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IBTEX No. 37 of 2020 February 17, 2020

US 71.43| EUR 77.43 | GBP 93.17| JPY 0.65

Cotton Market (Feb 13, 2020)		
Spot Price - Shankar 6 (Ex. Gin), 28.50-29 mm		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
18900	39500	**70.40**
Domestic Futures Price (Ex. Warehouse Rajkot), February		
Rs./Bale	**Rs./Candy**	**USD Cent/lb**
19520	40797	**72.71**
International Futures Price		
NY ICE USD Cents/lb (March 2020)	69.24	
ZCE Cotton: Yuan/MT (May 2020)	13,025	
ZCE Cotton: USD Cents/lb	84.74	
Cotlook A Index – Physical	**77.20**	

Cotton Guide- The Financial and the Commodity markets are slightly positive. The reason attributed to this is positive news coming in from China that the number of newly infected Coronavirus victims has declined during the last 3 days. The Dow Jones Industrial Average is High, WTI Crude Oil Prices have moved north by around 1.5 $ per Barrel and Cotton consequently followed the positive news thus registering positive gains.

The market seems to follow the current short term happenings. However, we continue to remain biased towards the bearish to sideways trend. The reason why we give a consolidated stance is –there is news that the vaccination will take almost a year to be developed with proper scientific research. Currently the Corona virus which is now named

COVID-19 is being contained by various measures and not eradicated. This implies that a threat of it becoming a pandemic still looms at large.

While speaking about the ICE futures contracts, we need to make an important note that the volumes and open interest have now shifted from the ICE March contract to the ICE May contract. ICE March contract grabbed 24,948 contracts as volumes and 48,453 contracts as Open Interest whereas the ICE May contract grabbed 27,784 contracts as volumes and 94,817 contracts as Open Interest. The ICE March contract settled at 68.58 cents per pound with a change of +35 points whereas the ICE May contract settled at 69.24 cents per pound with a change of +50 points.

The MCX contracts on the other hand remained consolidated yesterday; we expect the same trend to continue. The MCX February contract settled at 19,170 Rs per Bale with a change of +10 Rs. The MCX March contract settled at 19,430 Rs per Bale with a change of -10 Rs. The volumes were double as compared to the previous figure; they were registered at 1413 lots.

The Cotlook Index A has been kept unchanged at 77.20 cents per pound. While speaking about the average prices of Shankar 6, it is available to exchange hands at 39,500 Rs per Candy. Punjab J-34 is quoted at 4,040 per maund. Arrivals of Cotton in India is still above the 2 lakh Bales mark.

On the fundamental front we expect prices to remain consolidated for both ICE and MCX. On the technical front, in daily chart, ICE Cotton May is moving towards the higher band of the downward sloping channel, which coincides with the lower bound of the rising channel near 69.90. Cotton m ay future has crucial resistance near 70(38.2% Fibonacci retracement level), where price would look to complete a pullback before it resumes it bearish bias. Meanwhile price is moving around the 5 & 9 day EMA at 68.93, 68.92, along with RSI at 48 suggesting for the sideways bias in the market. However, the next support for the price would be 68.01 recent low & 66.82 (76.4% Fibonacci retracement level) & the immediate resistance is around 69.90, which is 38.2% Fibonacci retracement level. Thus for the day we expect price to hold the range of 68.00-69.90 with a sideways bias. In MCX Feb Cotton, we expect the price to trade within the range of 18900-19350 with a sideways bias.

Compiled By Kotak Commodities Research Desk , contact us : mailto:research@kotakcommodities.com or can contact: allwyn.stewart@kotakcommodities.com, Source: Reuters, MCX, Market source

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INTERNATIONAL NEWS

NCC 2020 Outlook: New Uncertainties from U.S.-China Phase 1 and Coronavirus

National Cotton Council economists point to a few key factors that will shape the U.S. cotton industry's 2020 economic outlook.

This past year can be characterized as a year with significant uncertainty and volatility in the global economy and the world cotton market. On January 15, President Trump signed the Phase 1 trade agreement with China. As part of the agreement, China has agreed to purchase an average of $40 billion in U.S. agricultural commodities, including cotton, over the next two years. However, the overall impact for cotton remains uncertain, as commodity specific details have not been released.

While the Phase 1 trade agreement provided some cautious optimism for an improvement in the cotton economic situation, the China coronavirus outbreak in the early weeks of 2020 could delay China's ability to increase purchases in the near-term. As a result, the potential impacts of the coronavirus represent a significant wild card in the outlook for the world cotton market in the 2020 crop year.

In her analysis of the NCC Annual Planting Intentions survey results, NCC Vice President of Economics & Policy Analysis Dr. Jody Campiche said the NCC projects 2020 U.S. cotton acreage to be 13.0 million acres – 5.5% less than 2019. The expected drop in acreage is the result of slightly weaker cotton prices relative to corn and soybeans.

With abandonment assumed at 13.8% for the United States, Cotton Belt harvested area totals 11.2 million acres. Using an average 2020 U.S. yield per harvested acre of 848 pounds generates a cotton crop of 19.8 million bales, with 19.1 million upland bales and 675,000 extra-long staple bales. U.S. cottonseed production is projected to decrease to 6.1 million tons in 2020.

Regarding domestic mill cotton use, the NCC is projecting a slight decline in U.S. mill use to 2.85 million bales in the 2020 crop year. As one of largest markets for U.S. cotton, U.S. mills continue to be critically important to the health of the cotton industry.

In the face of rising textile imports from Asian suppliers, the U.S. textile industry has focused on new investment and technology adoption in order to remain competitive. The recently passed U.S.-Mexico-Canada Agreement (USMCA) includes some important provisions that should help boost the U.S. textile industry.

Campiche noted that export markets continue to be U.S. raw fiber's primary outlet. World trade is estimated to be higher in the 2019 marketing year, but the retaliatory tariffs and increased competition from other major exporting countries has led to a sharp decline in the U.S. trade share in China. Despite the continued U.S.-China trade disruptions, U.S. export sales to other markets have been very strong for the current crop year.

Sales reached the highest level in the marketing year during the week ending February 6. While export competition from Brazil remains strong, the U.S. has had increased opportunities for export sales to other markets in the 2019 crop year. Lower production in Australia, Pakistan and Turkey has led to higher U.S. export sales. As a result, the United States will remain the largest exporter of cotton in 2019 with 16.5 million bales.

Prior to the implementation of tariffs, the United States was in a prime position to capitalize on the increase in Chinese cotton imports. With the imposition of the 25% tariff, China has turned to other suppliers during the 2018 and 2019 marketing years, allowing Brazil, Australia and other countries to gain market share. Vietnam is currently the top export market for U.S. cotton in the 2019 crop year, followed by China and Pakistan.

U.S. exports are projected to drop slightly to 16.4 million bales in the 2020 marketing year. For this outlook, the U.S. is assumed to export 2.5 million bales to China in the 2020 crop year as compared to an estimated 2.0 million bales in the 2019 crop year. However, with record stocks outside of China, increased production in Brazil and a partial recovery in Australia's production, the U.S. will continue to face strong export competition in 2020. When combined with U.S. mill use, total offtake falls short of expected production, and ending stocks are projected at 5.9 million bales.

Campiche said world production is estimated to decline by 2.4 million bales in 2020 to 118.9 million as a result of lower cotton acreage. World mill use is projected to increase to 121.7 million bales in 2020. Ending stocks are projected to decline by 2.0 million bales in the 2020 marketing year to 80.1

million bales, resulting in a stocks-to-use ratio of 66.4%. Stocks outside of China are projected to increase to a record level in 2020.

Based on the underlying assumptions and resulting cotton balance sheet, stable stocks outside of China, increased export competition from Brazil, recovery in Australia's production, and low manmade fiber prices will have a bearish influence on cotton prices. A quick containment of the coronavirus and a successful implementation of the Phase 1 trade agreement would provide support to prices.

As with any projections, there are uncertainties and unknowns that can change the outcome.

Additional details of the 2020 Cotton Economic Outlook are available on the NCC website.

Source: cottongrower.com- Feb 15, 2020

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Industry Awaits Good News on China's Factory Front in the Week Ahead

Next week could provide more conclusive details on what global supply chains could expect in terms of factory production in China in light of the disruptive coronavirus.

What to expect

Many firms in China reopened for business—including some Shanghai manufacturers—on Feb. 10, following the government's decision to extend the holiday break for the Lunar New Year as a measure to contain the outbreak of the coronavirus. Companies that did reopen also saw many employees work from home where possible.

In other cities, factories opened for operational checks and sanitization measures. Once those initiatives are completed, they'll need to await a governmental check to get final approval before they can fully reopen to begin production. Even then, there are new rules that will need to be implemented, such as having workers wear masks and take hourly checks of their temperature as precautionary measures to ensure workers' health.

Factories that didn't reopen this week are hoping to do so at some point over the course of the next week. But even if the factories get clearance to open, they could get hampered if they can't find a sufficient supply of something as basic as masks–which are said to be in short supply, even for health care professionals.

What's more, there's the operational logistics to think about. A factory able to reopen likely won't operate with full staffing, as many are either unable to travel back to work or are under quarantine. And full production might not be possible for any number of reasons, including a limited supply of components on hand to complete orders.

So far, word from the manufacturing side is that electronics components and auto parts are in short supply. Even if automakers and electronics firms can move production to other countries, there's a chance the new manufacturers can't ramp up production since many of the parts they will need come from China.

Possible sourcing risk

Many apparel firms over the last few years have diversified their sourcing and supply chains and now rely less on China for production. That has intensified in the last year due to the U.S.-China trade war and tariffs. But there could still be a surprise down the road for some firms in connection with raw materials needed for production, not unlike what's happening in the auto and electronics sectors.

"Political pressure has accelerated the push beyond China," Josh Green, CEO of S&P Global Market Intelligence firm Panjiva, said.

In Southeast Asia, production has grown in Vietnam, Thailand, Malaysia, Indonesia and the Philippines.

"Vietnam has emerged as the clearest winner," Green said. While Vietnam initially saw production growth in apparel and textiles, it now includes a wider range goods, including electronics. "The country has climbed the value chain," the Panjiva CEO said.

Green, who spoke at an S&P event Friday on the 2020 outlook for global supply chains, made a key point in connection to the fashion sector. For all the movement that has occurred to broaden the supply chains, Green believes there's a chance there may be far less diversification than some companies realize. One example he gave was H&M, whose manufacturers are spread across multiple countries. But digging deeper to find out who are the manufacturers' raw materials suppliers show that there is a heavy concentration among Indian and Bangladeshi firms.

As factories in China reopen, presuming no further delays, there's a chance some fashion firms may come to realize they're not as diversified as they may have thought.

Source: sourcingjournal.com- Feb 14, 2020

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Coronavirus Concerns Have Amazon Stockpiling China-Made Goods

Amazon is projecting an air of unflappability amid coronavirus concerns, but new reports show the online mega-retailer's operations are abuzz with contingency plans as the disease increasingly threatens supply chains.

Leaked emails obtained by Business Insider show that Amazon reached out to an unknown number of suppliers last week to augment its orders for inventory produced in China, presumably in preparation for further disruptions to factory operations.

"Amazon issued off-cycle orders to you last night in order to prepare for possible supply chain disruptions due to recent global events originating in China," the company wrote to a supplier in an email read by Business Insider.

The company declined to speak on the record about the severity of the situation or the scale of its impact, but a spokesperson confirmed to Sourcing Journal that additional orders have been placed.

"Out of an abundance of caution, we are working with suppliers to secure additional inventory to ensure we maintain our selection for customers," the spokesperson said.

In separate correspondence obtained by Business Insider, Amazon told a supplier it was placing “stock-up purchase orders for several weeks of supply,” and that the company would give them five extra days to ship the items to Amazon warehouses in the U.S., waiving late shipment fees.

The last-minute stockpiling efforts come as the coronavirus’ impact reaches a fever pitch. As of Friday morning, according to the World Health Organization (WHO), the illness had infected 47,505 in China and 505 abroad.

Amazon also reportedly told third-party sellers last week they should take necessary measures to ensure their sales performance would not be impacted by the virus, encouraging them to cancel previous orders that they’d no longer be able to deliver, and even place their accounts in vacation status.

Reports of the coronavirus first began circulating in December. As citizens across the country took leave for the Chinese New Year holidays in late January, the disease’s rapid spread began sparking panic across the globe.

Workers were due to return to their posts in the country’s many factories last week, but the Chinese government extended holiday leave in order to promote the virus’ containment.

The Chinese government is reportedly performing inspections of facilities this week as some workers have started returning to their posts, and will issue a mandate on the full reopening of operations, taking those findings into account.

Source: sourcingjournal.com- Feb 15, 2020

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Coronavirus impacts UK retail

UK retail is reeling from the affects of Chinese Coronavirus. Delays in product deliveries will impact high streets already reeling from a dismal Christmas. Until January 23, sales forecasts for 2020 were looking good.

But with some Chinese cities now on full or partial lockdown, and a spike in new cases, shopping malls are deserted, workers are at home, and the luxury goods industry is seriously worried.

UK companies are closing their offices in China. Whether Chinese consumers come over to the UK to shop and spend, or whether they go up there into their own cities to shop for UK brands, it's going to cause a problem, because there's just no product and there's nobody there to retail the product.

If products haven't been on the seas a few weeks ago, there is going to be a delay of up to two or three months, and if that happens, the question is whether customers are going to want it at that stage.

Though high end goods like Burberry and John Smedley are still manufactured in the UK, mid-range quality like M&S is being outsourced to China.

UK retailers are now facing delays to their spring fashion collections of at least four to six weeks. At London Fashion Week 2020, Chinese buyers were missing.

Source: fashionatingworld.com- Feb 15, 2020

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The coronavirus conundrum for Bangladesh apparel industry

The corona-virus, which has already killed hundreds of people in China and is now making its way across the globe, will inevitably cause significant disruption to apparel supply chains during 2020. The question is, to what extent, for how long, and how will Bangladesh be impacted?

Already, we are seeing that the virus is impacting China's polyester and textile supply chains. With Central China at a virtual standstill, and the transport system not operating, it is claimed by some that passing through the Yangtze river—stretching from one end of China to the other—has become impossible. With land transport limited, if the virus spreads further, more parts of China could see a similar lockdown, creating a logistical nightmare and huge disruption to the textile industry.

Leading global apparel brands are already taking a significant hit due to store closures in China as a result of the coronavirus outbreak. H&M has announced that around 45 store closures hurt sales in January while other brands have also noted major disruption in their Chinese operations. Gap, Uniqlo, Hugo Boss, Ralph Lauren, Nike, Levi Strauss and Adidas have all gone public with the announcement of store closures in central China as the impact of the virus continues to leave large parts of the country on lockdown.

I point all of this out because there are major implications for Bangladesh here. It is a story our whole industry will be watching closely.

I know from conversations I have had that the coronavirus has already caused business disruption to garment suppliers in Bangladesh. The reason for this is that, for raw materials such as fabrics and yarns as well as other inputs such as trims, labels etc., we are still heavily dependent on China. In fact, more than 50 percent of Bangladesh's textile and textile-related goods, including garment accessories, are imported from China. In addition, about 40 percent of capital machinery and spare parts for the textile and garment industry come from the country.

For all the strides made by our RMG sector in recent years, this lack of vertical integration—the fact that we only carry out one part of the supply chain process—remains a major source of vulnerability. It is an Achilles Heel for our industry.

The coronavirus, then, can be viewed as a wake-up call for the Bangladeshi RMG industry and also for the apparel industry globally. This heavy dependence on China is unhealthy in many ways as the disruption to supply chains by an epidemic such as the coronavirus can be devastating; there is a real risk that some businesses may never recover from the problems this causes.

To fulfil orders, many Bangladeshi factories now face having to look beyond China for raw materials and other product intermediaries. This will not be a straightforward task and, with supply of such materials being squeezed globally, prices will likely be higher in what is a seller's market. This could potentially increase the cost of apparel being produced by Bangladesh (although whether brands will accept this increase is another question).

For now, our industry will have to deal with the challenge at hand, but we must learn from it and never again leave ourselves exposed to supply chain disruptions. The lessons here are simple and obvious. Our RMG industry in the long-term needs to become more self-sufficient and less dependent on imports. There is no reason why much of what we import from China should not be produced within Bangladesh, creating extra jobs and adding to gross domestic product in the process. But we can only do this if we develop our industry upwards as well as sideways.

Developing our own supply chains for raw materials and fabrics is a must for Bangladesh, even if this means incentivising foreign investors to partner in the building of the required infrastructure. I believe a number of fabric mill investors are already eyeing Bangladesh so we need to give them the push they need to choose us and not a competitor.

The thing is, we can do vertical integration. To offer one example, the vertical manufacture for T-shirts has added a lot of value to the Bangladesh proposition already.

But other products have to now follow.

We also need proper research to find data on the gap between demand and supply of every raw material. For example, how much cotton fabrics do we need for the annual production of cotton-based apparel? How much man-made fibre or yarn do we need? How much accessories such as metal button or zipper do we import every year and how much are we producing locally?

We need better industry infrastructure, and more investment into supply chains, in order to become more self-sufficient and better placed to take on large and complex orders. The whole apparel industry has been caught out by the coronavirus, but we cannot say we were not warned and we must all now recognise that we have become dangerously dependent on China. Such a scenario can never be allowed to happen again.

Source: thedailystar.net-Feb 16, 2020

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Pakistani traders face 'huge losses' due to coronavirus outbreak

Pakistani traders are suffering "huge losses" in the fallout of coronavirus outbreak owing to delays in the imports of goods from China besides a major slump in demand of Chinese products.

The death toll from virus epidemic jumped past 1,500 on Saturday but new infections fell following a mid-week surge caused by a change in the way cases are counted.

More than 66,000 people have now been infected in China from a virus that emerged in central Hubei province in December before spreading across the country a month later and causing global panic.

Pak-Afghan Joint Chamber of Commerce and Industry (PAJCCI) President Muhammad Zubair Motiwala, while speaking to The Express Tribune on Saturday, said Pakistani traders import $1.5 billion value of goods from China monthly on average, which are facing delays in clearance at the Karachi sea port due to painstakingly lengthy fumigation process.

Fearing a similar virus outbreak in Pakistan, the authorities fumigate every container imported from China which he said is delaying the clearance procedure and traders who have invested billions of dollars in import business, are facing huge losses.

Motiwala added that the Chinese products have a huge customer base in the local market "as they are available at cheaper rates with a maintained quality and standards".

The trader said Pakistani textile industry is dependent on Chinese raw material which is available at lower prices, adding that the same could be produced in Pakistan but not at cheaper rates.

He said another major problem the industry is facing is the shortage of spare parts for heavy machinery due to delay in shipments from China.

Federation of Pakistan Chambers of Commerce & Industry (FPCCI) former president Daroo Khan told The Express Tribune that import of goods from China have witnessed a historic contraction in the aftermath of coronavirus outbreak. “Given the situation, traders are weary of losing customers,” he added.

He said traders are paying additional container charges as their clearance is being delayed due to “time taking fumigation process”. The main items which are being imported from China are heavy industrial machinery, textile raw material, automobile parts, electronics, baby products and many others.

According to official data, Pakistan and China’s bilateral trade volume grew to $15.6 billion in the 2019 fiscal year, up from $2.2 billion in 2005.

Source: tribune.com.pk-Feb 16, 2020

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Vietnam: Industrial sector’s growth likely to hit almost 3% in Q1

Việt Nam’s industrial sector in the first quarter is projected to grow 2.68 per cent compared to the same period last year if the novel coronavirus (COVID-19) outbreak is brought under control, according to the General Statistics Office (GSO).

Of which, the manufacturing and processing industry, that accounts for the lion’s share of the industrial sector, will be the hardest hit. This industry is likely to expand just 2.38 per cent instead of 10.47 per cent if the virus is handled.

Industries using materials imported from China are also badly affected as the country is a major supplier of materials and accessories for Việt Nam.

Other industries that will be affected include textile, garment, leather and footwear. In the first three months of this year, the textile industry is expected to grow 1.9 per cent, while the garment sector is forecast to contract 1.5 per cent and the leather and shoe production industry is likely to expand 0.5 per cent. Without the COVID-19 epidemic, the growth of these industries would have reached 10.5 per cent, 7.9 per cent and 8.5 per cent, respectively.

The production of motor vehicles and metals may also slow in the first quarter, rising only 6.9 per cent and 5.2 per cent, respectively. Meanwhile, electronics, computers and optical devices production will possibly see a decline of 2.3 per cent in this period.

Without the epidemic, production would have grown 9.3 per cent for motor vehicles, 9.6 per cent for metal products and 2.4 per cent for the group of electronics, computers and optical devices.

If this epidemic lasts until the end of the second quarter, the industrial sector's growth is forecast to reach nearly 7 per cent in the first half of this year. In this scenario, the manufacturing and processing industry is estimated to gain growth of 8.51 per cent.

The GSO has proposed the Government take supportive measures for enterprises that suffer significant impacts from the coronavirus epidemic, such as seeking alternative suppliers, reducing export-import tariffs and boosting domestic consumption, said its General Director Nguyễn Bích Lâm.

Those are the enterprises operating in the industries of manufacturing, exporting and importing industrial products, especially textiles, leather, electronics, cars, steel, and food and foodstuff processing enterprises.

To stabilise domestic production, Lâm said the GSO has proposed the Government to continue managing macro-economic policies to control inflation and maintain stability in the macro-economy as well as the monetary market.

At the same time, the Government should follow issues relating to import and export, including key export products, major export markets and material imports for production, to solve problems of import and export enterprises.

The Government is advised to address bottlenecks, including administrative procedures, to accelerate the implementation of major public investment projects nationwide, thus boosting socio-economic development.

Source: vietnamnews.vn-Feb 16, 2020

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Pakistan: FPCCI urges govt to address EU concerns on GSP-plus regime

Pakistan may lose trade tariff concessions granted under the generalised scheme of preferences (GSP) plus status in the European Union (EU) if authorities fail to allay concerns regarding human and labour rights violation, a top industry official said on Saturday.

Anjum Nisar, president of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) said the country's exports could not be able to avail the full benefits of tax incentives under GSP plus, "unless Pakistan addresses the key reservations".

"Exports of Pakistan are not increasing to achieve desirable level," he said. "Therefore, sustainable and continuation of GSP plus is dire need of Pakistan."

Nisar said currently EU GSP plus raised five key reservations regarding human and labour rights issues, which need to be addressed for the continuation of GSP plus status. The country is the major beneficiary of GSP plus from EU, which is the second largest trading partner of Pakistan after US, and Pakistan has positive trade balance with the 27-member bloc.

GSP plus allows 20 percent of Pakistani exports to enter EU market at zero tariff and 70 percent at preferential rates and it is expected that Pakistan's exports to the EU would increase by 20 percent or more during the next few years.

Pakistan got the GSP plus status in 2014 and since then the country's export increased to $7.9 billion from $6.2 billion, but this increase was only in textile and clothing, while the exports of many other products like carpet, pharmaceutical, iron and steel, edible fruit, oil seed, copper, plastic and sugar declined as compared to pre-GSP plus period. The country got a two-year extension in its status in February 2018 and a new decision from EU parliament is around the corner.

Pakistan's export to EU is mainly dominated by textiles and clothing, which account for 82 percent of total exports, and face tough competition with Bangladesh, Vietnam, Turkey, India, China and Sri Lanka.

Nisar underscored the need to diversify and promote value-addition in exports, including carpets, leather, furniture, plastics, sports goods and agriculture products to exploit the full potential of GSP plus.

An EU assessment report indicated that Pakistan's export to EU heavily relies on one product, "which indicates a risky situation for Pakistan", he added.

FPCCI president treaty implementation cell at the ministry of commerce is expected to ensure effective implementation of the 27 UN conventions imperative to maintain the GSP plus status.

Nisar urged the commerce ministry to take private sector particularly FPCCI on the board of treaty implementation cell for formulating mechanism and building consensus with the stakeholders in compliance of core international conventions, pertaining to social compliance, including human labour rights, environment and good governance.

"Commercial counselors of Pakistan designated to EU should also help the stakeholders in full utilisation of GSP plus status and marketing Pakistani products," Nisar said. He underlined the need of enhancement of foreign investment in Pakistan from EU as Pakistan improved its ease of doing business and brought several reforms in business environment.

Source: thenews.com.pk -Feb 17, 2020

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Pakistan: Textile industry: A poor stitch-up

Boosting apparel exports is the only option left for Pakistan in textiles, as it stands no chance in substantially increasing its yarn and fabric exports simply because most of its competitors' have better and efficient basic textile technologies.

For years Pakistan remained the preferred supplier of yarn and fabric to major global producers of garments and knitwear. Indians mostly got orders of yarn that Pakistan was not able to supply due to capacity constraints.

The industry invested heavily in basic textiles after 9/11 on the strength of low interest rate regime that continued till 2004. But after 2005 Pakistan lost the technology edge in basic textiles it enjoyed over India, Bangladesh and China, as its investment in this sector dried out while its competitors regularly upgraded technology.

One cannot absolve the governments for their flawed and inconsistent policies for this debacle, but the main blame lies on the basic textile entrepreneurs.

They got maximum government facilitations and subsidies than any other industrial sector of the economy. They also accumulated tons of wealth. Reinvestments in the industry were only sporadic and made when government offered them some concession.

Cement industry for instance flourished without government incentives, though investment in a cement plant is much higher than the investment in a large spinning mill.

Today the cement sector is operating with best technology and is very efficient as well. The poultry sector developed its self, and we now have a very vibrant poultry industry.

It has the potential to add $5 to $10 billion in Halal exports, provided the industry is refunded the taxes it pays during poultry product. In fact, it has been put under pressure by allowing import of processed chicken from few countries at zero duty.

To add insult to the injury, the industry pays cumulative 45 percent taxes and duties on same spices used by the zero-rated processed imported chicken.

We have seen that textile tycoons in this country belong to basic textile sector. Their standard of living, their luxurious homes and farmhouses and expensive cars speak volumes of the wealth they have accumulated over years.

This industry is in trouble for over 15 years, but the lifestyle and foreign leisure tours with families are on record to watch.

Compared with that, the value-added textile exporters live modestly when compared with these tycoons. Many of them are among the top exporters of the country.

Most of them are self-made individuals who promoted their companies through hard work and dedication.

They do not have much access to credit from the banks.

The value-added apparel sector accounts for more than 45 percent of our total exports and its exposure to project loans from the banks is less than 10 percent.

Most of these loans and accompanied mark-up concessions are enjoyed by spinners and weavers. More than 80 percent subsidies that the government offers from time to time on energy and power go to the basic textile sector.

Our planners should analyse the current textile scenario in the country and deeply study the developments in this sector in successful countries.

China, India, Bangladesh, Vietnam and Cambodia are the largest consumers of yarn and fabric. Over years the first three countries have installed modern and efficient machines first for domestic consumption and then for exports (particularly India).

The chances of increasing yarn and fabric exports from Pakistan are very low particularly with the technology that we currently possess.

Pakistani weavers and spinners would have to pay full attention to the domestic market and facilitate the garment and knitwear exporters through quality and low cost supplies.

The value-added sector would be at a disadvantage if they get yarn and fabric (that are basic raw materials for value-addition) at higher than global rates. Moreover, there are variety of blended yarns and fabrics that are not produced in Pakistan.

They should be allowed to be imported at zero duty binding the exporters to export 80 percent of that yarn and fabric in their garments and knitwear.

Countries like Bangladesh, Cambodia and Vietnam flourished in apparel exports through this approach. Pakistani spinners have the capability to produce yarns of all kinds. But first they would have to upgrade their technologies for efficient and quality production.

Source: thenews.com.pk -Feb 17, 2020

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Vietnam firms look for alternative sources of raw materials as epidemic closes China market

Vietnamese companies, many of whom are facing a shortage of feedstock and raw materials as a result of the new coronavirus (COVID-19) outbreak in China, have started looking at alternative sources.

The epidemic has had a significant impact on public health, transportation, tourism, education, and, importantly, trade and commerce, experts said.

It has affected Việt Nam's trade not only with China but also other markets, and started hurting Vietnamese businesses.

According to the Department of Import and Export under the Ministry of Industry and Trade, the impacts include prolonging delivery times and customs clearance due to the quarantine requirements on both sides.

In addition, trade by road, rail and air with China has slumped.

With Chinese goods not available, Việt Nam has been unable to source imports, which has affected its production and exports to third markets.

Many textile and footwear enterprises are therefore looking at raw material imports from other markets such as South Korea, India, Bangladesh, and Brazil.

Phạm Xuân Hồng, president of HCM City's Textile Association, said this would only be a temporary solution since China could not be replaced as the main supplier by anyone else due to its much lower costs.

Trương Văn Cẩm, vice chairman and general secretary of the Việt Nam Textile and Apparel Association (Vitas), said the textile industry sources a significant proportion of feedstock from China.

The epidemic has caused Chinese businesses to shut down production, especially in Wuhan, where there are a number of large factories, he said.

Since many textile plants in China are likely to be closed until the end of February or even longer, supply to Việt Nam would be hard hit, he said.

If the epidemic continues for the next one or two months, the global economy, including Việt Nam, would be in trouble, he warned.

But this is also an opportunity for Vietnamese businesses to look for other sources to relinquish their dependence on China, he pointed out.

Other countries like Thailand, India and Indonesia are also looking for other markets to source raw materials from to reduce their dependence on China, he said.

Companies, especially small and medium-sized enterprises, need Government support in the form of preferential loans and access to new technologies to sustain their business, he added.

Source: thestar.com.my-Feb 17, 2020

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Bangladesh RMG and the brave, new digital world

I want to look at the concept of digitisation in the context of the Bangladesh RMG industry. Particularly, I will argue that digitisation—taking none-digital formats of information and putting them into a digital format—should not be an end goal in itself. Rather the end goal should be doing things faster, more efficiently, more effectively and with greater added value. The end goal should be a more profitable, successful industry. Can digitisation enable this? If so, we need to look at areas where it can be incorporated.

To begin, let us consider why digitisation is important. A key consideration here is the notion of connectivity. Remember that the RMG industry in Bangladesh is just one cog in a broader supply chain, a cog that is connected to the global apparel industry and leading international apparel brands.

This industry is continually evolving and digitisation is central to that change. More and more we are hearing phrases such as 3D design and printing, automation & robotics, and RFID. The panacea for the industry, certainly for brands and retailers, is digitised end-to-end process management.

Key here is that this would mean breaking down existing silos between product development, sourcing and manufacturing, and ultimately delivering a more agile, efficient business and truly collaborative supply chain.

True digitisation can enable that process, and brands are recognising that they need to move beyond manual processes and disconnected systems to run their businesses. The race is on, and it is being led by online only retailers.

As will be explained below, digitisation brings many benefits but the ultimate aim is speed and efficiency which in turn means profitability. In an industry where margins can be slim and where brands and retailers have in many ways been caught up in a race to the bottom in terms of downward pressure on prices, digitisation is viewed by many executives as a way to make some easy marginal gains by trimming supply chain fat.

In some cases, a scenario is being envisaged where products are produced on demand. A person orders a garment online, and the digitised supply chain does the rest. Here the supply chain is responding directly to demand and this model is a million miles away from the mass production model we have at present, where excess inventory remains a massive challenge both from an economic and sustainability landscape.

All of this, of course, has major implications for Bangladesh RMG manufacturers, every one of which should now be asking itself, how can I remain relevant moving forward? Can I continue to focus on bulk or do I have to think about how I can be nimbler and more reactive? Do I need to build niche offerings into my make-up?

The fact is, apparel brands now recognise that in order to transform their operating models and become truly consumer-centric, they will need to drive end-to-end process efficiency, cross-functional and cross-company collaboration and deeper immersion in the manufacturing process. RMG factory owners need to be ready to respond.

It is important to emphasise at this juncture that the processes and systems stay the same when things are digitised. However, the speed and connectivity that digitisation provides leads to increased efficiency, cost savings, manpower savings, reduced duplication and more seamless supply chains.

Benefits of digitisation

The benefits of digitisation are many and varied and here I will examine a few in detail. The first one, and perhaps not the most obvious, is that it can bring about huge sustainability and transparency benefits.

Digitisation can be a major game-changer in several environment and compliance areas in terms of helping to reduce waste and excess inventory, managing factory safety, improving factory audit and compliance issues, increasing traceability and driving transparency.

In terms of reducing waste, it is recognised that digitisation in apparel supply chains provides brands and their suppliers with more and better data to improve operations and cut down on waste.

To offer an example, in the past couple of years we have seen some brands trialling digitally knitted products which are manufactured on-demand. The benefit of this digital knitting technology is its precision—the production of such products can slash waste by up to a third compared to conventional manufacturing processes. This is an efficiency gain and an environmental gain rolled into one.

Likewise, in the design process, we are seeing shifts towards digital design which minimise waste by creating garments that fit perfectly. There are a number of technology solutions being trialled on the global market now which use 3D body scanning to determine an individual's exact proportions. This data is then used alongside machine learning algorithms to create an optimum garment pattern which can in theory reduce fabric waste to zero. Yes, zero.

Click here for more details

Source: thedailystar.net -Feb 17, 2020

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NATIONAL NEWS

Vietnam, India to boost exports to each other's markets

With the comprehensive strategic partnership and large purchasing power, Vietnam and India have large potential to increase two-way trade via boosting the export of their strong commodities to each other's markets, trade officials of the two countries said.

Deputy Minister of Industry and Trade Cao Quoc Hung recently held a working session with his Indian counterpart Anup Wadhawan in New Delhi on how to bolster bilateral trade.

Hung said Vietnam has high-quality and competitive products such as agro-fishery and fresh fruits, but the exports of these products are facing difficulties due to the outbreak of the acute respiratory disease caused by the novel coronavirus (COVID-19) in China.

He asked the Indian Ministry of Commerce and Industry to help with the promotion of Vietnamese agro-fishery and fruits, especially dragon fruit and basa fish, to Indian businesses and consumers.

The Deputy Minister also informed the Indian official about the outcomes of the working sessions on February 12 between the Vietnamese ministry and Indian Importers Chambers of Commerce and Industry, the Indian Trade Promotion Council, and supermarket chains.

Hung said Indian firms praised the quality and taste of Vietnamese fruits such as dragon fruit, lychee, longan, and rambutan. They hoped to see more trade promotion activities to build brand for Vietnamese dragon fruit in India.

Besides agro-fishery products, Vietnam also has a developed garment-textile industry. However, in the context that China is suspending the operation of many manufacturing factories, Vietnam is facing difficulties in material supply for the apparel sector, Hung said, asking for India's assistance in this field.

For his part, Anup Wadhawan agreed with the Vietnamese Deputy Minister to boost bilateral trade and step up trade promotion activities and business exchanges, especially in 2020 – the year Vietnam and India mark the 48th anniversary of their diplomatic ties, and Vietnam holds the Chair of ASEAN.

He added that apart from dragon fruit and basa fish, Vietnam is able to boost exports of other products to India.

Source: en.vietnamplus.vn- Feb 16, 2020

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In China's health crisis, Gurugram garment makers sense opportunity

The garment industry in Udyog Vihar, which saw a major slowdown in 2019 with little hope of recovery, has a chance at revival owing to the coronavirus outbreak in China. Garment-makers are expecting a rise in the demand of finished clothes over the next few months as a result of US- and Europe-based buyers diverting business to India from China, where factories have shut down, causing a break in the global supply chain.

According to garment-makers and exporters in Udyog Vihar, Western buyers, who typically rely on China's advanced factories and cheap labour, have started placing orders with them instead, and several potential buyers have been enquiring about the units' production capacity.

The coronavirus outbreak in China has led to a disruption in industries, even as factories and shops have shut down and flights have been suspended, multiple reports state. Exporters and manufacturers say that if the crisis continues, they expect a rise of at least 20-30% in the export of finished garments this year.

The slowdown

Udyog Vihar houses at least a thousand garment-manufacturing and export units that have a combined turnover of more than a thousand crores, according to experts.

The demand for finished garments had reduced considerably in 2019, leading to several small export units shutting shop, industry experts say. A delay of around four months in GST refunds also took its toll, garment-makers say.

“Small units working with limited capital and under thin margins could not afford to keep running. The factors that led to the slowdown still persist,” Ramandeep Singh, the director of a garment manufacturing unit here, says, adding that his factory faced a slump in demand of 20%-30% in 2019. Others say they saw a fall of 20% in sales last year as compared to the previous year, as they lost business to countries such as China, Vietnam and Bangladesh due to several reasons—high labour and transport costs, lack of clear government policies and technological advancements in other countries.

According to a 2019 study published in Ideas for India, India’s share in global textile exports declined while countries like Bangladesh and Vietnam expanded their market share. It says India’s textile exports are constrained by high costs, unhelpful customs policies, and competition from abroad.

JOB MARKET

The slowdown in the industry also led to large-scale job losses and a freeze in hiring. According to labour rights activists, hundreds of workers—both men and women—were laid off in 2019. The garment industry in India is woman-dominated—according to the Confederation of Indian Textile Industry, 2016, of 35 million employed in the textile industry, nearly 20 million are women.

Savitri, 28, is one of 30 workers at a medium-sized factory who were ‘temporarily suspended’ in September 2019. For the workers, redundancy had not been a problem earlier because they often found a new job in another factory, she says. However, she hasn’t found another job yet in the industry as factories tell her they are full and can’t hire an extra workforce.

“Two-three years ago, factories would usually keep one or two extra staff members for backup in case of sickness or emergencies. That seems to have stopped for the last few months,” Savitri, who had been working in the industry for six years, says.

Gurugram has seen thousands of layoffs in its factories since last year. It has the country's largest automotive hub in Manesar, and more than 40,000 workers, according to labour rights activists, have been affected by the slowdown.

Companies with greater contractualisation have seen higher retrenchment, according to the workers. Many of those who have been laid off are migrant workers from Bihar, Uttar Pradesh, Odisha, and West Bengal. After searching for jobs in vain, most of them have now returned to their hometowns, members of the workers' unions at the industries say.

Workers retrenched from auto firms say they tried moving to the garment sector to find employment but were met with closed doors. Gurmeet Singh, 26, who hails from Ambala, says many units refused to take him in, saying there was no vacancy.

"For several months in 2019, extra labour was removed. No hiring is taking place in the industry," Praveen Yadav, president, Gurgaon Udyog Association, says. However, industry owners say an expansion in the workforce will depend on the number of orders diverted to them in the coming month.

The health crisis as an opportunity

In an industry that has not recovered from the slowdown, garment industry owners say the crisis in China could be a huge opportunity for India's business if the government steps in to give the industry incentives.

Satyendra Singh, the general manager at a garment-manufacturing unit in Udyog Vihar Phase-5 that employs around 300 workers, says they have received orders from at least two 'new' customers from France since the health scare grew in China.

"Many wary Western buyers have been approaching us the last one month; we expect the queries to turn into orders in the next few weeks," Singh says, adding that he is expecting a rise in exports this quarter. Their clientele, he says, is clothing brands such as GAP and Walmart, among others.

Animesh Saxena, managing director at another manufacturing unit in Udyog Vihar and president of the Federation of Indian Micro and Small & Medium

Enterprises (FISME), says they have received preliminary enquiries from Western buyers in the wake of the virus, and that if the health crisis escalates, huge amounts of business could be diverted to other South Asian countries, including India.

He adds that this could serve as a 'golden opportunity' for the industry to revive, but only if the government responds quickly.

Others reiterated their concerns about losing business to Bangladesh in the next few weeks due to low labour costs and export-conducive policies.

"Factories in Bangladesh are bigger; manpower is cheaper. Bangladesh has a duty-free import policy of raw material from India and China, which is their advantage," Ramandeep Singh says, adding that the rate of duty refund under the Central government's rebate scheme hasn't been announced and there is still no clarity on the incentive.

Earlier, a 4% incentive was available for garments under the Merchandise Exports from India Scheme, which was discontinued in August last year.

According to the Apparel Export Promotion Council, Bangladesh's garment export has risen exponentially for the same reason.

In 2005, Bangladesh's exports were valued at $3 billion and India's were at $5 billion. In 2019, Bangladesh's exports rose to $36 billion while India's were at $16.5 billion, shows data with the council.

IS Yadav, joint director, district industrial centre, Gurugram, says the garment industry here is being provided trade subsidies, and that the state government has several schemes to boost the industry. "No immediate plans to increase incentives exist," he says, adding that more than 200 units have benefited from the government's incentives.

However, industry experts say only the next two months will decide what the future of the garment trade will look like.

Source: hindustantimes.com- Feb 16, 2020

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Govt to infuse ₹1,300 crore in Exim Bank next fiscal

The government has decided to pump ₹1,300 crore into state-owned Export-Import Bank of India (Exim Bank) to fund its business growth.

Last year, the government doubled its authorised capital from ₹10,000 crore to ₹20,000 crore.

"The (₹1,300 crore) provision is for Exim Bank as equity support/ subscription to increase the paid up capital of the bank to the level of its authorized capital," as per the Budget documents presented in Parliament earlier this month.

This is ₹350 crore higher than provision made by the government for the current fiscal. The government earmarked ₹950 crore capital infusion for the bank.

Exim Bank is the principal export credit agency in India and the infusion will give an impetus to new initiatives such as supporting Indian textile industries, likely changes in the Concessional Finance Scheme, likelihood of new letters of credit in future in view of the country's active foreign policy and strategic intent.

Established in 1982, Exim Bank is the apex financial institution for financing, facilitating and promoting the country's international trade.

The bank primarily lends for exports from India, including supporting overseas buyers and Indian suppliers for export of developmental and infrastructure projects, equipment, goods and services from India.

Source: livemint.com- Feb 16, 2020

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Coranavirus grips China, Gujarat feels economic ripples

Manufacturing sector in Gujarat is dependent on China both for importing raw materials and exporting finished goods. TOI's Niyati Parikh, Melvyn Reggie Thomas, Nimesh Khakhariya and Kalpesh Damor take a snapshot of the impact caused by the situation change in China across Gujarat's key manufacturing clusters.

Ahmedabad: The widespread outbreak of coronavirus in China, and the consequent change in patterns of commerce with that country, is making itself felt in most industries in Gujarat, for better or for worse. Manufacturers in certain sectors which are heavily dependent on China for raw materials are worried about their production pipelines, rising costs and availability of resources. This includes manufacturers in segments like chemicals, dyes and pharmaceuticals. On the other hand, in market segments where the Chinese have the upper hand, or give a stiff competition to Indian manufacturers, our industries are set to gain as global players are turning their attention to India. Salt exports down by 1.5 lakh tonnes.

The exports of salt from Gujarat declined by 1.5 lakh tonnes in January and the declining treand is likely to extend into February. China imports 35 lakh tonnes of salt every year from Gujarat, which is 40% Gujarat's total salt exports. "The exports declined in January and it will continue to reduce in February," said Shamji Kangad, vice-president, The Indian Salt Manufacturers Association (ISMA). Salt exporters and makers in Kutch receive orders for 6 lakh tonnes every month from China.

The issuance of letter of credits (LCs) were stopped in China till February 9 and further extended to February 15. "No fresh LCs were issued, so we worked to execute old orders. Now, gradually issuance of new LCs have started from Friday, so we expect to get orders again. However, it will take some time to get everything streamlined," Kangad added.

Diamond industry staring at huge losses

The outbreak is set to take the sheen out of the world's largest diamond cutting and polishing centre in Surat. Industry experts estimate that the export of diamonds and jewellery to Hong Kong, which is the gateway to China, is likely to decrease by over Rs 10,000 crore as most offices owned by Gujarati diamantaires in Hong Kong have been shut.

The export of polished diamonds to Hong Kong is pegged at over $8 billion per annum. The CEO and managing director of Asian Star Company Private Limited, Vipul Shah, said, "The outbreak in China is set to decrease the export of polished diamonds by almost 30% in the coming few months. Most of the diamond offices in Hong Kong are shut."

Recently, the two biggest gems and jewellery events held every year in March in Hong Kong have been postponed till May. The Hong Kong government has officially declared a monthlong vacation due to the coronavirus outbreak. Nilesh Bodki, a diamond exporter to Hong Kong said, "We have shut the office in Hong Kong due to the coronavirus outbreak. The majority of our export from Hong Kong is to China."

Textile, garment makers to benefit

The country's largest man-made fabric (MMF) hub is upbeat as the import of cheap fabrics from China is set to nosedive with the coronavirus outbreak, and the Centre announcing revision in the Foreign Trade Policy (FTA) and the rules of origin in the Union Budget-2020-21.

Bharat Gandhi, chairman of Federation of Indian Art Silk Weaving Industry (FIASWI) told TOI, "The import of cheap fabrics from China was hurting the domestic powerloom industry. We expect the imports to decrease in the coming months due to the virus scare, and give domestic weavers an edge."

While yarn makers are losing business, textile and garment manufacturers stand to gain. "With exports from China to other countries getting halted due to the epidemic, global giants are turning to India for procurement. In fact, inquiries as well as the volume of orders received by Indian manufacturers have already increased," said Chintan Thaker, co-chairman, Assocham – Gujarat.

Raw material prices shoot up, chemicals production hit

With chemicals production at Chinese factories affected by the coronavirus threat, import of chemicals to India has reduced, because of which, prices of many chemicals used as raw materials have shot up. "Prices of H-Acid and Tobias Acid, which are widely used in manufacturing of dyes in India, have shot up at least by 25% over the past fortnight; increasing the cost of production," said Bhupendra Patel, chairman - Gujarat region, Chemexcil.

Recently, Gujarat Dyestuff Manufacturers' Association (GDMA) apprehended that 25% of more than 600 units may have to shut down due to delayed shipments from China and the spike in raw material costs.

Bulk drug prices rise since the outbreak

Around 70% of bulk drugs or active pharmaceutical ingredients (APIs), key raw materials of drugs, come from China. At present, the imports have come to a grinding halt. As a result, the prices of APIs such as Paracetamol, Azithromycin, Ceftriaxone, Ciprofloxacin, Ibuprofen, Norfloxacin have jumped substantially since the outbreak of coronavirus in China.
API makers in China have stopped taking new bookings and uncertainty is looming large over the production scenario of drugs manufacture in India. Several pharma companies are running on the APIs inventory available with them. If the situation does not improve by March, it is going to negatively affect local production, say industry sources.

Loss and gain for ceramic industry

The ceramic industry is hopeful of eating into China's share in the international market if the production disruption in China prolongs. However, vitrified tile makers may also have to bear the brunt of the coronavirus outbreak in China. "We import abrasives for polishing vitrified tiles from China. We have enough stock. However, around 125 units in Morbi may have to shut for want of abrasives if the crisis in China continues for 3-4 months," said Mukesh Ughreja, president, vitrified tiles division, Morbi Ceramic Association (MCA).

Auto component production may plummet

Delayed imports of spares and raw materials from China is indeed becoming a concern for automobile and auto component manufacturers in Gujarat. "Manufacturing of automobile components can come to a standstill if the import of spares becomes difficult. Despite a great degree of localisation, several manufacturers are dependent on import of spares and smaller components, especially in electronic auto parts, from China. With uncertainty looming over the imports, domestic players may suffer," said an industry source.

Cotton yarn prices decline, exports hit

Cotton exports to China have come to a standstill as there is no demand from that country, which is currently battling the deadly coronavirus. “At present, no cotton shipments are being made to China. There is still a great deal of uncertainty about resumption of exports,” said Nirav Patel, an Ahmedabad-based cotton exporter. About 60% of the total export of cotton yarn manufactured at spinning units in Gujarat goes to China.

However many textile manufacturing units in China are shut. “Due to this, the demand for cotton yarn has shown a sharp decline. Prices of cotton yarn have already fallen from Rs 206 per kilogram to Rs 200 per kilogram,” said Dr Bharat Boghara, chairman, All Gujarat Spinners Association (AGSA).

“After the Hong Kong protests, the coronavirus outbreak in China has come as a major disappointment for the gems and jewellery industry. It is estimated that the industry will lose business to the tune of over Rs10,000 crore in the next two months.” Aniruddha Lidbide, diamond industry analyst “The powerloom weavers in Surat have increased their manufacturing capacity after the coronavirus outbreak in China. The daily production of polyester fabric has gone up from 3 crore metres to 3.5 crore metres per day.” Ashok Jirawala, president of Federation of Gujarat Weavers Association (FOGWA)

“With yarn prices going down, the input cost of production for textiles, garments and made-ups will go down, giving manufacturers better cost-competitiveness.” Chintan Thaker, co-chairman, Assocham – Gujarat.

“Shipments from China are expected to resume from February 18, however, delays in shipments are expected. This can have an added adverse impact on industries in Gujarat.” Bhupendra Patel, chairman - Gujarat region, Chemexcil.

Source: timesofindia.com- Feb 16, 2020

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India never lacked resources, skills; needs to work with comprehensive mindset: PM Modi

Prime Minister Narendra Modi on Sunday said that India never lacked resources and skills but the nation needs to work with a comprehensive mindset.

"We have never lacked the resources and skills, just need to work with a comprehensive mindset. All that is needed is to bring this story in front of the world. Uttar Pradesh Institute of Design (UPID) will play a very big role in it," he said.

"It has always been the power of India that some special art and products have been associated with the identity of every region and every district here. This has been our tradition there for centuries. Our businessmen and traders have promoted it worldwide," Modi said after inaugurating 'Kashi Ek Roop Anek' programme here.

The Prime Minister continued said that the UPID helped more than 3500 artisans and weavers from 30 districts in the last 2 years.

"A thousand of artists have also been given tool kits to improve craft-related products... This effort to make the products of Uttar Pradesh reach the foreign markets and make them available on the worldwide online market, the whole country is going to benefit from this," he said.

"When the changing world, changing time, according to the changing demand, make necessary changes in these products too. For this, it is very important to provide training, financial help, new technology and marketing facilities to the people associated with these traditional industries," he said.

Modi said that there is an increase in exports from Uttar Pradesh in the last two years.

"Before 2014, could the weavers and exporters of UP communicate with investors online platforms like this? This was not possible, because there was no such platform... In the last two years, there is an increase in exports from UP. This growth has become a reality due to programmes like One District One Product and help extended to MSMEs," he said.

The Prime Minister said that the anti-dumping duty on the raw material of textiles has been scrapped.

"For decades people associated with textiles had been demanding this. Our government has completed this work. The National Technical Textile Mission has been started. Rs 1,500 crore will be spent on this. Infrastructure related to technical textile will be created," he said.

Modi said the Central government is planning to create investment clearance cell for the ease of investors.

"The government is planning to create investment clearance cell for the ease of investors. This will help investors to take information easily at the Centre and state levels ... The government will take necessary steps to make India $5 trillion economy. We will work together to make India manufacturing powerhouse," he said.

"For the first time, the Taxpayers` Charter is being prepared so that the wealth creators of the country do not face hardship. Tax collection is being faceless. To encourage manufacturing, the tax has been reduced to 15 per cent. Now India is among those few countries where corporate tax is so low," Prime Minister Modi said.

Modi said that a national logistics policy is being prepared for the first time in the country to create a single window e-logistics market, which will strengthen small scale industries.

"The introduction of GST has brought about a wide change in the country`s logistics. Now this change is being strengthened further. A national logistics policy is being prepared for the first time in the country," he said.

"It will lead to the creation of a single-window e-logistics market. This will strengthen small scale industries and help in generating employment," added Modi.

"To empower MSMEs, the import of those products is being reduced which are not better than the products being made in India," he said.

He said the Centre has drawn a blueprint for the development of small and medium industries for the coming five years.

"In the Union Budget, special emphasis has been laid on manufacturing and the ease of doing business. MSMEs and start-ups are the big sources of employment," Prime Minister Modi said.

Source: wionews.com- Feb 16, 2020

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RBI to sync its accounting year with govt's fiscal year from 2020-21

The Reserve Bank of India (RBI) will align its financial accounting year with that of the central government with effect from 2020-21 — a move that may put an end to the practice of the exchequer getting interim dividend from the central bank. The decision was taken at a meeting of the RBI's central board held in the national capital on Saturday.

"The board recommended aligning the financial year of the RBI, currently July-June, with the government's fiscal year (April-March) from the year 2020-21 and approved forwarding a proposal to the government for its consideration," a statement from the RBI said.

With this move, the central bank will do away with nearly eight decades of practice. The RBI, which was established in April 1935, used to follow January-December as its accounting year before it was changed to July-June in March 1940.

Taking advantage of the RBI's different accounting year, the Centre had started demanding an interim dividend till the time the latter's final balance sheet is prepared (usually in August).

To address this anomaly, an expert committee led by former RBI governor Bimal Jalan had recommended aligning the RBI's financial year with that of the government.

An RBI executive explained that for 2020-21, the central bank would prepare a truncated balance sheet for a period of nine months (from July 2020 to March 2021). Following next year, the full fiscal year of the RBI will start from April 1, 2021.

The Jalan committee in its report had said the alignment of the fiscal years of the RBI and the government would ensure that the central bank was “able to provide better estimates of the projected surplus transfers to the government for the financial year for budgeting purposes”.

The committee had noted that the need for interim dividend to be paid by the RBI would be reduced and would be restricted to “extraordinary circumstances”, and the move brought “greater cohesiveness in the monetary policy projections and reports published by the RBI, which mostly use the fiscal year as the base”.

The governor didn’t rule out an interim dividend to the central government this fiscal year. “If any decision is taken, it will be uploaded on the RBI website as part of our (central board meeting) minutes. There are a lot of speculations on the interim dividend. As and when it comes up for discussion, you will come to know,” RBI Governor Shaktikanta Das said.

According to sources, a proposal to give the central government an interim dividend of Rs 37,000 crore for 2019-20 is on the table and a decision may be taken in the next board meeting. This is the third consecutive year when the government has demanded an interim dividend. In FY19, the RBI paid an interim dividend of Rs 28,000 crore to the Union government.

Credit uptick

The RBI governor said on Saturday that credit flow in the economy was gaining momentum and was expected to pick up in the coming months.

Das elaborated that the credit flow of banks to the commercial sector stood at Rs 2.7 trillion from October 2019-January 2020, compared to a negative change of Rs 1.3 trillion in April-September 2019. “The momentum is gathering pace. It has really picked up from October onwards, and now the flow of credit from all sources — banks, domestic markets and external commercial borrowings — has improved to about Rs 7.5 trillion and there is a flow of around Rs 6 trillion between October and January. The momentum is gathering pace and credit flow is reviving,” Das said.

The governor and Finance Minister Nirmala Sitharaman briefed the media on Saturday after the customary post-budget central board meeting of the RBI.

'No inflationary impact of Budget'

Das said the Union Budget did not have any inflationary impact. "I don't see any impact of the Budget on inflation in March. In the sense that the direct inflationary impact is the fiscal deficit number when the borrowings go up, but the government has adhered to the principle of fiscal prudence," the governor added.

He said the "good part" was that the central government's borrowings were coming from small saving schemes and a declining crude oil prices would also help in containing inflation. The governor pointed out that a review of the monetary policy framework was internally being worked out and if required, the central government would be consulted soon.

He didn't give an elaborate comment on the Supreme Court's order rejecting the pleas of telecom companies Bharti Airtel and Vodafone Idea, which had sought a staggered option for paying dues linked to adjusted gross revenue (AGR).

"I don't want to comment on an order of the SC and its implications this way or that way. It will be internally deliberated, if there is any issue arising out of it," Das said.

Source: business-standard.com- Feb 15, 2020

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Small power loom weavers bat for common facility

Power loom weavers in Erode seek to expand their cluster to start doing value addition to their rayon grey fabric, such as dyeing, printing, processing and making garments out of them to sell across the country. They said they would also seek to export these products if they get proper support.

Members of the Erode Viscose Rayon Fabrics Cluster said they formed the cluster in September 2018 and it has 230 small power loom owners as members now. They are now producing grey rayon fabric. For value addition, they are now sending the fabric to other places such as Delhi and Surat.

With the expansion of the cluster, they seek to create a common facility, where they could do value addition activities such as processing, dyeing and printing, making garments themselves and market it, they said. They said they would make rayon garments such as shirts and chudithars and sell it in India and possibly also in other countries, with proper support.

B Kanthavel, a representative of the cluster, said they were seeking to induct power loom weavers from the Erode Powerloom Owners' Association into the cluster. "We have planned to invite 500 members of the association to the cluster. We plan to ask them to invest Rs 35,000 each in the cluster, so that we could allot a capital of Rs 87.5 lakh towards the common facility," he said.

This capital would be important to get further funds from the Centre, he said. The members have sought a working capital loan of Rs 10 crore and a fund of Rs 12 crore under the cluster development scheme to set up the common facility, he said.

He said last week when the Union textile secretary Ravi Capoor visited Texvalley, a wholesale textile market in Erode, they had represented these demands to him. At the occasion, he said, the secretary also launched a viscose rayon shirt produced by the cluster.

Officials from the regional office of the textile commissioner in Coimbatore said the establishment of a common facility for value addition would eliminate the domination of master weavers, who see profit at the expense of small weavers and would enable small powerloom weavers earn directly.

M Balasubramanian, deputy director at the regional office of the textile commissioner in Coimbatore, said right now master weavers are employing micro and small powerloom weavers for doing their job work. "But if micro and small powerloom owners form a common facility, they would be empowered to do value addition to their own fabric," he said.

Source: timesofindia.com- Feb 17, 2020

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With swadeshi back in fashion, who needs economic growth

One has to conclude from the behaviour of the Modi2.0 regime that India is incapable of sustained development. Not only is the economy at the bottom of the growth cycle at 5%, but the immediate future forecasts are not encouraging. Above all, the Budget showed a total lack of urgency.

RBI is experimenting with twisting the yield curve and pushing liquidity into the banking system. Even so, no one can seriously believe that the target of making India a $5-trn economy will be met. Nirmala Sitharaman repeated the target of doubling farmers' incomes by 2022 without telling us whether we were any nearer to it or what growth rate would be needed in the next two years to achieve that.

One has to conclude that Indian political leadership, across parties, does not rank economic growth very high in its preference. For a still relatively young nation state, nationalism, the respect foreigners show for India, and peculiar ambition such as India as a moral leader of the world (Nehru) or Jagat Guru (RSS) are much more satisfying to the ego of the elite than roti, kapda, makaan.

In their most recent article on Indian growth record published in the Journal of Economic Perspectives, Aravind Subramanian and Rohit Lamba list a table of a select group of countries that have a long trajectory of growth. Leading the pack are South Korea and Singapore in Asia.

Each grew for 60 years continuously at above 6% per annum on average. Since at 6%, income would double every 12 years, over 60 years, income would grow 32 times. China had 5.4% per annum for 49 years.

At that rate, income would double every 13 years. So over 52 years, income would grow sixteen-fold. India averaged 4.6% for 38 years, at which rate income doubles every 15 years.

So, over 38 years, income goes up just five times. The magic of compound interest rate is inexorable. So, India is a relative dullard in the growth class of Asian countries. When people speak of the Asian Miracle or Asian Tigers, it is not India they speak of.

Why is this so? In terms of initial conditions, in 1945, at the end of the Second World War, India was the top economy in Asia. Japan had been destroyed by war damage, though in the 1930s, it was the most developed country in Asia by per capita income.

But, even so, India had begun industrialising before Japan, in mid-19th century, and had the first railway, telegraph, and postal service in Asia. Of course, the rulers were foreigners, but the two world wars had compelled the British to push industries in India, and the native industrialists built a world-class textiles industry. At the end of the Second World War, India was seventh in terms of industrial output.

India's problems began with independence. The new elite had big ambitions for India, but very fragile relations with numbers (something which has been continues to be true for the new elite as well). The National Planning Committee had thought it could raise India's income ten-fold in the first fifteen years. They did not have any notion of what growth rate would be needed to achieve that.

KN Raj, who had come back from LSE after his MSs in Economics, and joined the Planning Commission, said that 5% per annum would be the best India could do. Nehru denounced him for Western-induced pessimism. But, as it turned out, 5% per annum was not achieved during the Nehru years, or till 1980. Nehru's vaulting ambition—the dream of achieving a Soviet-style heavy industry in one generation—was a total fantasy.

The first thirty years were wasted in the disastrous economic strategy of capital-intensive growth. Lamba and Subramanian date India's trajectory of sustained growth as starting in 1980.

But, that was Indira Gandhi discarding the shibboleth of national self-sufficiency and taking an IMF loan. Even so, autarky and distrust of international trade remained. Rajiv began to borrow abroad, but did not liberalise the economy. I would call the decade of 1980s growth with borrowed money, but without structural change.

The next twenty-five years, 1991-2016, were miraculous. India abandoned the illusion of swadeshi and accepted the benefits of trade like the rest of the world.

India's model for development, USSR, collapsed due to economic weakness. Luckily for India, the global economy boomed as trade expanded, and capital flows became truly global. India caught the wind and liberalised.

But, good times do not last. India had built, in the name of socialism, restrictions in the labour and land markets, and distorted the credit market by nationalising the banks. Neither Congress nor BJP has dared to reform the factor markets or cure the malaise of banking.

Worse still, swadeshi is back in fashion, as is the Nehruvian contempt for the businessman (suit-boot-ki-sarkaar). India will bask in the economic stagnation which has come back. Who needs growth when you have Vedanta philosophy?

Source: financialexpress.com- Feb 17, 2020

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Centre asks states to replicate Kerala's handloom scheme

The state government's scheme to distribute handloom school uniforms to students in Classes I to VII free of cost has caught the fancy of the Union government.

The Union Textiles Ministry has written to all states and Union Territories to explore the possibility of implementing the Kerala model scheme in their jurisdictions to popularise handloom textiles. The letter was sent on February 11 to the directors of handloom sections in the states.

Earlier, the Centre had appreciated the efforts of the state government in helping the handloom sector, as well as supplying free uniforms to the students.

As per the Centre, the scheme has benefited society in two ways. Many people secured jobs in the handloom sector and the initiative also ensured minimum wages for labourers associated with the sector. A report on this by the National Institute of Fashion Technology also enclosed a letter which stated that the project by the state government has given the ailing handloom sector in Kerala a lease of life.

Ninety-six per cent of handloom weavers have expressed satisfaction with the project as their income has doubled following its implementation. The students who are the beneficiaries of the school uniforms have also expressed satisfaction.

The industries department initiated the free uniform distribution as part of reviving the handloom sector. The government is supplying the threads and giving wages to the weavers. With this scheme, a major chunk of handloom weaver societies have become active.

The project gave fresh impetus to the Chendamangalam handloom weavers, as 5,200 weavers got jobs, the department said in a release.

Under the scheme, around 4.5 lakh government school students get handloom uniforms per year. In the last three years, 70 lakh metres of handloom were distributed to around 15 lakh students.

Source: newindianexpress.com- Feb 17, 2020

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