been met in the past two months. Although aware of the dwindling tax kitty during the lockdown, States have had their hands full managing the pandemic.

It is for this reason that several States have been urging the Centre to extend emergency fiscal support and release past GST compensation dues enshrined in the pact that allowed the new tax regime to take off three years ago. In its stimulus package, in May, the Centre enhanced States' power to borrow, but only part of that was completely unconditional, and a large chunk was contingent on States undertaking specified reforms.

These reforms may be long-pursued ideals, but whether this is the right time for prioritising them has been questioned. GST compensation (for revenue shortfalls in the first five years of GST) due to States for December 2019 to February 2020 was only released on June 4.

Perhaps, it was timed to pre-empt discontent in the Council's meeting. Yet, Centre-State ties could turn more fractious, especially in the GST Council where things have usually evolved with consensus so far — thanks to the failure to finalise the way forward for paying States the compensation. One of the ideas on the table, officially discussed for around two months, is to raise loans against future GST cess accruals in order to recompense States.

Any decision on this front, along with proposed GST rate rationalisations in the textiles, footwear and fertilizers sectors that were on the Council's agenda, can now only be expected at a special meet in July. Procrastination is not an appropriate response at this arc of the curve — be it the pandemic or the economy.

Source: thehindu.com– Jun 15, 2020

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SSI units appeal for reconsideration of GST/TDS rule

SSI units that have been supplying goods to government organisations say that the "GST/TDS rule is suicidal in the GST era, a harassment for all genuine tax payers".

Such suppliers have now appealed to Finance Minister Nirmala Sitharaman to reconsider the GST/TDS deduction rule or waive the deduction mandate at least for supply of goods effected by SSI units.

A member of Railway Suppliers' Association told BusinessLine that two per cent TDS (Tax Deducted at Source) is being deducted by the government organisation (including Corporation and Municipality) from the payment, if the purchase order was for an amount greater than or equal to ₹2.5 lakh. And this deducted amount is remitted to the GST portal (by the deductor); the supplier would have to adjust the TDS against GST payable in subsequent bills.

"This is posing huge hardship as it involves a lot of clerical work apart from blocking our working capital requirements. While in the early days of GST roll out, the GST/TDS rule was supposedly notified to nab tax evaders, it seems redundant, considering that the GST invoice is raised for supply of goods followed by eWay bill before despatch of every supply. And every transaction is fed online. It (GST/TDS) may be sensible for services, as the eWay bill would not be required," the source said.

Asserting that the GST/TDS is an harassment for all genuine tax payers, the source pointed out that to fulfil the GST/TDS Rule, the government officials would have to deduct tax, deposit the TDS, file separate GSTR -7 return, issue a certificate to the deductee and maintain record. "This chain is increasing the clerical work for both – the government organisation and suppliers", reiterating the need for waiver of the deduction mandate at least for SSI units.

Source: thehindubusinessline.com– Jun 14, 2020

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Bank credit to small businesses up year-on-year; this much amount deployed in April

Credit and Finance for MSMEs: Growth in gross bank credit by banks to micro and small enterprises (MSEs) in the first month of the new financial year 2020-21 stood at 3.3 per cent to Rs 11 lakh crore from Rs 10.65 lakh crore in April FY20, according to the RBI data.

However, there was a contraction of 4.4 per cent from Rs 11.49 lakh crore in the preceding month of March (FY20), RBI said in its June bulletin.

Since April FY20, the growth in MSE credit by banks had remained contracted till December even as July and August witnessed the highest contraction at minus 1.8 per cent.

From Rs 10.67 lakh crore credit deployed to MSEs as on March 29, 2019, the amount deployed stood at Rs 11 lakh crore as on January 31, 2020, followed by Rs 10.95 lakh crore as on February 28, 2020.

"From December or January to March, the orders from MSMEs go up as government or PSUs look to fulfil their annual target of procurement from small businesses. Banks too have to meet their annual MSME disbursement target. So amount deployed to MSMEs goes up from banks," Pankaj Kumar, President, Indian Industries Association had told Financial Express Online.

The credit deployment in manufacturing MSEs in April stood at Rs 3.58 lakh crore – down 6.2 per cent from Rs 3.81 lakh crore in March. Year-on-year too the growth showed a contraction of 2.2 per cent from Rs 3.66 lakh crore in April FY20. Similarly, bank credit growth to MSEs in services business also registered a decline 3.3 per cent from Rs 7.67 lakh crore in the preceding month to Rs 7.42 lakh crore in April. However, year-on-year, the deployment in services MSEs grew 6.2 per cent from Rs 6.99 lakh crore in April FY20.

Meanwhile, public sector banks had disbursed Rs 14.690.84 crore to Covid-hit MSMEs till June 11, 2020, under the Rs 3-lakh crore Emergency Credit Line Guarantee Scheme (ECLGS), Finance Minister Nirmala Sitharman’s office had tweeted on Friday. The amount has been disbursed to over 3.75 lakh MSME accounts.

Source: financialexpress.com– Jun 14, 2020

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Welspun looks at re-purposing biz to align with changed ecosystem; e-commerce emerges priority areas

With the coronavirus pandemic hitting businesses globally, home textiles major Welspun India Ltd is looking at how can it re-purpose its businesses to align with the changed ecosystem, with e-commerce emerging as one of its priority areas to reach end consumers, according to a top company official.

The company, which has been a supplier of towels to the prestigious Wimbledon tennis tournament, said that despite the cancellation of this year's event, its orders have been honoured and overall, with big retailer across the globe coming back, it expects two of its plants to run at least 70-80 per cent of full in the ongoing year.

"This is the time to look at how we can re-look at our businesses, the purpose of business, what we are looking at, and if we can really continue to do what we are doing. And we have our heads up. That's something that we are doing," Welspun India Ltd CEO and Joint Managing Director Dipali Goenka told. She was responding to a query on how the company is reacting to the challenges thrown up by the global health crisis. Goenka said the company reacted swiftly to the changing situation.

"We got to work as coronavirus-struck with a sense of purpose of looking at how we can re-purpose our businesses...how can we re-purpose our factories and be prepared to work with the protocols of COVID-19? We did that. How do we re-purpose our product, that was done. How do we look at e-commerce as a different channel?" she said.

Elaborating on how the company is looking to ramp up activities on the online channel, Goenka said, "We are working on a whole line of reaching out how do we go about it... We want to look at innovative ways to go to our customers. Can we work on e-catalogue, targeting customers and work with our distributors as partners and reaching out to the customers directly through them?"

She further said that has become a real opportunity for the company. "This is something in inception right now but the whole idea is, the bottomline is, we all will have to re-purpose ourselves. Think innovatively and look at doing businesses in a different manner."

Commenting on the potential of the online space, she said the company's existing portals in India and the UK have witnessed exponential growth in traffic during the pandemic.

When asked if the company is looking to partner with existing online marketplaces, Goenka said, "We work with Amazon, we work with Flipkart in India, we are working with Myntras of the world. We are working on marketplaces, but we also have our websites."

On the overall impact of the COVID-19 pandemic and the cancellation of events like Wimbledon tennis championships this year, Goenka said, "Wimbledon has been cancelled but the kind of commitment that Wimbledon has, they are taking all our stock and they are meeting all our targets. What they have committed to, they have taken that."

She further said that as the global impact wears on the whole world, the whole economy was disrupted. "For us, the big retailers who we are working with globally, they are coming back to working. We have been supplying them. Our plants have been chugging along since May.

Exuding confidence that Welspun India will recover better, she said, "We can see visibility coming soon though it is not what we had planned for. The COVID-19 impact is there everywhere but our plants, if I look at the annual picture, we look at least 70-80 per cent of both our plants full." She also said the company has insulated its workers and employees from the impact of the pandemic.

"We have taken care of our people. All salaries are paid on time. We continue to do so for our people. The only thing I would say is that this is also the time for Welspun India to look at how we can work efficiently. That's something which we definitely are working on. Looking at automation, digitisation, looking at upskilling our people that's where our energies are focussed on."

Source: economictimes.com– Jun 14, 2020

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How masks have caught the imagination of apparel brands

The new ubiquitous protective accessory — the face mask — has been given a makeover. Ever since the government mandated the use of masks to curb the spread of Covid-19, fashion labels have started selling reusable cloth masks of varied strengths. Brands such as Fabindia, Jack & Jones, Allen Solly, The Souled Store, Wrogn, HRX, FabAlley and Wildcraft are counting on people moving from their rudimentary homemade masks, made during the lockdown, to professionally manufactured ones.

On average, a single mask costs Rs 100-150, and a set of three is priced at Rs 400-500. Premium masks could cost Rs 900-1,500 depending on the designer.

Most manufacturers are selling masks in packs of three, five, seven and 10. E-commerce companies such as Amazon and Myntra have dedicated sections for pandemic-related essentials like masks. On Myntra alone, there are over 70 brands offering face masks.

Fashion labels expect that consumers will seek ‘self-expression’ through their masks. The trend has also aroused interest among fashion designers like Masaba Gupta, and Abirr and Nanki Papneja.

Now trending

FabAlley’s co-founder Tanvi Malik expects face masks will be in demand for at least four to six months. “As we begin to move out of the lockdown, we anticipate that people will aim at maintaining the highest hygiene standards. They will use masks to carry out all their daily outdoor activities," she says. FabAlley has sold about 20,000 masks through its various e-commerce partners in the last one month.

The business opportunity for brands is significant, as the demand is at the household level, and consumers are expected to own a couple of masks per person. Besides, as Devangshu Dutta, chief executive, Third Eyesight, says, "Unlike the handkerchief, which mainly stays hidden, a mask is always on display." A trendy looking mask, hence, would find many takers.

Fabindia, which is selling a pack of five masks at Rs 150 and a set of four pleated masks at Rs 170, has doubled its mask production capacity. "We now manufacture six lakh units every month, and are looking to ramp this up further," says a Fabindia spokesperson. It is also offering masks customised for children.

Wildcraft, an outdoor gear brand, has launched a range of masks called W95, with filtration properties, priced at Rs 450 for a pack of three. The company is currently producing 10 lakh masks a day. It has started manufacturing colourful variants of masks, instead of its earlier black ones.

Going all out

Brands are leaving no stone unturned to make the most of this opportunity. Gaurav Dublish, co-founder, Wildcraft, is working on expanding the company's distribution network. "We have ramped up our distribution partnerships from 75 at the beginning of March, to 580 by the end of May. We have increased our store partnerships from 5,000 to one lakh in the same time frame. By the end of June, we hope to have 10 lakh points of sale," Dublish adds.

The demand is such that brands are forging unusual partnerships. For instance, Malik says that other than Amazon, Myntra and Nykaa, there is a huge scope for sales through partnerships with pharmacists and online grocery stores. Wildcraft is even exploring tie-ups with milk and vegetable distribution networks, retail networks and mobile recharge shops.

Experts believe that masks could be an immediate and short-term opportunity that may fade away when a vaccine is developed, or when the population achieves herd immunity. "Although the value of the product is low, the margin for masks is healthy. This is an opportunity for brands in the apparels sector, that have lost out on sales in the last few months, to revive business," Dutta says.

Source: financialexpress.com– Jun 15, 2020

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Powerloom owners demand subsidy

As many as 15,000 powerlooms are yet to receive the subsidy for upgrading the looms under the in-situ upgradation scheme for plain powerlooms introduced by the ministry of textiles executed from 2014-2017, loom owners in the region said. Meanwhile, the Centre is about to conduct inspection only at some of the upgraded looms, leaving out the rest, they said.

Under the scheme, powerloom owners can upgrade warp and weft motions, and control panels in the looms. The Centre will bear 50% of the cost. The owners have to pay half the cost to the firm that upgrades the equipment and the Centre will pay the rest. Units having a maximum of eight existing plain powerlooms are eligible for the scheme.

Representative of the Erode District Power Loom Owners Association B Kandavel said the Centre had been giving 50% of the upgradation cost, up to Rs 10,000, since 2014. "Of the 75,000 powerlooms that were upgraded, 15,000 have not received the subsidy. Now the Centre has said that only 7,500 of the looms will be given subsidy. This is unfair," he said.

Manufacturers of powerloom automation products who carried out the upgradation exercise said they had upgraded 75,000 looms in the region between 2014 and 2017.

Due to some malpractices in Maharashtra, the scheme was stopped, a manufacturer said. "Because of this, those who upgraded the looms have not been given subsidy. "Rs 10,000 should be paid to each of the 15,000 looms. But the Centre says it will not consider firms that implemented the scheme in the initial phase, citing the irregularities. This is unacceptable."

M Balasubramanian, deputy director at the regional office of the textile commissioner in Coimbatore, said officials will soon inspect the looms upgraded under the scheme and release funds from next week. "If the upgradation is in order, if the upgraded kits are of good quality, if the units are in running condition and if there is proper documentation of the process, we will give them subsidy. This will be done in a case-to-case basis," he said.

Source: timesofindia.com– Jun 15, 2020

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Factory output shrinks 55.5% in April; Full retail inflation data not out

India's industrial production shrank by a record 55.5 per cent in April from the year earlier with manufacturing crashing 64.3 per cent, as computed from data released by the government, which didn't provide a number for the change from April 2019 because of the Covid-19 lockdown.

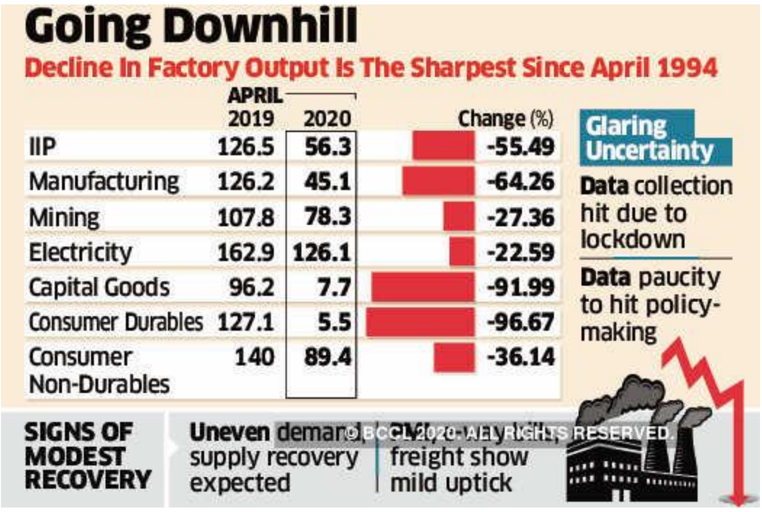
The ministry of statistics & programme implementation also withheld the headline retail inflation figure for May but official data showed retail food inflation rose 9.28 per cent on year last month. It had also withheld the headline inflation number for April on the grounds that the data wasn't reliable because of the lockdown. One expert pegged retail inflation at 5.2 per cent.

"In view of the preventive measures and announcement of nationwide lockdown by the government to contain spread of Covid-19 pandemic, majority of the industrial sector establishments were not operating from the end of March 2020 onwards," the National Statistical Office (NSO) under the ministry said in a statement on Friday.

India imposed a nationwide lockdown on March 25 to curb the coronavirus outbreak. Curbs were eased starting early May in order to get the economy moving again.

This impacted production in April, with a number of responding units reporting zero production. "Consequently, it is not appropriate to compare the IIP of April 2020 with earlier months and users may like to observe the changes in IIP in the following months," the NSO said, adding that these quick estimates will undergo revisions in subsequent releases as per policy.

The 55.5 per cent decline is the sharpest since at least April 1994.



For retail inflation, the government said that due to continued limited market transactions of products in May as well, it released the price movement of sub-groups/groups of consumer price inflation (CPI) based on the price of only those items that were included which have been reported from at least 25 per cent of markets, separately for the rural and urban sector and constituted more than 70 per cent weight of the respective sub-groups/groups.

"We estimate headline CPI is around 5.2 per cent and IIP contraction is at 55.5 per cent. We believe core CPI may be undershooting 3.5 per cent in April. We expect NSO to give out IIP and CPI estimates even if it is provisional as structural break in the series is unwarranted," said State Bank of India chief economist Soumya Kanti Ghosh.

Chief economic adviser K Subramanian said reduced output had been factored in by the government. "I think this year the growth being very low and... a decline in output is something that is part of our working assumptions," Subramanian said at a virtual press conference on Thursday. However, a possible recovery in the second half of the year or next year was also part of the government's baseline expectations, he said.

GDP Outlook

Most private economists and multilateral organisations have forecast a contraction of 3.5-5 per cent in India's FY21 GDP.

Independent economists said the recovery of both demand and supply would be uneven over the next few months as activity slowly normalises. They also pointed at the data being constrained by paucity of information.

"While the data is not comparable, the trend is correct. It is very well known that activity came to a complete standstill in April. It would be difficult to gauge the magnitude of the fall because data is not comparable," said Kotak Mahindra economist Upasna Bhardwaj.

"The available lead indicators point to a modest recovery in May in some of the sectors that were acutely affected by the lockdowns, such as rail freight, GST (goods and services tax) e-way bills, and fuel and electricity consumption," said ICRA principal economist Aditi Nayar. "Accordingly, we expect some improvement in the level of industrial output in May relative to the previous month."

Broad-based contraction

Official data showed that the worst-affected categories in April were consumer durables, capital goods and infrastructure/construction goods, with end demand severely constrained by the lockdown. Capital goods output, an indicator of investment, contracted 92 per cent while consumer durables output shrank 95.7 per cent compared with a 33.1 per cent contraction in March.

Source: economictimes.com– Jun 13, 2020

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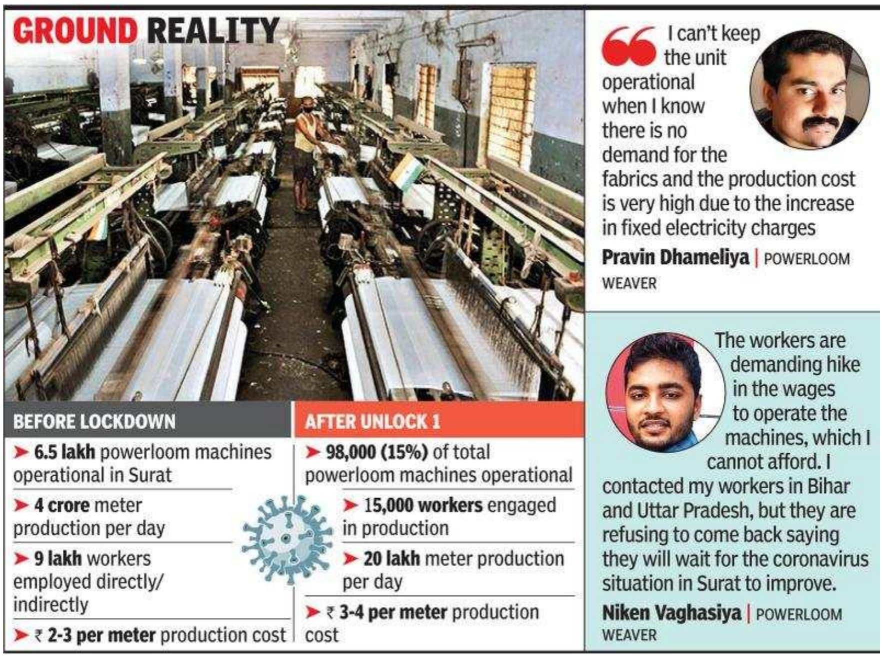
Surat powerloom units to close again from June 15

Praveen Dhameliya, a powerloom weaver at Diamondnagar industrial estate in Laskana, some 20km from the city, is left with no option but to shut the unit for an indefinite period. Out of his 350 powerloom machines, only 40 are operational with less than seven workers who want hike in their wages.

Dhameliya's cost of production has increased by Rs 1 per metre of fabrics due to the increase in the fixed electricity charges, raw material cost and workers' wages. On the other hand, he is not finding buyers for his grey fabric.

Dhameliya is not an isolated cases. Over 600 powerloom units at Anjani industrial estate in Amroli, Diamondnagar in Laskana and Pipodara industrial estates, which had resumed operation post government relaxations from May 20, have unanimously decided to shut down units for indefinite period starting June 15. These three industrial estates house 10,000 units.

The reasons cited by the powerlooom weavers are severe shortage of workers, rising production cost and the textile traders not buying grey or unfinished fabrics due to the weak demand in the domestic and international market.



Shailesh Mangukiya, another powerloom weaver in Anjani industrial estate told TOI, “My unit was shut for two months during lockdown and I was issued average electricity bill of Rs 4 lakh. I am running only 20 machines out of the 150 in the unit and was able to manufacture 1,000 metres of fabric in the last 10 days. When I contacted the traders in the market, they refused to purchase the fabric.”

“I am running 30 machines for six hours and the workers are demanding Rs 500 per day wages. There is no demand for the fabric in the market and the production cost is very high. It is better to shut the unit for indefinite period,” says Himmat Patel, a powerloom weaver in Pipodara industrial estate.

Vijay Mangukiya, president of Anjani industrial estate in Amroli said, “We have unanimously decided to shut the units for indefinite period from June 15 and wait for the migrant workers to return to Surat and the business to normalise.”

Source: timesofindia.com– Jun 14, 2020

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Shiva Texyarn to make anti-viral fabric masks, PPEs

Eyes to tap global markets

Technical textile manufacturer Shiva Texyarn, which has joined hands with HeiQ Materials AG and Jintex Corporation, will soon unveil masks and PPEs made of anti-viral fabric.

K.S. Sundararaman, MD, Shiva Texyarn, told The Hindu that the company plans to initially launch masks made of anti-viral fabric in the market in two weeks. Many are finding it difficult to use masks with filters. Masks used with anti-viral fabric will be convenient to use and will be protective too, he said.

“We will launch it for domestic and export markets. There are enquiries for exports as these are basically fabric masks which the Indian government permits to be exported,” he said.

Cotton, polyester, or viscose fabrics treated with HeiQ Viroblock NPJ03 can be used for different applications. “There will be a demand for anti-viral fabric for wider applications in the coming months,” he said.

According to a company statement, Shiva Texyarn is currently in the process of getting various international certifications to target the global marketplace for anti-viral fabrics.

Source: thehindu.com– Jun 11, 2020

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Interest-free loan for local textile sector on the cards

Bhubaneswar: The Directorate of Textiles has planned to provide interest free working capital loan to the organisations which have been entrusted with the task of extending a helping hand to the weavers, especially in market linkage.

The Directorate has decided that Boyanika, Sambalpuri Bastralaya, and Odisha Cooperative Tassar and Silk Federation Ltd (SERIFED) should be given the interest free working capital to boost their capacity to help the weavers and artists engaged in handloom works in the state.

Data from the National Handloom Census says that there are 65,391 weaver households with a total of 1,22,335 weavers and ancillary work forces engaged in 55,970 handlooms. However, the COVID outbreak has severely affected the sector.

Boyanika and Sambalpuri Bastralaya are said to account for 75 per cent of the total sales of cooperative sector. The department officials opine that these organisations need to take extra efforts during the coming years to liquidate the unsold cloth lifted in the current year. Some officials believe that the recovery process may take four to five years to bring back the situation to normalcy.

According to the department— sales of Boyanika was down by Rs 608 lakh in March 2020 (YoY) due to the lockdown during second fortnight. In April and May, its sales were down by Rs 647 lakh owing to lockdown in comparison to the corresponding period in 2019-20.

It is said that it could not procure finished clothes from its weavers, SHG workers and others but it released all outstanding cloth dues and also provided raw materials in advance. This has lead to dearth of funds with the agency.

Sambalpuri Bastralaya, which provides engagement to around 3,000 weaver households in the state, is also hit by similar sales figures. It is said to have lost Rs 315.59 lakh in March 2020 compared to last year and sales were done down by Rs 559.13 lakh in April-May 2020 compared to the corresponding period last year.

According to the interest free capital loan system, these organisations will have to submit their proposals and the department can sanction them the loans for their works. The proposal of interest free working loans is now with the higher officials in the Handloom, Textile and Handicrafts department for approval.

Source: orissapost.com– Jun 14, 2020

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