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INTERNATIONAL NEWS

Moody’s Sees Apparel in ‘Liquidity’ Crunch as Trump Seeks ‘Big, Bold’ Stimulus Plan

President Trump is moving to address the urgency needed to combat a fast-moving coronavirus pandemic that is threatening to derail the American economy and decimate the apparel sector.

On Tuesday, the president called for lawmakers and his administration to join hands in passing new legislation that would push through a “big, bold” stimulus plan designed to quickly pump at least $850 billion–but could reach $1 trillion–into the economy and stave off financial disaster.

“We’re looking at sending checks to Americans immediately,” Treasury Secretary Steve Mnuchin said at Tuesday’s press briefing, with the payments mailing out as soon as “in the next two weeks.” While Mnuchin declined to state the amount of the checks, speculation says it could be $1,000 per person exclusive to those earnings less than $1 million annually.

Small business owners are set to receive the checks as well, in addition to gaining access to business-critical loans. The administration is considering allowing 90-day deferments of income-tax payments that are expected on April 15 each year, Mnuchin added.

“We have to get this done now,” Mnuchin said of the timeline for when Trump wants the plan approved, adding, “we’re going big.”

Businesses are already feeling the effects of shutdowns and consumer demand that has seemingly evaporated overnight. Noting that airlines are facing a crisis worse than the post-9/11 fallout, Mnuchin said, “We don’t want the airline industry to go out of business.”

“We don’t want anyone to lose their jobs,” he continued, adding, “The president understands this.”

Financial markets will remain open, Mnuchin said, noting that the government “wants people to have access to their money.” Markets might have to scale back their hours of operations at some point, he added.

Earlier in the day, Mnuchin said he gave the greenlight to Federal Reserve chairman Jerome Powell's request to set up a special purpose vehicle, a commercial paper fund worth $1 trillion, to help keep credit flowing to households and businesses—another bid to prop up spending.

The Federal Reserve said the Treasury will provide $10 billion of credit protection, while Mnuchin said he gave the okay because of "liquidity issues in money market funds." Money market funds are short-term debt instruments usually less than 13 months that pay out earnings in the form of dividends. The federal government similarly provided a liquidity injection during 2008's Great Recession.

The latest talk about infusing liquidity into the markets offered a modicum of relief to a volatile and struggling stock market that's still trying to find its bottom. The Dow Jones Industrial Average rose 1,000 points in intraday trading Tuesday following the Federal Reserve announcement.

And despite the current turmoil, Trump believes there's a light at the end of the tunnel.

"I think our economy will come back very rapidly" once this is over, Trump said.

"We have to fight that invisible enemy," he stressed, adding, "We are committed to get small business the support they need."

The president praised the spirit of bipartisanship spurring both Republicans and Democrats to forge additional stimulus packages. Trump recounted a "good conversation" Tuesday morning with New York governor Andrew Cuomo, adding that the state appears to the "number one hotspot" at the moment. The U.S. needs to take "aggressive action right now as one nation, one family, so we can rebound strongly" when the health crisis is over, he said.

Trump emphasized that he's "always known this was a pandemic," and is open to instituting a "national lockdown" if necessary remains hopeful that scenario can be avoided.

Vice President Mike Pence said the Department of Defense is exploring the option of setting up either military field hospitals or M.A.S.H.–mobile army surgical hospital–units in case they are needed.

On Tuesday, credit ratings firm Moody's Investors Service's coronavirus heatmap identified at-risk sectors most vulnerable to the effects of the pandemic.

In addition to airlines and auto suppliers, apparel is among the industries considered to have high exposure as most impacted in the near term, according to the report. Moody's baseline scenario calls for a negative impact on 16 percent of business sectors, including apparel, but could jump as high as 45 percent of industries if the number of infections surges and the virus can't bequickly contained.

That scenario would lead to extensive travel restrictions and quarantines, Moody's said.

"Liquidity is a more-significant concern for aerospace, apparel, consumer nondurables, and mining," the credit ratings firm added.

And non-food retailers, including department stores, are at risk given a product mix that's not focused on quarantine necessities. They're more likely to be subject to government-mandated shutdowns, too, Moody's noted, adding that temporary store closures will also have a negative impact on apparel sales and profitability over the near term.

Though apparel firms such as G-III Apparel Group, J. Crew and Caleres have been diversifying their sourcing away from China, "the country remains an important source for inputs used for manufacturing in other countries."

Source: sourcingjournal.com-Mar 17, 2020

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Viscose Producer Scales Up Fiber Made from Textile Waste

Sateri has commercially scaled production of a viscose fiber that's regenerated from textile waste

The new fiber uses a mix of dissolving pulp made from recycled post-consumer textile waste by Swedish company Södra and other wood pulp certified by the Program for the Endorsement of Forest Certification (PEFC), the viscose producer said Tuesday.

"We are excited to commercialize a new product that meets the fashion industry's aspirations for more sustainably produced textile fibers," Allen Zhang, president of Sateri, said.

"The technology to regenerate textile waste into new cellulosic fibers is emerging and technically challenging, but in the past few months our R&D team has worked hard to find the right balance between producing a recycled viscose product while maintaining high quality.

"Our ability to do so using a 35,000 ton-per annum commercial production line is a breakthrough as it means we are now ready and capable of scaling up production to respond to market demand," Zhang added. "We see this as a win for both the environment and our customers."

The trial run was done at Sateri's Linz Nanjng yarn spinning mill using two advanced technologies–Siro compact and Vortex.

The new fiber offers proven compatibility with existing spinning technologies, ensuring stable yarn production without the need to adjust existing processes or parameters, the company said. The fiber also has strong spinning efficiency and delivers yarn evenness and tenacity.

"Being part of the RGE group of companies allows Sateri access to world-class pulp production expertise," Tom Liu, Sateri's vice president for sales and marketing, said.

"Coupled with our deep experience and competence in viscose production and our yarn spinning capabilities, this value chain integration puts us in a strong position to accelerate next-generation textile fiber innovation and production."

Sateri's breakthrough comes on the back of RGE's announcement in October of a $200 million investment toward next-generation cellulosic fiber innovation. Sateri is working with several dissolving pulp producers using various innovative technologies to aid the push towards a circular bioeconomy.

Sateri will be collaborating with yarn customers, garment manufacturers and fashion brands to market and launch the new recycled viscose fiber product in the coming months, with the eventual goal of making recycled fiber available to the mass market.

Sateri's five mills in China have an annual production capacity of about 1.4 million metric tons.

Source: sourcingjournal.com-Mar 17, 2020

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The after effects of COVID-19 to be felt by global fashion industry till mid-2021

Though Coronavirus (COVID-19) has led to some designers cancelling Milan Fashion Week shows, the fashion industry is yet to feel the full brunt of the repercussions of the global pandemic. So far, the outbreak has led to cancellation of some presentations in Paris. It has also resulted in an increase in the sale of face masks including ones being custom-designed for the fall '20 Chanel show.

American fashion editors have been advised to self-quarantine for two weeks. Most local fashion houses in New York have declared a work-from-home policy for employees. They are either cancelling or postponing their shoots, press previews, dinners, and work-related travels.
Impact on small, direct to consumer brands

Not just large, publicly owned companies but also small, direct to consumer brands are suffering. Traffic at LeThe after effects of COVID 19 to be felt by global fashion industry Point, a San Francisco-based multi-brand concept store has slowed as people have been told to avoid large groups and stay indoors. Similarly, the epidemic has delayed the restock of China-based brand Yan Yan by a few weeks, thus affecting its ability to supply to demand.

As a health and safety requirement, the brand is monitoring the temperatures of its factory workers daily besides compelling them to wear masks. Employees also have to sanitise their shoes before entering office besides washing their hands before handling product and packages.

Government orders compel brands to shut stores

Fashion brands in Italy and China have begun to close their stores as governments in both countries have advised their residents to avoid public spaces.

Italy has also forbidden its citizens to gather in public. Capri Holdings, which owns Michael Kors, Versace, and Jimmy Choo, has closed 150 stores in China.

As most Chinese workers have been advised to stay at home, production at all brand factories has stopped. This is likely to delay order inventories of factories in China. As Gary A Wassner, CEO of Hildun Corporation and Chairman of Interluxe told Time magazine recently, companies selling private labels or brands sold specifically to one store, are likely to face a major hit due to their quick turnarounds.

Unsold inventory to impact sales till mid-2021

Confindustria Moda president Claudio Marenzi predicts a tough year for the industry. The slowdown will also affect the first semester of 2021. Though the spring 2020 season will be most dramatically hit by this crisis, there will be a few repercussions on the fall 2020 and spring 2021 seasons too.

Though the virus could be quelled by then, sales will continue to be affected till June 2021 as brands will be saddled by a lot of unsold inventory.

Source: fashionatingworld.com-Mar 17, 2020

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Italy's clothing sector grapples fallout from Covid-19

Italy has been under lockdown since 11 March in a bid to halt the spread of the coronavirus

While clothing manufacturers in Italy have not been told to close outright in the country's bid to fight the Covid-19 virus, many have been subject to major disruption during this health emergency.

A drop in demand for clothing and textiles in China and the cancellation of fairs and missions both abroad and in Italy have already hit brands hard, with events being called off and many catwalk shows at last month's Milan Fashion Week taking place behind closed doors as the virus outbreak gathered strength.

Domestic demand took a further dive last week when the Italian government tightly restricted commercial activities – including fashion retail – until 25 March.
Many brands had already begun closing retail stores due to a lack of shoppers, with large chains such as Calzedonia and Coin SpA anticipating tougher prevention measures.

As for manufacturing, some luxury brands, already smarting from lost China sales, began prepping Italian production sites for temporary closures – for example luxury fabric and clothing producer, Biella-based Loro Piana, which on March 8 shuttered its factories in Lombardy.

Gucci has closed all six production sites in the regions of Tuscany and Marche until 20 March to head off the spread of the disease in Italy, with office staff working from home.

Luxury shoe and clothing brand Tod's has also temporarily closed Italian production facilities until 17 March to reorganise and allow factories to adopt the new anti-contamination measures aimed at protecting workers. These include office staff working from home, factories being sanitised routinely, and workers being provided with masks, gloves and working at a safe distance (at least one metre) from one another.

The Covid-19 crisis is "causing a significant production slowdown across the entire supply chain," said a spokesperson for Sistema Moda Italian (SMI), who warned that any recovery in the Chinese market might currently be cancelled out by losses in other countries where the Covid-19 pandemic is now just starting.

Andrea Cavicchi, president of the fashion department of the Confindustria Toscana Nord, told just-style that falls in Italian sales and a block on tourism could harm Italian brands in the medium-to-long term.

"Tourism in Italy is closely linked to fashion, with tourists' demand for Italian fashion representing quite a big chunk of domestic demand. We expect this, together with the temporary closure of stores in Italy and an overall drop in global demand due to the Covid crisis, to have a trickle-down effect on future orders and along the entire supply chain," he says.

How will this crisis shake down?

"The general feeling is that there will be more clarity by May-June [2020] as some of my US clients have postponed orders until then," says Marco Badiani, textile export manager at Prato-based wholesaler Badiani Studio.
"This means that there might be a couple months' delay along the entire supply chain, but it's something manageable, Italian suppliers are quite flexible; textile and clothing companies are probably considering slowing production now and putting workers on vacation leave, to then boost output in the summer, in hopes that orders start coming in this spring."

While fabric makers, in Prato and Biella for instance, are operating, textile dyers in Prato have complained of higher costs for chemicals, which are partly supplied by China. Production output of mills has slowed to about 80%, Cavicchi says, mainly to meet Covid-19 worker safety rules.

A spokesperson from the Unione Industriale Biellese fears possible border blocks of its textile products if the Covid-19 crisis worsens in Italy and across Europe.

Indeed, this week Austria began spot health checks on truck drivers crossing the Brenner pass, causing kilometres-long lines at the border and significant delays.

National business association Confindustria made an appeal to the European Union on 13 March to help keep borders for trade open.

"It is extremely important that the EU quickly establish simple and clear rules, valid for all 27 Member States, to safely manage trade within the

Union. The closure of internal borders to the transit of goods, taken unilaterally by individual Member States, also in eastern Europe is unnecessary and harmful. This is not how to defeat coronavirus, but only puts the most important European common good at risk: the [EU single] internal market."

The real problem facing the sector now is whether orders will come in for the spring/summer 2021 season, says the SMI spokesperson, "while we hope for the number of orders to rebound for the fall/winter 2021 season."

Writing on just-style last week, Mike Flanagan, chief executive of Clothesource Sourcing Intelligence, noted that relative to its population, the developed world's largest clothing industry is in Italy. The country is the hub for high-end luxury apparel production, as well as a leading supplier of high-end yarns and fabrics.

Source: just-style.com- Mar 16, 2020

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China: Hammered by coronavirus, textile producers switch to medical supplies

Cotton futures opened lower Tuesday in daytime trading on the Zhengzhou Commodity Exchange in China, with the most active cotton contract losing 175 yuan (about 25 U.S. dollars) to open at 11,400 yuan per tonne.

Hammered by the outbreak of the novel coronavirus, the cotton futures dropped by more than 1,000 yuan, or 8 percent, over the past two weeks.

China is the world's largest producer, consumer and exporter of textile.

While the textile industry has seen a shrinking global market amid the epidemic, Chinese textile companies are transforming their products into medical supplies such as masks and protective suits.

Xinye Textile, a listed company based in central China's Henan Province, disclosed on March 3 that the company would invest 120 million yuan on its project of high-end non-woven cloth used to produce protective gear. The project is expected to be operational in September, with an expected annual sales value of 425 million yuan.

Following the statement, shares of the company surged to the daily trading limit for five consecutive days.

Chinese customs data showed the export value of textile clothing in the first two months plummeted by 20 percent to 29.83 billion U.S. dollars.

An executive of a Jiangsu-based company engaged in clothing trade said the global spread of the epidemic would further reduce about 20 percent of the orders from overseas in April.

Li Shue, a cotton researcher with the CEFC futures, said downstream order shortages amid the epidemic outbreak would not change in the short term.

On Feb. 10, Zhejiang, a coastal province and major clothes production base in east China, unveiled a policy requesting 15 clothes companies to produce masks to meet the explosive demand across the country as well as the world.

To date, almost every provincial-level region on the Chinese mainland has seen new mask production lines, bringing the daily production capacity of masks nationwide from 20 million to over 116 million by the end of February, according to the National Development and Reform Commission.

In Weihai, east China's Shandong Province, major clothing producer Dishang Group last month started producing protective suits that were urgently needed in hard-hit regions of China by the virus.

Assisted by local government, the company took only one day to sterilize its workshops, install equipment, allocate materials and acquire approval for expanding its business scope.

By Tuesday, nine production lines had been put into operation to meet the demand both at home and abroad, said Zhu Lihua, chairman of the group.

Li Lingshen, president of China Non-wovens and Industrial Textiles Association, said the swift product switch of manufacturers lied in the intact and flexible supply chain, which was also a key to cope with industrial challenges and resist risks.

Source: ecns.cn- Mar 17, 2020

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Vietnam’s garment exports down in two months

Vietnam saw a year on year reduction of 3.5 per cent in textile and garment exports of the first two months this year to US$5.3 billion due to the impact of the novel coronavirus (COVID-19) outbreak.

According to the Việt Nam National Textile and Garment Group (Vinatex), of which, yarn exports fell 16 per cent to $512 million while clothes dropped 2.3 per cent to $4.2 billion.

The group stated that the supply of input materials for the domestic garment industry had been resumed and would be sufficient for the manufacturing demand in March and April.

However, the sector is facing the risk of reduced global demand for garment products due to the COVID-19 outbreak, which is expected to affect orders and prices in the coming months.

Vinatex managing director Cao Hữu Hiếu said this pandemic had caused a lot of difficulty for the domestic textile and garment industry’s production and business but it would be an opportunity for the textile and garment enterprises to look back themselves and restructure their production and supply chains. That would avoid dependence of input material on China as before. The textile industry sources a significant proportion of feedstock from China.

With the current situation, the group had requested its member companies find new resources of input materials, dealing with the shortage of the materials at present, he said.

Meanwhile, according to Trần Việt, general director of the Đông Xuân Knitting Company, the company has organised production chains from fabric production to finished products and exported 90 per cent of its products to Japan. Therefore, the pandemic had not created a great impact on the company.

This pandemic had even created more opportunities for it to promote knitting fabric supply for other companies and mask production to meet increasing demand on this product, he said.

Nguyễn Văn Thời, chairman of TNG Investment and Trading Joint Stock Company, said TNG had enough input materials to ensure production until the second quarter of this year. It was preparing materials for production in the third quarter, reported the Đầu tư (Investment) newspaper.

Thời said this year, many traditional customers of the company had increased their orders for it, including orders of Decathlon (France) up by 29 per cent year on year and Spormaster (Russia) up by 73 per cent.

Though having the pandemic, in the first two months this year, TNG's revenue still reached nearly VNĐ560 billion, a year on year increase of 4 per cent, he said. The company expects this year to gain revenue growth of 10 per cent, or VNĐ4.9 trillion.

Source: vietnamnews.vn- Mar 18, 2020

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Bangladesh to gain more trade benefits from China as an LDC

Not interested to sign FTA now

Bangladesh wants to secure more trade benefits from China as a least developed country (LDC) instead of signing a free trade agreement with the Asian economic giant, according to commerce ministry officials.

"We don't want to sign an FTA with China because the country is the largest trading partner of Bangladesh. If we sign the FTA, we will lose a lot of revenue each year," said Sharifa Khan, additional secretary (FTA) of the commerce ministry.

The commerce ministry has already accepted China's offer for the duty-free import of 97 per cent of all Bangladeshi products under the LDC category, effectively rejecting the benefits the country would have received under the Asia-Pacific Trade Agreement (APTA).

Bangladesh and China are both APTA member nations.

In 2015, China, Bangladesh's largest bilateral trade partner, offered various LDCs extensions on the trade benefits for up to 97 per cent of their goods. However, nations that took up the offer were no longer allowed to enjoy the benefits under the APTA.

Since Bangladesh was late in its response, China will now send a fresh offer for 95 per cent of the country's goods.

China was supposed to issue a letter to Bangladesh in this regard in January."But unfortunately, the letter is yet to be received by the commerce ministry due to the coronavirus outbreak," Khan told The Daily Star over phone.

Incoming goods from China amount to more than $14 billion and earn Bangladesh Tk 23,000 crore as import duty each year.

The import duty levied on the Chinese products accounts for 30 per cent of the total revenue collected from import duties annually.

"So, we are not interested to sign the FTA with China even though the Chinese government does want to," the additional secretary said.

However, Bangladesh is close to signing an FTA with Indonesia and the deal could be finalised this year if normalcy is restored after quelling the coronavirus outbreak.

"Once we graduate to a developing country in 2024 and come out of the LDC bracket, we will again enter the APTA to enjoy trade benefits from China," Khan added.

China is a vital trade partner of Bangladesh for various reasons. For instance, the country's garment industry is heavily reliant on Chinese fabrics although local manufacturers can supply nearly 80 per cent of the yarn required by the knitwear sector.

Bangladesh's woven garment makers import nearly 60 per cent of all the fabrics they require directly from China as local weavers cannot supply adequate raw materials.

In total, apparel makers in the country source 46 per cent of their raw materials from China.

Bangladesh is also dependant on Chinese dyes, chemicals and capital machinery.

The bilateral relations between the two nations go deeper though as China is now a major export destination in the Asian region for Bangladesh.

China is one of the biggest consumers of apparel products in the world. The domestic market for garments in China is worth $350 billion as the middle income bracket is expanding, according to estimates from the International Textile Manufacturers Association.

Apparel exports from Bangladesh to China are increasing with time as a section of consumers in the middle income bracket cannot afford the high-end garment items made in China.

This is why they depend on cheaper Bangladeshi products, industry insiders said.

The cost of apparel production in China has gone through the roof due to a shortage of skilled workforce. This is because the workers prefer jobs in more sophisticated technological industries rather than the garment sector.

The export of various merchandise, especially apparel products, from Bangladesh to China has grown rapidly in recent years following increased demand while preferential trade benefits are given to local exporters.

In fiscal 2018-19, Bangladesh's total exports to China amounted to $831.20 million while it was $694.97 million just the previous year, according to the Export Promotion Bureau.

In the February-July period of the current fiscal year, Bangladesh earned $470.20 million through exports to China. Of that total, garment exports accounted for 80 per cent.

"Bangladesh should enjoy the duty-free benefits for 97 per cent of its goods and reject the APTA for the greater interest of the country," said Abdur Razzaque, research director of the Policy Research Institute.

Currently, there are about 65 Bangladeshi goods that are allowed duty-free access to the Chinese market under the APTA while more than 5,000 goods enjoy the same benefit under the LDC coverage.

"That's why Bangladesh needs to accept the 97 per cent package," Razzaque told The Daily Star.

It is believed that China would be Bangladesh's third Asian export destination after Japan and India, where the country would be able to send more than $1 billion worth of goods.

Currently, Vietnam and Cambodia are enjoying increased exports to China since they have preferential trade agreements with the world's most populous nation.

"If Bangladesh is granted the 97 per cent package, exports to China will increase manifold," Razzaque said.

Source: thedailystar.net- Mar 18, 2020

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Pakistan: Rooting for more cotton import?

Pakistan has recorded its highest monthly cotton import volume in Feb-20, in line with the shortfall in domestic production during the ongoing season. But this may only be the tip of the iceberg.

As per the latest trade figures released by PBS, total import during 7MFY20 now stands at 1.38million bales. Inclusive of domestic output of 8.6 million bales, this brings available supply for the year to a little under 10million bales. At monthly demand from the spinning sector of 1.25million bales, that's barely enough to meet 8-month demand, leaving a deficit of additional 5 million bales, slated to be imported between Mar-June, FY20

Much has already been said about the incremental cost to CAD of the deficit in domestic raw material output. Although channels checks made with bankers back in Dec-19 stand validated that spinners had long ago hedged against the shortfall by booking advance import contracts *(For more, read 'Cotton imports prorogued', published on Feb 14, 2019)*.

According to PBS, average unit cost of import during Feb-20 comes out at $1.65 per kg, whereas raw cotton price in the international markets during the month had averaged at least 10cents higher.

Importers' foresight in booking orders way back in Aug-19 – when price had touched the low of $1.4 per kg – appears even more heartening considering PBS figures are inclusive of freight and insurance expense, which would take actual unit cost much lower than $1.65.

If the importers' foresight holds in the coming months as well, cotton import during the remainder year should add no more than $1.5 billion to the annual bill, ensuring that the total import value for FY20 is restricted under $2 billion.

The loss to CAD curtailment efforts notwithstanding, slated import quantum will place the country among top four importers of cotton in the world, trailing Bangladesh only by a small margin.

But that's only the base case. According to Pakistan Cotton Ginners Association, unsold cotton stocks at the beginning of Mar-20 stood at just 0.6 million bales; incremental imports during Feb-20 takes available stock to twice that number, which is under one-months' demand.

There is little cause to worry if shipments were to go as planned, but with the slowdown witnessed in logistics due to the COVID-19 pandemic, it seems that all bets are off.

The situation will become increasingly tenuous if the spasms continue beyond Mar-20, as unavailability of stocks may force spinners to cancel orders.

That could have a dangerous domino effect for the export value chain, which has finally begun to show nascent signs of recovery. Fingers crossed

Source: brecorder.com- Mar 18, 2020

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Uzbekistan to end state regulation of cotton

Uzbekistan will cancel state regulation of cotton production, price and mandatory sale from the 2020 harvest season. A decree to this effect was signed by President Shavkat Mirziyoyev recently. Cotton producers can now choose their zoned varieties, while a certified seed delivery system will be maintained. The government will no more produce and sell cotton.

Setting the purchase price of raw cotton is cancelled as well, according to a news agency report.

According to the decree, in regions where there are no cotton clusters, voluntary cooperation of farms will be organised with the participation of cotton-ginning enterprises, whose main tasks is organisation of joint use of machines, equipment, vehicles and factories by members of the cooperative.

The document also envisages provision of the members of the cooperatives with agricultural machinery, fuel and lubricants, fertilisers, seeds and chemical and protective equipment as well as to organization of production, transportation, storage, processing and sale of finished products and rendering agro-technical, accounting, consulting, intermediary and other services to members of agricultural associations.

Beginning March 15, a new credit mechanism for production and processing of raw cotton will be introduced. Commercial banks will provide loans for the purchase of raw cotton for up to 12 months for the collection of cotton and the final calculation.

The existing credit system leads to the creation of receivables and payables between farmers and suppliers of goods and services, a decrease in the quality of products and services and artificial price increases. The use of concessional loans and the lack of free distribution of funds have led to a 15-20 per cent reduction in cotton production.

It will be possible to freely use loans and freely choose service companies. The economic interest of farmers will rise. The structure of agricultural expenditures will be diversified, with an emphasis on areas such as science and seed production.

JSC Uzpakhtasanoat will be liquidated. In particular, shares of regional joint-stock companies under 'Pakhtasanoat' will be sold to cooperatives and business entities.

Cotton will also be freely sold on the commodity exchange at the initial exchange price, without a 10 per cent discount from the initial exchange price.

Sewing and textile clusters will be established with the participation of Uzpakhtasanoat and its enterprises in the regions of the country.

Source: fibre2fashion.com- Mar 17, 2020

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Pakistan: Textile exports surge 17pc

Pakistan's textile and clothing exports jumped nearly 17 per cent year-on-year in February, reported the Pakistan Bureau of Statistics on Tuesday.

Trade analysts and commerce ministry believe the growth is due to diversion of orders from China owing to the spread of coronavirus in the country. The proceeds from textile and clothing exports reached $1.27bn during February, from $1.09bn in the same month last year.

The robust growth in the sector is seen after a long time as the past few years had been marred by single-digit increases.

The textile sector has received excessive orders in February but it is uncertain if this will continue in the coming months or not.

In the 2019-20 budget, the government had reduced the cost of raw materials and semi-finished pro-ducts used in exportable products by exempting them from all customs duties. It also promised to provide sales tax refund to export-oriented sectors.

Product-wise details show that exports of ready-made garments surged by 24.4pc in value but drifted lower in quantity by 0.68pc during February while those of knitwear rose 20.29pc in value and 46.85pc in quantity and bedwear 17.34pc and 8.59pc, respectively.

Exports of towel jumped 13.2pc in value and 11.82pc in quantity, whereas those of cotton cloth were higher by 7.57pc in value but declined 18pc in quantity.

Among primary commodities, cotton yarn exports dipped by 10.22pc while yarn other than cotton soared by 100pc, made-up articles — excluding towels — increased by 7.39pc, tents, canvas and tarpaulin 88.94pc and raw cotton 9.46pc during the month under review.

Between July-February FY20, exports of textile and clothing grew by 5.3pc to $9.37bn, from $8.9bn over the corresponding months of last year. In rupee terms, the proceeds of the sector were higher by 24.87pc.

Last week, Prime Minister Imran Khan approved the Textile Policy 2020-25 in principle which will now be processed under the rules of business. Commerce Adviser Abdul Razak Dawood in a tweet said the textile policy-making process stood completed. "Now we'll move towards the implementation phase, which will pave the way for rapid industrialisation," it read.

Source: dawn.com- Mar 18, 2020

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China Pakistan FTA-2: A New Regional Hub For Cotton Garments In The Offing?

Pakistan's government targets raising the country's textile and clothing exports from USD 13.5 billion in 2018 to USD 25 billion by 2025.

As Coronavirus outbreak puts the globalisation into reverse and challenges existing global value chains, new supply chains continue to form behind the scenes.

In January 2020, Pakistan and China entered into the second phase of China-Pakistan Free Trade Agreement (CPFTA2), under which China has eliminated tariffs on 313 priority tariff lines of Pakistan's export interest. In return, Pakistan has offered China market access to raw materials, intermediate goods, and machinery.

Of the 313 high-priority products that Pakistan can now export without duty payments to China, 130 are from textiles and clothing sector.

Reduced tariffs, an expected surge in Chinese investment into Pakistan and the potential shift of production base from China to Pakistan, may change the regional dynamics of textiles trade. The numbers explain how.

Under the CPFTA2, many Pakistani textile products will now enjoy duty-free access to China, which has extended similar tariff reductions to other trading partners - Bangladesh, Thailand and Vietnam among others - under the ASEAN-China FTA. Tariffs on readymade cotton garments (HS codes 61, 62 and 63), have been massively reduced.

For example, men's ensembles of cotton (HS code – 62032200), Pakistan's top world export, was traded with China at 17.5 per cent (MFN rate) which reduced to 12 per cent under Phase-I of FTA and has dropped to 0 per cent in the Phase-II of FTA. This places Pakistan at a more than equal footing with Bangladesh, and ahead of India which faces a tariff rate of 8 per cent on the export of this product to China.

With the second phase of the CPFTA, there is a possibility of relocating the production of international brands, many of which have facilities in China that import cotton fabric from Pakistan as raw material—to Pakistan itself.

The inflow of Chinese investment in machinery and technology in order to set up production bases in Pakistan will drive innovation and economies of scale, thereby making Pakistan regionally competitive in cotton-based garments. In addition, Pakistan will garner a favourable position for exporting to other markets that have so far been trading primarily with China as well as potentially to other Regional Comprehensive Economic Partnership (RCEP) members.

Pakistan is likely to be preferred over Bangladesh given the former country's comparative advantage in producing cotton fabric (nearly 25 per cent of Pakistan's total cotton exports in 2018 were to China); ease of doing business (Pakistan ranks at 108 compared to Bangladesh at 168 and India at 63 under the World Bank's Doing Business 2020 study); ease of trading across borders (Pakistan ranks at 111 compared to Bangladesh at 176 and India at 68) and ease of starting a new business (Pakistan ranks at 72 compared to Bangladesh at 131 and India at 136).

Pakistan's government targets raising the country's textile and clothing exports from USD 13.5 billion in 2018 to USD 25 billion by 2025. As China has the world's largest textile industry—in terms of both production and export—it is an inevitable trading partner for Pakistan to meet this 2025 target.

For Pakistan, to fully reap the benefits of the CPFTA2, access to cheaper imported inputs will be crucial to its export competitiveness for cotton-based readymade garments.

While Pakistan grows cotton domestically, 37 percent of its cotton imports came from India. After the trade ban between India and Pakistan in 2019, Pakistan began sourcing cotton/yarn from the US and Vietnam, thereby witnessing a rise in cotton prices, amid low production and higher import tariffs (11% from the US and Vietnam, compared to 5 per cent from India for cotton yarn (HS Code 520524), one of Pakistan's major imports from India).

Pricier cotton can hurt Pakistan's competitiveness in cotton-based readymade garments. Our side of the world has already experienced the competitiveness of Pakistani designers and manufacturers, as their cotton suits swept the markets of India and others like the UK, the UAE and Malaysia.

The period from 2009 to 2015 witnessed an increase in direct export of cotton suits from Pakistan to India that peaked in 2015 at USD 247,800 from USD 4,100 in 2009.

The growing appetite for Pakistani designs and styles in India also led to the development of a huge parallel industry in India, where manufacturers in Surat, Gujarat took inspiration from the Pakistani designs and patterns and replicated them on to the domestically produced fabrics.

India's markets got flooded with Pakistani cotton suits – both originals and first copies - for tag-conscious and price-conscious customers respectively.

Since the India-Pakistan trade ban in 2019, the supply of these Pakistan-made garments was once again re-routed via Dubai; India imported USD 68,100 of cotton suits via the UAE in 2019, jumping significantly from USD 3,600 in 2018.

While pricier cotton ultimately impacts the consumers of cotton-based garments, re-routing via third country pushes the prices further up. Despite this, the Dubai-angled triangle for trade between India and Pakistan continues to exist as the mechanisms of indirect trade remain more organized than those of direct trade.

The question is what an agreement like CPFTA2 can lead to, given the current circumstances. There can be two scenarios – one, shifting away to sourcing raw material via routes that are not as cost-effective, could hurt Pakistan's export competitiveness vis-à-vis other trading partners, like China in this case, or two, Pakistan, despite the disruption of cotton supply from India, could manage to produce/source cotton at competitive prices, and emerge as a regional hub for cotton-based garments. The latter is just as likely, if not more.

Source: outlookindia.com- Mar 16, 2020

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NATIONAL NEWS

Textile associations seek financial support to mitigate coronavirus impact

Ashwin Chandran, chairman of Southern India Mills' Association said that the textile and clothing industry needed handholding from the government to overcome the current crisis

In the wake of overseas buyers cancelling or deferring orders, textile associations have appealed to the Central Government to extend financial support.

Cotton Textiles Export Promotion Council chairman K.V. Srinivasan pointed out, in a press release, that with spread of COVID-19 in Europe, U.K. and the U.S., several buyers had put purchases on hold. If the situation did not improve in two to three weeks, exporters would have to cut production and go in for lay offs.

Hence, the government should:

- extend the scheme for reimbursement of taxes and levies for cotton yarn and fabric exports
- provide 3 % interest sub vention beyond March 31, including products such as quilts and cotton shopping bags for ROSCTL (Reimbursement of State and Central Taxes and Levies)
- expedite GST refunds

According to T. Rajkumar, chairman of Confederation of Indian Textile Industry, banks should provide moratorium for repayment of principal and interest amounts and exempt at raw materials from anti-dumping duty and Customs Duty.

Apparel Export Promotion Council Chairman A. Sakthivel said, in a press statement, that:

- banking and packing credit clearances should be faster
- the packing credit period for existing orders should be extended upto a period of 360 days from the existing 270 days
- existing limits for exporters should be enhanced 25%

Ashwin Chandran, chairman of Southern India Mills' Association, said, in a press release, that the textile and clothing industry needed handholding from the government to overcome the current crisis. The banks should provide one year moratorium for repayment of principal amount and interest.

According to the Tiruppur Exporters' Association president Raja Shanmugham, the foreign buyers are deferring payments for goods already shipped and some are not lifting the goods. In order to face the disruption in economic activity, there should be a reduction of interest rates. The government should announce a stimulus package and re-energise the market.

The Indian Texpreneurs Federation convenor Prabhu Damodharan said that working capital loans should be converted to long term loans for the needy units, the working capital gap should be identified and working capital term loan should be provided.

Source: thehindu.com- Mar 18, 2020

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As coronavirus spreads, textile and garment exports may decline by 40%

The demand for textile products and also domestic sales have come down to a grinding halt due to the panic situation created by the outbreak of Covid-19.

India's export of textile and garments are likely to decline by 40 per cent in coming months due to halt in shipment to coronavirus (Covid -19) countries.

The Covid-19 virus is spreading rapidly not only in China but also in other parts of the world including India.

While the government in collaboration with corporate has taken remedial steps to contain the spread of the virus across the country, its impact on the economic activity including the export and import business is bound to happen.

"As per the current estimates, India's textile exports will decline by over 40 per cent in the coming months, if the situation does not improve," said K V Srinivasan, Chairman, Texprocil.

Srinivasan urged the government to extend urgent policy interventions /support in order to provide fiscal relief and ensure credit flow with extension of the Remission of State and Central Taxes and Levies (ROSCTL) scheme to cotton yarn and fabrics so that India's competitiveness is enhanced at a time of the falling markets.

Also, there is a need to extend interest subvention of 3 per cent beyond March 31, 2020, and also cover cotton yarn within that to ease the financial burden, etc.

The spread of Covid-19, especially in the United States, leading markets of Europe like Spain, Portugal, Italy and even the United Kingdom has led to cancellation/deferment of orders on a very large scale. Buyers and major retail shops importing home textiles from India have put development of any further business on hold.

The exports of cotton yarns and fabrics have virtually come to a standstill.

T Rajkumar, Chairman, Confederation of Indian Textile Industry (CITI) pointed out that the demand for textile products and also domestic sales have come down to a grinding halt due to the panic situation created by the outbreak of Covid-19. He also pleaded an urgent need for a relief package to mitigate the crisis.

Besides affecting order flows, this could potentially result in renegotiation of realisations as well as an elongated receivables cycle for the exporters.

Source: business-standard.com- Mar 17, 2020

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Textile industry body seeks relief package to mitigate COVID-19 pandemic impact

The Confederation of Indian Textile Industry (CITI) has requested the government to immediately announce a relief package for the textile and apparel sector to mitigate the crisis being faced by the capital and labour-intensive textile Industry, post the corona virus spread.

Apart from reduction in bank interest rate, extension of soft loans the industry has asked for moratorium for repayment of principal and interest amount to the banks for four quarters.

The textile and clothing Industry employs over 105 million people and also earn around US $ 40 billion forex, apart from substantial revenue under GST and other taxes.

T Rajkumar, chairman, CITI said that the demand for the textile products and also the domestic sales have come down to a grinding halt due to the panic situation created by the outbreak of COVID-19 . "The spread of the virus in China and which later got spread to EU and USA has majorly impacted us as they are huge markets for Indian textile products,"he said in a press statement on Tuesday.

The CITI chairman further stated that they understood the gravity of the pandemic and the government's directions to close all the malls and retail outlets with a view to control the situation at an early stage, but it has resulted in the substantial reduction in the sales of the domestic textiles and clothing.

Hence he said that they have asked the government for moratorium for repayment of principal and interest amount to the banks for four quarters (1st April 2020 to 31st March 2021). Further, they have asked for exemption of all raw materials, dyes and chemicals, intermediaries, spares, accessories, etc., from anti-dumping duty and basic customs duty.

"Include cotton yarn and fabrics under Rebate of State and Central Taxes and Levies (RoSCTL), Interest Equalisation Scheme (IES) and Merchandise Exports from India Scheme (MEIS) benefits with immediate effect to prevent job losses for lakhs of people in the handloom, powerloom and spinning sectors,"said Rajkumar.

Extend soft loan equivalent to government dues pending in the books of individual textile units that could be adjusted soon as the Government clears the dues, he said. Enhance IES benefit for all textiles and clothing exports to 5%; and reduce the bank interest rate by 3%.

Rajkumar said that several countries across the world have extended liberal packages to mitigate the COVID-19 crisis. For instance, Germany has announced a financial package of half trillion Euros for companies impacted by the crisis to boost their liquidity, he said.

"Under this scheme, any German company hit during this crisis can borrow as much as necessary by them for a longer duration with zero interest rate till such time they completely recover; they do not have to pay back,"he said.

Source: economictimes.com- Mar 17, 2020

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Govt aid sought: Coronavirus raises spectre of export decline

The coronavirus outbreak has threatened a nascent recovery in India's exports, which had risen almost 3% year-on-year in February after a sixth straight month of fall and now stare at a contraction in FY21. Exporters say although the current rupee depreciation can potentially help exports, given the subdued economic activity worldwide, external headwinds will far outweigh this gain.

The exporters that FE spoke to warn of a 10-15% drop in merchandise exports in FY21 if the situation persists until the first half of the next fiscal. Global supply chain has been hit hard, cargo movement has been affected, shipping lines altered and warehouse capacity stretched, they say. As such, exports up to February have dropped 1.5% y-o-y to $293 billion and may fall just short of the FY19 level of $330 billion this fiscal.

The full damaging impact of the epidemic will start to show up as early as March, the exporters caution, as they seek immediate government support -including relief from re-export obligation and NPA classification of stressed accounts, easier credit flow and swift release of all benefits – to tide over the crisis. This has complicated the task for policy-makers, as they prepare the next foreign trade policy, to be effective from April.

As many as 58% of the 103 respondents in a survey by CARE Ratings suggest exports will contract in FY21 following the Covid-19 outbreak, with sectors such as tourism, aviation, auto, electronics and metals facing the maximum risk.

The Federation of Indian Export Organisations (FIEO) has projected a $5-billion loss in earnings from foreign tourist arrivals in 2020 following travel bans imposed by India and others. It also warns of a slowdown in IT exports, with more cases surfacing in key markets such as Europe and the US.

The EU, the US and China alone made up for 40% of the country's merchandise exports in the April-January period of this fiscal.

With key markets witnessing a heightened impact of the pandemic, engineering exporters' body EEPC is worried about the eroding ability of its members, especially MSMEs, to ship out. Engineering goods are the largest segment, making up for over a quarter of the country's export basket.

EEPC chairman Ravi Sehgal said: "Trade is crippled in most of these destinations due to a near collapse of global supply chain, even as the cargo movement has stopped.

The warehousing capacity is over-stretched with severe blocking of export finance. The international shipping lines are affected. Even the urgent and less bulky cargo through air routes are paralysed with the airlines trimming their operations."

ICRA on Monday warned of a drop of 100-150 basis points in the operating profits of exporters in the labour-intensive apparel sector this fiscal. However, FIEO and some other export bodies say it's too early to firm up a precise estimate of the potential losses, although they flagged potential risks.

In its meeting with the commerce ministry, FIEO has suggested seven measures. It has urged the government to extend by one year the export obligation period under key schemes – the Advance Authorization and the Export Promotion of Capital Goods. Similarly, it wants automatic revalidation of all duty-free authorisations for one year to enable industry to import inputs at the right price with greater ease. It also says the RBI should extend the remittance period from nine months to 15 months, looking into the liquidity challenges and slow consumer spending.

Banks, FIEO says, must be asked to delay declaring companies' accounts as non-performing assets (NPAs) for one year as the lack of business coupled with fixed cost will turn many accounts into NPAs. "Given the limited resources, we have requested the government to quickly take these steps, which don't involve any fiscal incentive and will still help exporters," FIEO director general Ajay Sahai told FE.

Lack of adequate credit flow to exporters remains a sticky issue. Export credit contracted almost 23% y-o-y as of January 31, even though overall priority-sector lending rose 4%.

Meanwhile, both the World Trade Organization and the IMF have said global goods growth will remain weak in 2020, mirroring the broader slide in economic growth. The WTO last month said its goods trade indicator dropped to 95.5 from 96.6 reading reported in November 2019. A reading of less than 100 suggests trade growth below medium-term trends.

Source: financialexpress.com- Mar 18, 2020

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Foreign trade policy with goal of self-reliance in works

Strengthening India's domestic manufacturing, making India self-reliant in many products and a separate chapter on e-commerce could be highlights of the upcoming foreign trade policy (FTP).

These issues were discussed in a meeting that commerce and industry minister Piyush Goyal had on Monday with industry chambers and exporters of around 10 sectors ahead of the validity of the existing policy ending on March 31.

"We are prepared to bring out the policy in time," said an official. Industry chambers and exporters of around 10 sectors attended the meeting.

Source: economictimes.com- Mar 17, 2020

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Chinese, South Korean companies keen to invest in Haryana

Top companies of South Korea and China have evinced interest in making multi crore investment in Haryana in the field of electric vehicles and Information Technology.

The interest was shown by the investors during a meeting held under the Chairmanship of Chief Minister, Manohar Lal to discuss various investment opportunities in Haryana, at Gurugram late last evening.

Edison Motors India, a leading South Korean Company and manufacturer of Electric Buses and Trucks offered to establish its manufacturing plant over 30 acre with an investment of over Rs 500 crore. This will also generate employment opportunities for about 500 to 800 youth.

Similarly, the Chinese firm has shown keen interest in establishing the Head Quarter building in Gurugram with a potential of generating employment opportunities for 600 to 700 youth.

As a result of various facilities and clearances being provided to the entrepreneurs under one roof in a time bound manner, Haryana has become a favourable destination for the industries to set up their units in the State. In terms of Ease of Doing Business rankings, Haryana is currently at number three in the country and first in northern states.

The Chinese and Korean investors were highly impressed with the Chief Ministers Commitment to garner foreign investment by offering favourable atmosphere to the investors during this current world scenario.

Among those present in the meeting included Mr. Lee, Managing Director, Edison Motors India, Chinese Investor Mr Jerome Chen and Mr Pawan Choudhary , State Incharge of Invest India, a National Investment Promotion and Facilitation Agency, Chief Administrator HSVP Pankaj Yadav, HSVP Administrator Guru gram Jitender Yadav, Guru gram Divisional Commissioner Ashok Sangwan, Deputy Commissioner Amit Khatri, Estate Officer HSVP Vivek Kalia were also present.

Source: economictimes.com- Mar 17, 2020

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Delhi IIT duo develops infection-proof fabric

An IIT Delhi student guided by his professor has developed 'infection-proof fabric' to prevent hospital acquired infections (nosocomial infections). The fabric developed is said to kill 99.9% of pathogens in a couple of hours.

After undergoing a series of textile chemical processing sequences, the fabric gains powerful anti-microbial functionality. Even after washing multiple times it does not lose its functionality. This non-toxic, affordable fabric can be stitched into various articles such as bedsheets, uniforms for patients, doctors and nurses, curtains and so on.

Fabiosys Innovations is a tech startup incubated at Technology Business Incubator, IIT Delhi with aims to make hospitals safer. Incubated by Yatee Gupta and mentored by professor Samrat Mukhopadhyay, the startup developed the infection-proof fabric recently.

The project was financially supported by the department of Science and Technology, Ministry of Human Resource Development, IIT Delhi and department of biotechnology in the form of grants and fellowships.

Speaking to TOI, Yatee, a B.Tech student from IIT Delhi with experience in medical technology said, "I had undertaken multiple healthcare related projects earlier for which I used to visit crowded public hospitals. While talking to patients from All India Institute of Medical Sciences (AIIMS) Delhi, I found that they developed additional nosocomial infection post admission.

One of the major mechanisms of spread of these infections is through contact from contaminated surfaces including fabrics in the form of bedsheets, uniforms of patients, doctors and nurses.

These textile surfaces become the breeding ground for pathogens, which do not get killed even while washing in hot water. But our developed fabrics have the ability to kill around 99.9% of pathogens in 1 to 2 hours."

As per statistics from the Ministry of Health and Family Welfare, for every 100 hospitalized patients in developing countries, 10 will contract hospital acquired infections (HAI).

Explaining the technology, professor Mukhopadhyay from the department of Textile and Fibre Engineering, IIT Delhi told TOI, "This affordable novel textile-processing technology, converts regular cotton fabric into infection-proof fabric.

Regular rolls of cotton fabric are treated with proprietary developed chemicals under a set of particular reaction conditions using machinery available in textile industries. The fabric after undergoing these processes, gains powerful anti-microbial functionality and retains it even after multiple washes."

The team has been working on the idea for the past year and a half and is currently in the process of conducting large scale manufacturing trials in Delhi-NCR region. AIIMS Delhi has been roped in for the pilot project.

Source: timesofindia.com- Mar 18, 2020

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GHCL to demerge inorganic chemicals & textiles businesses

GHCL, India's leading chemical and textile company, post its board meeting recently, has approved the scheme of demerger of its inorganic chemicals and textiles businesses.

The textile business shall be demerged into a separate company through a Scheme of Arrangement U/s 230-232. Both companies shall be listed separately post NCLT approval.

"The demerger is intended to deliver various operational and strategic benefits to each business segment as separate listed entities such as focused growth, concentrated approach, business synergies and increased operational and customer focus.

In addition, it will address independent business opportunities with efficient capital allocation and attract different set of investors, strategic partners, lenders and other stakeholders, thus expected to result in enhanced value creation for stakeholders," said R S Jalan, managing director, GHCL.

GHCL Limited has established itself as a well-diversified group with an ascertained footprint in chemicals, textiles and consumer products segment. In chemicals, the company mainly manufactures Soda Ash (Anhydrous Sodium Carbonate) that is a major raw material for detergents & glass industries and Sodium Bicarbonate (baking soda).

Its textiles operation is an integrated set up which commences right from spinning of fibre (yarn), weaving, dyeing, printing till the finished products, like sheets & duvets, which are primarily exported worldwide.

Consumer products operation is another business for GHCL where it is manufacturing and selling edible salt, industrial grade salt and markets jujube honey, spices and blended spices in the country under the brand name of i-Flo.

At GHCL Ltd, sustainability is a core element of its business strategy as defined under the aegis of 'GHCL Way' which has four pillars i.e Responsible Stewardship, Social Inclusiveness, Promoting Relationship and Adding Value.

Source: fibre2fashion.com - Mar 17, 2020

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