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INTERNATIONAL NEWS

UK crashes into deep recession; first in 11 years

The British economy plunged into a deep recession as it shrank 20.4 per cent between April and June at the height of the coronavirus lockdown, according to recent figures released by the Office for National Statistics (ONS). UK chancellor for treasury Rishi Sunak said the hard times he had warned about have arrived and that many more jobs will be lost.

The United Kingdom has tipped into a recession for the first time in 11 years. The ONS data showed that it fell by 2.2 per cent between January and March. "I've said before that hard times were ahead, and today's figures confirm that hard times are here," Sunak told a TV channel.

"Hundreds of thousands of people have already lost their jobs, and sadly in the coming months many more will. But while there are difficult choices to be made ahead, we will get through this, and I can assure people that nobody will be left without hope or opportunity," he said.

"The recession brought on by the coronavirus pandemic has led to the biggest fall in quarterly GDP on record, Jonathan Athow, deputy national statistician at the ONS, said.

"The economy began to bounce back in June, with shops reopening, factories beginning to ramp up production and house-building continuing to recover. Despite this, GDP in June still remains a sixth below its level in February, before the virus struck," said Athow.

"Overall, productivity saw its largest-ever fall in the second quarter. Hospitality was worst hit, with productivity in that industry falling by three-quarters in recent months," he added.

The sharp fall in output was largely driven by the lockdown induced closure of shops, hotels, restaurants and schools, with the services sector suffering the biggest quarterly decline on record. On a month-on-month basis, the economy grew by 8.7 per cent in June, building on growth in May.

Source: fibre2fashion.com– Aug 17, 2020

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Organic Cotton Production Grew 31 Percent in 2018/19, With Signs of More to Come

Organic cotton production is ramping up.

For the 2018/19 harvest year, production of organic cotton increased 31 percent over the previous period–the second-largest harvest on record after 2009/10–and shows promise for continued growth, according to pre-COVID reporting in Textile Exchange's "2020 Organic Cotton Market Report."

In a post-COVID world, the report noted, organic cotton has the potential to restore health and promote positive climate action.

As many as 222,134 farmers grew 239,787 metric tons of organic cotton in 19 countries on 418,935 hectares of land in 2018-19. In addition, 55,833 hectares of cotton-growing land were in conversion to organic, helping to meet the increasing demand. Organic cotton is generally defined as cotton grown from non-genetically modified plants and without the use of any synthetic agricultural chemicals, like fertilizers or pesticides, with the exception of those allowed by the certified organic labeling.

"Organic farming is a way of living in harmony with the land and is a way to honor life–life in the soil for the farm, for the family, for the community and ultimately for the world," La Rhea Pepper, managing director for Textile Exchange and a life-long organic cotton farmer, said. "In times like the COVID-19 pandemic we are reminded just how connected we are to each other. We are an ecosystem and what we do impacts the whole."

Textile Exchange works to accelerate environmentally sustainable practices in the textile value chain, which has positive impacts on climate and goes hand-in-hand with social responsibility expectations to ensure that the rights of all people are respected.

The Lubbock, Tex.-based group said it applauds the growers and companies that make long-term investments in and prioritize the transparency of commitments to their products with globally recognized, credible, third-party standards.

The growth of such standards was also reported alongside the production increase for 2018/19. Facilities certified to leading voluntary organic textile standards saw significant growth. One certified to the Organic Content Standard (OCS) grew 48 percent and those certified to the Global Organic Textile Standard (GOTS) increased 35 percent.

According to report findings, 97 percent of global organic cotton was produced in seven countries: India (51 percent), China (17 percent), Kyrgyzstan (10 percent), Turkey (10 percent), Tajikistan (5 percent), Tanzania (2 percent) and the U.S. (2 percent). Of the 55,833 hectares of land in conversion to organic, India and Pakistan lead the way, followed by Turkey, Greece, and Tajikistan.

"To have enough organic cotton to address demand, it is important to promote the expansion of organic cotton cultivation by promoting both in-conversion and organic cotton production," Nobuyasu Nakamura, sales specialist in Itochu Corp.'s pre organic cotton program, said in the report. "To make the in-conversion cotton market sustainable, the next step is to build a bigger collaborative supply chain with apparel brands to encourage sustainable consumption and promote in-conversion cotton."

Based on pre-COVID estimates, the report estimated that organic cotton production will grow 10 percent in thee just completed 2019/20 crop season.

"Over the next few months, perhaps even years, business planning and relations will be challenging and difficult to predict," said Liesl Truscott, director of European and materials strategy at Textile Exchange. "For cotton farmers, that unpredictability will impact the next growing cycle and, for textile manufacturers, brands, and retailers, the next uptake and consumption cycle.

One thing that is for sure is that the "new normal" will require much more transparency and sharing of the risks and rewards as we collectively aspire to "Climate Action" as well as the other 16 Sustainable Development Goals. Communication and trust will be key."

Source: sourcingjournal.com– Aug 17, 2020

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China-Cambodia FTA signing may be inked by late August

The exact date for the signing of the China-Cambodia Free Trade Agreement (FTA) continues to remain unclear as senior officials speculate to Khmer Times that the agreement could be inked in Beijing later this month.

The new timeframe for the signing comes after the original scheduled date of August 12, to be held in Beijing, was not met.

While no specific reasons have been given for the delay, it is understood that a Cambodian delegation was sent last week to China to finalise the trade talks.

"We are waiting for the public announcement from the Ministry of Foreign Affairs before an exact date for the signing can be given," the Ministry of Commerce told Khmer Times today.

The FTA would list around 340 more commodities to be exported to China under the agreement.

Most of the products are in agriculture and agro-processing and are in addition to what Cambodia has received from the Asean-China FTA, the Ministry of Commerce said.

The 340 products will includ iems such as pepper, chillis, pineapples, vegetables, fruit, fish, meat (including processed), grain, crabs, seafood and a variety of canned products.

Among the additional 340 commodities in the Cambodia-China FTA, 95 percent of them will be untaxed. Taxes will be dropped on the remaining five percent in at least 10 years.

The FTA is also expected to spur agro processing and investments in this sector by Chinese and other companies to capitalise on the agreement's benefits.

Source: khmertimeskh.com– Aug 18, 2020

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Japan's economy shrinks at record rate, slammed by pandemic

Japan’s economy shrank at annual rate of 27.8% in April-June, the worst contraction on record, as the coronavirus pandemic slammed consumption and trade, according to government data released on Monday. The Cabinet Office reported that Japan’s preliminary seasonally adjusted real gross domestic product, or GDP, the sum of a nation’s goods and services, fell 7.8% quarter on quarter.

The annual rate shows what the number would have been if continued for a year. Japanese media reported the latest drop was the worst since World War II. But the Cabinet Office said comparable records began in 1980. The previous worst contraction was in 2009, during the global financial crisis of 2008-2009.

The world’s third largest economy was already ailing when the virus outbreak struck late last year. The fallout has since gradually worsened both in COVID-19 cases and social distancing restrictions.

The economy shrank 0.6% in the January-March period, and contracted 1.8% in the October-December period last year, meaning that Japan slipped into recession in the first quarter of this year. Recession is generally defined as two consecutive quarters of contraction.

Japanese economic growth was flat in July-September. Growth was minimal the quarter before that. For the April-June period, Japan’s exports dropped at a whopping annual rate of 56%, while private consumption dipped at an annual rate of nearly 29%. That was without any full shutdown of businesses to contain coronavirus outbreaks, which have worsened in the past month, pushing the total number of confirmed cases to over 56,000.

Analysts say the economy is expected to recover gradually, once the impact of the pandemic is curbed. Japan’s export-dependent economy relies heavily on growth in China, where outbreaks of the novel coronavirus began and have since subsided. But demand has remained subdued.

Development of a vaccine or medical treatment for COVID-19 would also help, but prospects for such breakthroughs are unclear. Since GDP measures what the economy did compared to the previous quarter, such a deep contraction will likely be followed by a rebound, unless conditions deteriorate further.

That doesn’t necessarily mean the economy will return to pre-pandemic levels. Some experts doubt air travel and other sectors will ever fully recover. On the other hand, some companies have reaped the rewards of people staying at home, such as the Japanese video-game maker Nintendo Co, whose recent profits have boomed.

Source: financialexpress.com– Aug 17, 2020

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Global trade of textured yarn to move down

The global export of textured yarn declined 0.66 per cent to $6,502.38 million in 2019 (2017: $6,545.64 million). Total exports declined 11.28 per cent in 2019 over last year and is expected to drop to $6,282.66 million in 2022 with a rate of 3.38 per cent from 2019. The global import fell 8.15 per cent to $6,194.94 million in 2019 (2017: $6,744.96 million).

Total imports plunged 12.15 per cent in 2019 over the previous year and is expected to diminish to $5,873.20 million in 2022 with a rate of 5.19 per cent from 2019, according to Fibre2Fashion's market analysis tool TexPro.

China ($2,194.12 million), Italy ($748.63 million), India ($743.63 million) and Taiwan ($473.37 million) were the key exporters of textured yarn across the globe in 2019, together comprising 63.97 per cent of total export. These were followed by US ($274.83 million), Spain ($183.51 million) and Thailand ($165.14 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by China (63.44 per cent), Italy (58.14 per cent) and Taiwan (5.37 per cent).

Turkey ($647.60 million), Vietnam ($460.33 million), Brazil ($459.04 million) and Italy ($396.43 million) were the key importers of textured yarn the globe in 2019, together comprising 31.69 per cent of total import. These were followed by UK ($306.62 million), South Korea ($256.17 million) and US ($230.70 million).

From 2016 to 2019, the most notable rate of growth in terms of import value, amongst the main importing countries, was attained by Vietnam (91.22 per cent), Italy (87.85 per cent) and Brazil (38.30 per cent).

Source: fibre2fashion.com– Aug 17, 2020

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Japan's half yearly apparel retail sales decline 40 per cent in 2020

Apparel retail sales in Japan has gone down by 40 per cent in the first half of 2020 compared to the same period in 2019,says recent data by Japan Department Stores Association (JDSA). The decline has been noted both in the first quarter from January-March of 2020 as well as in the COVID-19 hit quarter April-June.

A monthly surge can be seen from mid-May onwards, as the state of emergency was lifted in stages in the entire country from May 14, 2020 before being ending fully on May 25, 2020.

As a result, growth in June '20 over May '20 was overwhelming, which signals a significant number of shoppers have come out to purchase apparels post-pandemic. The yearly decline shows lingering fears of infections in the country amongst majority of fashion shoppers. Monthly surge of 217 per cent was massive in June '20 over May '20 which is a clear indication that rebounding of apparel market post-outbreak has started. In COVID-19 affected quarter from April-June '20, Japanese apparel sales revenues declined 66.81 per cent to $1.27 billion. Sales in January-March '20 quarter declined 22.30 per cent to $3.28 billion from the same period of 2019.

Revenues earned from women's wear in Q2 '20 was valued at $ 817.24 million, a decline of 66.42 per cent from Q2 '19 and 60.14 per cent from the preceding quarter of 2020 when it accommodated $2.05 billion. Menswear clocked in $290.40 revenues in COVID-19 hit quarter April-June '20, while January-March '20 could collect $709.25 million from its sales.

June '20, sales in kidswear fell 7.40 per cent over June '19. However, a monthly surge of 49.66 per cent was recorded in kidswear sales in June '20 over May '20.

Source: fashionatingworld.com– Aug 17, 2020

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Where will the global factories of tomorrow be located?

The covid-19 pandemic and the consequent lockdowns has been a good time to sit back and ruminate, introspect, and plan corrective/mitigation measures for a world that was already in a mess. And many of the discussions have either overwhelmingly hovered around or at least touched one elementary question: where will the global factories of tomorrow be located?

"While buyer/importer compulsions and sentiments in the backdrop of anti-China sentiments, political tension and trade wars are significant, what is just as important to keep in mind is the ability of the factory countries to emerge from the ongoing covid-19 pandemic, as unscathed as possible," writes Subir Ghosh in the August 2020 edition of Fibre2Fashion.

The biggest player, China, has already made a comeback. The country, therefore, is expected to do well. Whether that will happen depends on extraneous factors, though China is well placed both as an apparel exporter as well as producer of textiles to take on the same mantle as it did during the financial crisis, Ghosh adds in his article '**Uncertainty Ahead**'.

Source: fibre2fashion.com– Aug 17, 2020

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USA: Home furnishings, furniture store sales remain steady in July

Furniture and home furnishings store sales were remarkably flat for the month of July, with the category posting virtually no increase over the month of June and only a 0.8% decrease year-over-year.

In total, furniture and home furnishings store sales earned a projected $9.82 billion in the month of July. June's adjusted $9.82 billion total is down from a previously reported $9.58 billion total for the month, according to the U.S. Department of Commerce report released today.

In furniture home furnishings, several factors that could have kept the sector from increasing significantly in July, including a slower July Fourth holiday that, for many retailers, revolved around safety rather than large-scale crowds. That, paired with ongoing COVID-19 safety concerns, the reinstatement of quarantine orders in parts of the U.S. and issues with keeping product in stock at retailers, made selling more difficult than it would have been in years previous.

Overall, advance estimates of U.S. retail and food services sales for July 2020 were relatively flat, too. Initial results say that overall sales hit $536 billion, an increase of 1.2% from the previous month and 2.7% year-over-year. Retail trade sales were also up overall, sitting 0.8% over June and 5.8% over July 2019.

Looking at individual sectors, month-to-month changes were also comparatively flat for many categories. The highest change from June to July was electronics and appliance stores, which saw a staggering 22.9% increase, and stood as an outlier in this month's totals. The second highest increase between the months were seen in the gasoline station and miscellaneous store retailer sectors, which both had total increases of 6.2%, a steep step down from electronics and appliance stores.

Similarly, sporting goods, hobby, musical instrument and book stores saw the largest decrease month-over-month, losing 5% in total in July, followed by building material and garden equipment and supplies dealers, down 2.9%. Motor vehicles and parts dealers saw the third highest decrease, totaling up a 1.2% loss.

Year-over-year, sales totals were more varied. Clothing and clothing accessories lost the most, posting a 20.9% decrease, followed by food services and drinking places, down 18.9%, and department stores, a subset of general merchandise stores, which posted a loss of 13.4% despite the general merchandise stores sector posting an overall increase of 1.1%.

Highest on the opposite end of the year-over-year totals was non-store retailers, up 24.7% from July 2019. Non-store retailers have earned the top spot in year-over-year increases four months in a row. Coming in second was sporting goods, hobby, musical instrument and book stores, up 17.8%, followed by building material and garden equipment and supplies dealers, which rose 14.8%.

Looking year-over-year at the three-month period of May through July, sporting goods, hobby, musical instrument and book stores took a huge lead, with sales totals raising 42.5%, followed by non-store retailers, up 26.1%, and building material and garden equipment and supplies dealers, up 17.5%.

Clothing and clothing accessories stores saw the steepest decline at 35.7%. Furniture and home furnishings had the sixth highest drop, falling 9.7% year-over-year for May through July.

Source: hometextilestoday.com– Aug 17, 2020

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Americans increase retail purchases by 1.2 per cent in July

Americans have increased their retail purchases by 1.2 per cent in July, with gains in appliances and clothing boosting sales to pre pandemic levels. Sales at retail stores and restaurants have now risen for three straight months, after plunges in March and April, when the pandemic shuttered businesses and paralyzed the economy.

Still, much of the spending was fueled by government aid that had put more money in people's pockets but has since expired. With Americans' income now likely shrinking, economists expect a drop in spending and a potential weakening of growth. Economists forecast growth rebounding in the July-September quarter at roughly 20 per cent annual rate, though that pace would still leave the economy far below pre-pandemic levels.

The government's figures mask a huge shakeout in the retail industry, with Americans pulling sharply back on in-person shopping and spending more online. More than 40 retailers have filed for bankruptcy protection this year, about half of them since the pandemic. That's about double the number for all of 2019.

Many retailers had been ailing before the pandemic. But analysts envision another wave of retail bankruptcies in coming months that would include some companies that were financially healthy before the virus struck. In recent weeks, Ann Taylor's parent company declared bankruptcy. So did the Lord & Taylor department store chain and the discount store chain Stein Mart, which had been in business for 112 years.

Source: fashionatingworld.com– Aug 17, 2020

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Turkish textile sector to crown its success at ITM 2021

During the pandemic, Turkish textile industry, which increased its textile exports unlike many countries, will crown its success with the ITM 2021 Exhibition to be held between June 22-26 June, 2021. Turkey came to the fore especially in the production of masks and protective textiles, satisfying manufacturers with stability in textile machinery commerce.

Turkish textile companies revitalised Turkey's economy through providing confidence in the supply chain, taking rapid actions in changing conditions, their strong infrastructure, and dynamic and skilled labor force. Many of the European textile machinery manufacturers, which had to take a break in their production processes, encountered a decrease in their number of orders and sales, while Turkey continued to both purchases and sales of the textile machinery. While the machinery manufacturers exported more than 50 per cent of their products to countries all around the world, exports to Europe were 37 per cent with respect to the total exports volume.

The economic recession experienced in the Far East countries, let Turkey take one step further. Turkey demonstrated its potential to be the centre of the world especially in the production of protective textiles.

The Turkish companies, which engaged in the production of high-quality masks and protective textiles in hygienic conditions, by using the advantages of early delivery due to Turkey's geographical position have become a better alternative compared to the companies in China. They have also become the first choice of the European countries, which have turned their route to nearby producers for supply.

Experiencing no difficulties in the supply of nonwovens, Turkey's most important export product in the January-June 2020 period was technical textiles. This product group, which constitutes 27.2 per cent of total textile exports, grew 43.9 per cent compared to the same period of last year and reached the level of $1.1 billion. The export of technical textile products in June was calculated as $318 million with 202 per cent growth.

ITM 2021, which will be one of the first and biggest gatherings of the textile machinery industry after the troublesome global pandemic, will direct the textile machinery sector with the latest technologies to be exhibited, new investment decisions, and strong collaborations to be signed.

Domestic and international companies that want to make new investments in the textile sector will participate in ITM 2021 to be informed about the latest trends in textile machinery. ITM 2021, where thousands of exhibitors will exhibit their latest technological innovations, will broaden new horizons in the minds of both participants and visitors.

ITM 2021, which will enable textile machinery manufacturers to be known internationally by proving themselves in the domestic market, will create an important opportunity for domestic companies to focus on exports. ITM 2021, where not only Turkish companies but also manufacturers from all over the world will sell textile machinery, will make a great contribution to the global economy.

Source: fibre2fashion.com– Aug 17, 2020

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Sri Lanka's trade deficit narrows in June 2020

According to the latest external trade data released by the Central Bank, country's trade deficit narrowed in June 2020 (year-on-year), with a more than expected rebound in merchandise exports and notable reduction in merchandise imports on account of restrictions on non-essential imports.

The deficit in the trade account narrowed in June 2020 to US dollars 161 million, from US dollars 316 million in June 2019, recording the lowest monthly deficit since August 2009.

Also, on a cumulative basis, the trade deficit narrowed by US dollars 335 million to US dollars 3,262 million during the first six months of 2020 from US dollars 3,597 million in the corresponding period of 2019.

Meanwhile, terms of trade, i.e., the ratio of the price of exports to the price of imports, declined by 7.3 per cent (year-on-year) in June 2020 with prices of exports declining at a faster pace than those of imports.

Exports

Earnings from merchandise exports rebounded sharply, recording US dollars 894 million in June 2020 compared to US dollars 587 million recorded in May 2020. The gradual resumption of economic activities of the country as well as the recovery of both domestic and global supply and demand chains to some extent contributed to this improvement. The earnings from textiles and garments exports led the increase from May 2020 to June 2020, followed by rubber products, food beverages and tobacco, seafood and spices.

However, compared to June 2019, earnings from merchandise exports declined significantly by 17.5 per cent in June 2020. The year-on-year decline in earnings from exports was led by industrial exports. Earnings from textiles and garments contributed the most to the decline in June 2020, on a year-on-year basis, despite the increase in earnings from personal protective equipment (PPE) such as face masks and protective suits, categorised under other made up articles.

Earnings from most subcategories of industrial exports including transport equipment, petroleum products, gems, diamonds and jewellery and animal fodder declined, year-on-year, during the month. Despite the increase of surgical and other gloves exports, earnings from rubber products declined, mainly driven by lower exports of tyres. However, earnings from food, beverages and tobacco (led by liquid coconut milk, coconut cream and manufactured tobacco), plastics and articles thereof (led by plastic clothing articles) and chemical products (led by activated carbon) exports increased in June 2020 compared to June 2019.

Earnings from agricultural exports grew considerably by 12.0 per cent on a year-onyear basis in June 2020, for the first time since May 2019. This increase was led by all subcategories of agriculture exports except for unmanufactured tobacco. Earnings from tea recorded a growth after 10 months in June 2020 driven by higher average export prices of tea although the volume exported recorded a minor decline.

Higher earnings were recorded in minor agricultural products led by higher exports of arecanuts, fruits and betel leaves. Earnings from spices increased with higher export volumes of cinnamon and pepper, while earnings from coconut increased as a result of higher average export prices of kernel products and higher export volumes of non kernel products.

Earnings from mineral exports recorded a decline in June 2020, year-on-year, led by lower earnings from ores, slag and ash exports.

The export volume index improved by 2.5 per cent, on a year-on-year basis while the unit value index deteriorated by 19.5 per cent, on a year-on-year in June 2020, indicating that the decline in exports was on average driven by lower export prices compared to June 2019. However, on a month-on-month basis, the improvement of the export volume index was substantially high at 61.7 per cent while the deterioration of the unit value index was relatively low at 5.7 per cent, in June 2020 compared to May 2020.

Imports

The declining trend observed in expenditure on merchandise imports from December 2019 to May 2020, reversed in June 2020, although a decline of 24.6 per cent was recorded on a year-on-year basis. In June 2020, expenditure on merchandise imports stood at US dollars 1,055 million. Expenditure on all major import sectors declined on a year-on-year basis in June 2020, with intermediate and investment goods imports declining the most. This broadbased decline is attributable to the measures taken by the government and the Central Bank since March 2020 to restrict the importation of selected goods to mitigate the adverse effects created by the COVID-19 pandemic and also to the steep decline in expenditure on fuel imports.

Expenditure on intermediate goods contributed the most to the decline in import expenditure. Import of fuel in June 2020 declined significantly compared to June 2019 as a result of the decline in expenditure on refined and crude oil. This decline in expenditure stemmed from both the reduction in volumes imported and the lower prices of fuel in the international market.

The average import price of crude oil declined to US dollars 38.35 per barrel in June 2020, compared to US dollars 67.29 a year ago. Expenditure on imports of textile and textile articles declined significantly in June 2020 led by lower imports of fabric and yarn.

However, import expenditure on fertiliser (mainly urea), mineral products (mainly cement clinker), unmanufactured tobacco and agricultural inputs (mainly animal fodder) increased during the month compared to June 2019.

Expenditure on investment goods declined notably with the decline of all sub categories of investment goods in June 2020. Accordingly, expenditure on machinery and equipment (mainly medical and laboratory equipment), building material (mainly articles of iron and steel) and transport equipment (mainly commercial vehicles such as tankers and bowsers) declined in June 2020, compared with June 2019. However, expenditure on machinery and equipment parts and cement increased during the period under review.

Although expenditure on food and beverages increased, expenditure on consumer goods declined, due to the decline in expenditure on non-food consumer goods imports. Expenditure on motor vehicle imports declined considerably by 80.9 per cent while import of home appliances declined led by refrigerators and televisions during the month mainly due to the import restriction measures taken by the government and the Central Bank since March 2020.

However, expenditure on medical and pharmaceuticals and telecommunication devices (mainly mobile phones) imports increased in June 2020. Meanwhile, import expenditure on food and beverages increased, led by import of seafood (mainly dry fish), dairy products (mainly milk powder), vegetables (mainly lentils), fats and oils (mainly coconut oil) and spices (mainly chillies and coriander seeds).

Both the import volume index and the unit value index declined by 13.2 per cent and 13.1 per cent, respectively, in June 2020, indicating that the decrease in imports was driven both by lower volumes and lower prices when compared to June 2019.

Source: adaderana.lk– Aug 17, 2020

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Bangladesh RMG exporters hope to rebound Vietnam

Garment exporters are not worried over falling behind their peers in Vietnam in overseas sales. They hope exports will rebound by December, buoyed by demand in the Western world ahead of Christmas.

They also dream of having an 'opportunity' to have a bigger market share in the United States, as China, which dominates the US market, is having a 'trade war' with it.

As the coronavirus pandemic has upended the world economy, it affected the exports too. People stopped buying clothes after their income collapsed. Big fashion houses are yet to reopen. Only some online shops have opened their business. Under the present circumstances, there will be a downward trend in the garment exports in August and September. But exports will get a boost from Christmas sales in December.

Vietnam exported about $30 billion of garment products between July and June, surpassing Bangladesh that shipped about $28 billion of clothes, according to the General Statistics Office of Vietnam and the Bangladesh Export Promotion Bureau. Vietnam, therefore, superseded Bangladesh as the second-largest garment exporter, a crown the South Asian country held for a long time. In Bangladesh, garments account for about 85 percent of its export proceeds. The fall of Bangladesh from the second position came as bad news to local manufacturers.

"We're operating at 60-70 percent of our capacity at present. We're getting work orders, but not enough. Only the basic items are exported now. Big fashion houses haven't opened yet," said Anwarul-Alam-Chowdhury Parvez, former president of Bangladesh Garment Manufacturers and Exporters Association. Global exports have shrunk, but the coronavirus pandemic has hit the exports from China the most as clothing shipments declined at least 49 percent between January and June this year. For Bangladesh, the decrease was 18 percent.

Vietnam, that superseded Bangladesh in garment exports, lost 11.7 percent of exports in the six months. "We're not worried at all that Vietnam surpassed us in garment exports. It is not the absolute number of exports but the growth that matters. The question is, if we can reach our target or if we're making enough growth," Chowdhury said. As Bangladesh experienced continuous year-on-year growth, the export earnings reached $34.13 billion in fiscal 2018-19.

It declined to $32.83 billion in fiscal 2019-20 due to the pandemic. "All we need to do now is to tackle the challenges created by the pandemic. Then we may reap some good results from it. We need to use this opportunity and both the government and the private sector must start working on a long-term plan to ensure it," said Chowdhury, also president of Bangladesh Chamber of Industries.

"China has been engaged in a trade war with the US for quite a long time, which intensified during the coronavirus pandemic. If the US stops or reduces buying garment from China, Bangladesh may have a bigger market there," Chowdhury explained. "This will be a 'golden chance' for Bangladesh to grab a share of the Chinese garment market in the US," he said.

China has been reducing its garment exports to the US gradually after the trade war began, but it nosedived after the coronavirus epidemic broke out in Wuhan in December, according to the US Department of Commerce Office of Textile and Apparel. Last year China exported readymade garment worth $24.88 billion to the US market and had a 9 percent reduction in export that time. The Chinese export decreased 36 percent in January this year due to the COVID-19 outbreak.

China exported garments worth $3.89 billion to the US in the first four months of the current year, which is 46 percent less than the last year. Vietnam, on the other hand, exported garments worth $4.18 billion to the US in the first four months of the year. Though their exports declined 1.31 percent, Vietnam's exports were $290 million more than that of China.

Therefore, Vietnam tops the list of garment exporters to the US. As Vietnam topped the list surpassing China in exporting garments to the US, Bangladesh still holds the third spot on the list. While China and Vietnam lost their exports, Bangladesh had a slight increase in its shipments.

Bangladesh exported readymade garments worth $2.07 billion to the US market in January-April, which is 2.13 percent higher than last year's exports. "Four reasons are there for Vietnam superseding us in garment exports. Firstly, our factories were closed in April due to the COVID-19 outbreak. They reopened on a limited scale in May and June.

We were supposed to export garments worth $9 billion in those three months, when we could only export garments worth $3.5 billion," said Mohammed Hatem, vice president of Bangladesh Knitwear Manufacturers and Exporters Association. "Vietnam, on the other hand, had no reported COVID-19 cases and could export garments worth $3 billion more than us in the three months and reached the second position surpassing us." "Secondly, most of the investors in Vietnam are from China or Hong Kong. They have a better communication system. They can collect the raw materials from China in 3-4 days and can deliver the finished products soon to the buyers. Naturally, the buyers tend to buy more from them."

"Vietnam's Free Trade Agreement with the US and other countries is the third reason behind their growth. Bangladesh failed to have an FTA." "We need to pay 15 percent duty when we export garments to the US, while Vietnam pays only 5 percent. This is how we fell behind," Hatem said. "The fourth and biggest reason is that the workers in Vietnam are far more skilled than ours, reducing their production cost. They have to pay lower utility bills too. They pay Tk 2.5 for each unit of electricity, while we pay Tk 8.5." Hatem also mentioned that industrial units in Vietnam enjoy "uninterrupted power supply with no voltage fluctuations", while factories in Bangladesh sometimes struggle.

But Hatem was optimistic about a rebound in exports.

The factory owners had a boost when the government provided four months' salary for the workers under its incentive package to cushion the effects of the pandemic on the economy. It ensured that the garment sector goes back to full production. The country could export garments worth $3.24 billion in July, which was better than in April, May and June. "In August and September, however, the export won't be as good as in July.

It may drop to half of July's exports. This is because the July export was based on the old orders placed in March, April and May, which the buyers had deferred earlier," Hatem said. Overall, the garment sector is going through a tough time, said Hatem. Bangladesh is having very few orders, and those are small orders with small prices. "In some cases, we accept orders at a loss," he said.

People lost their income to the COVID-19 pandemic, depressing the demand for garments, while the supply is still on the upward curve. Prices drop when demand decreases and supply increases, a condition that is now defining the global garment market. "The situation will not remain the same though.

Prices will go up when the demand increases after the situation goes back to normal.

I hope we can do a better business during Christmas," Hatem said. Bangladesh will be able to gain back its second position in exporting garments if it can survive the challenge for a year, he said. Garment exports in Bangladesh nosedived to $360 million in April, which was 85.37 percent less than last year after the COVID-19 pandemic hit the country in March. The factories restarted in May after the lockdown was relaxed, but exports were far from normal.

In July, the first month of the 2020-21 fiscal year, overall exports increased only 0.59 percent, but the garment exports fell 1.92 percent. Exports in July amid the pandemic were satisfactory, said Ahsan H Mansur, executive director of the Policy Research Institute. "We must remember that our export income was going through a bad phase even before the pandemic had hit our economy. We were losing growth every month," he told. "There would be an 8-9 percent decrease in our garment export even without the pandemic.

The COVID-19 pandemic pushed it to 18 percent." He suggested observing the global situation. "In the past, we have seen many incidents that brought good luck to our readymade garment sector. Everyone predicted a disaster in the readymade garment sector in Bangladesh after the quota system was abolished in 2004. But it proved to be a boon instead. Bangladesh exported garments worth $34 billion that time, which was earlier $7 billion," he said.

Source: dailyindustry.news– Aug 17, 2020

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Bangladesh expects yarn and fabric consumption to increase by approximately 5.5% in FY 2020/2

The COVID-19 pandemic has negatively impacted Bangladesh's marketing year (MY) 2019/2020 cotton imports and consumption. As a result of COVID-19 mitigation efforts, Bangladesh's readymade-garment (RMG) facilities halted production for nearly a month during the Government-ordered lockdown.

Additionally, some global retail brands have cancelled or delayed contracts for garments as a result of a decline in global garment demand. In MY 2020/21, Bangladesh's raw cotton production is forecast to slightly increase over MY 2019/2020 to 146,000 bales and imports are forecast to rebound to 7 million bales.

In MY 2020/21 (August-July), Bangladeshi farmers are forecast to plant cotton on 46,000 hectares (HA) and production is expected to increase over MY 2019/20 by 2.8 percent to 146,000 bales. Farmers in Bangladesh's cotton-producing areas (e.g., Rangamati, and Jhenaidah) are slowly adopting new cotton varieties and expanding operations. Local production is expected to moderately increase in the years to come if the current Government of Bangladesh (GoB) support programs continue.

MY 2020/21 (August-July) yarn and fabric production levels are both projected to increase to 730,000 MT and 4.1 billion meters, which represents a 1.39 and 2.5 percent increase over MY 2019/20 figures, respectively. The forecasted increase is based on an expected marginal increase in yarn and fabric demand in the new year as the local RMG sector recovers from the negative economic impact of COVID-19.

MY 2019/20 (August-July) yarn and fabric production forecasts have been revised down to 720,000 MT and 4.0 billion meters, which represent an 11 and 17 percent decrease from 2018/19 figures, respectively. The decrease in production is the result of COVID-19 mitigation efforts (e.g., country lockdown) and depressed demand as the global economy slows. Select RMG factories have also started to shift production to medical personal protective equipment (PPE), which does not require cotton yarn or fabric.

According to the Bangladesh Export Promotion Bureau, March 2020 apparel exports declined by over 19 percent compared to February 2020. Bangladesh Garment Manufacturing and Exporter Association (BGMEA) estimated the RMG export revenue to be a mere $366.5 million in April 2020, or approximately 84 percent lower than the same period last year.

The textile industry was greatly impacted by some international retailers cancelling and suspending orders as a result of COVID-19. According to BGMEA, the estimated cost of cancelled orders was USD 3.17 billion thus far. The cancelled orders impacted local producers' ability to pay 2.3 million workers and has resulted in an increase in stocks of yarn and fabric. According to industry reports, stocks of locally spun yarn reached nearly USD 100 million in September 2019 (i.e., pre-COVID-19).

A representative of the BGMEA estimated export earnings to decrease further in May and stated the total loss could be as high as USD 6 billion. Over the MY 2018/19 time period, RMG export earnings were approximately USD 34.4 billion. RMG exports during the first seven months of MY 2019/20 reached USD 18 billion as of February 2020 (i.e., before COVID-19 was confirmed to be in Bangladesh).

MY 2020/21 (August-July) raw cotton consumption is expected to rebound to 7.2 million bales, assuming that demand for garments will start to return to pre-COVID-19 levels. MY 2019/20 raw cotton consumption levels are estimated lower at 6.9 million bales due to reduced RMG consumption in the world market as an impact of COVID-19.

Similarly, MY 2020/21 yarn and fabric consumption is expected to increase by approximately 5.5 percent to 0.95 Million MT (MMT) and 3.33 percent to 6.2 billion meters based on an increase in demand as retail stores and shopping outlets reopen.

Source: textilefocus.com– Aug 17, 2020

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Pakistan: Cotton demand in Pakistan rebounds after easing of lockdown

Cotton demand is fast rebounding after easing lockdown as textile companies are abuzz with reviving industrial activities to include Pakistan among the world's top recipients of foreign orders post shutdown.

While textile and spinning mills keep purchasing cotton arrival remains slow due to rainfalls, sending prices up during the start of the week. Later on, however, prices decreased in the market as quality of lint dropped because of rain, traders said.

During the outgoing week, lint prices in Sindh remained at Rs8,200 to Rs8,300 per maund. In Punjab, the prices were in the range of Rs8,550 to Rs8,650, while price was between Rs8,350 to Rs8,375 per maund in Balochistan. Karachi Cotton Association's spot rate committee increased the spot rate by Rs100 to Rs8,350 per maund.

In Pakistan, cotton production might fall in the country due to heavy rains in cotton growing areas of Sindh and Punjab, which might lead local mills to import more lint, said Ihsan ul Haq, chairman of Pakistan Cotton Ginners Association.

Cotton production in the Punjab, the biggest cotton producer, is estimated at around 7.5 million bales of cotton. Last year, cotton sowing in the country declined 18 percent in the country. In Punjab only, cotton sowing decreased 18.16 percent.

Source: fashionatingworld.com– Aug 17, 2020

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Pakistan: After months of stagnation, textile exports rise 14.4pc YoY in July

As lockdowns are being gradually eased around the world months after the outbreak of Covid-19 Pandemic, Pakistan's exports, especially in the textile sector, have also started picking up.

The Covid-19 outbreak and subsequent lockdowns had badly dented the demand for the country's exports during the last four months.

As per the data released by the Pakistan Bureau of Statistics on Monday, the country's textile and clothing exports increased by 14.4pc to $1.272 billion in July 2020, as compared to exports worth $1.112 billion in the corresponding month of last year.

Commerce ministry officials say that the ease in lockdown in the North American and European countries, which are the top export destinations for Pakistani textile goods, would ultimately help revive the country's exports.

Pakistan has also seen a pick up in international orders since June, as exports via land routes were also allowed to Iran and Afghanistan.

Earlier in Feb 2020, the textile and clothing exports had jumped nearly 17pc on a year-on-year basis. This growth was reported after a long time as the past few years had been marred by single-digit increases.

As per the PBS data, the export of readymade garments enhanced by 18.04pc YoY in value but drifted lower by 32.82pc in quantity during July 2020.

Likewise, the export of knitwear surged 20.42pc in value and 14.49pc in quantity, while that of bed wear grew 25.3pc in value and 6.36pc in quantity.

Towel exports increased by 21.40pc in value and 26.98pc in quantity, whereas cotton cloth exports inched up 1.15pc in value but dipped 22.31pc in quantity.

Among primary commodities, cotton yarn exports dipped by 37.88pc; yarn other than cotton by 47.53pc and raw cotton by 100pc. However, the export of made-up articles — excluding towels — surged by 26.04pc, while tents, canvas and tarpaulin increased by a massive 155.86pc during the month under review.

As per the data, the import of textile machinery dropped by 33.91pc during the first month of FY21, indicating no sign of expansion or modernization of the textile industry.

It may be noted that Pakistan's textile and clothing exports dropped 6pc to $12.526 billion in the fiscal year 2019-20, compared to $13.327 billion in the corresponding period last year.

In a bid to revive exports amid pandemic, the government had lifted the ban on exports of seven products classified as personal protective equipment (PPE) so that manufacturers could honour international orders.

"Exporters are receiving inquiries about PPEs from foreign buyers as the government had allowed exports of disposable gowns, disposable gloves, face shields, biohazard bags, goggles, shoe covers and hand sanitisers," a commerce ministry official informed.

Source: profit.pakistantoday.com.pk – Aug 17, 2020

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Bangladesh: India's planned duty on RMG: Exporters may feel the heat

The Indian move to slap import duty will hit Bangladesh's apparel exports, thus widening further the ballooning bilateral trade gap, officials say.

The duty imposition will also go against the provisions of the South Asian Free Trade Agreement or SAFTA under which India granted duty and quota-free access of the goods from the least-developed member countries of the regional trade bloc to its market, they added.

New Delhi moved to impose import duty on Dhaka's clothing export pressed by the lobby group the Clothing Manufacturers Association of India or CMAI.

Against this backdrop, the Bangladesh ministry of commerce has asked the Export Promotion Bureau to examine the possible impact of the duty imposition. The Bureau has recently forwarded its opinion to the ministry.

Bangladesh exported goods worth US$1.096 billion to India in the fiscal year 2019-20, of which $420.72 million or almost 47 per cent was textiles products.

The EPB study reveals that Bangladesh, despite being the second-largest apparel exporter in the world, has only 13.71 per cent share in the Indian import of clothing from rest of the world.

On the other hand, Dhaka imported goods worth $7.645 billion from New Delhi in fiscal year 2018-19, which was 13.66 per cent of Bangladesh's total global imports.

The EPB said the balance of trade between Bangladesh and India has always been skewed in favour of the latter. Bangladesh has been trying for a long to enhance its exports to India with an eye to slashing the gap-the effort has seen modest success in recent years.

The demand for Bangladesh's textile and apparel goods in India has recently been rising since many international retailers are directly sourcing readymade garment from Dhaka, the EPB said.

Contacted on Friday, EPB vice-chairman A H M Ahsan said the bilateral trade gap between the two countries is high historically.
"If any tariff is imposed on the textile articles of Bangladesh, the trade gap will widen further," he told the FE.

The EPB suggested that Dhaka should convey New Delhi its concern about the move to impose duty/tax on any article of textiles imported from Bangladesh.

It also suggested reminding the giant neighbour that any move to impose duty/tax on any commodity imported will increase the trade gap. The unilateral imposition of the duty out of the SAARC Forum will contravene to the provisions of the SAFTA.

"Bangladesh may also inform India that as Bangladesh imports large quantity of yarn and fabrics from India, any fall in export from Bangladesh will also have a negative impact on the import from India," it said.

The EPB also suggested informing the Indian side that in the event of imposition of any tariff on any item of import from Bangladesh to India, the country will be left with no choice but to reciprocate with similar/appropriate protection safeguard measures.

Vice president of the Federation of Bangladesh Chambers of Commerce and Industry Siddiqur Rahman told the FE on Friday Bangladesh's apparel export to India is meagre compared to the large volume of raw materials imported from that country for its clothing industry.

"The bilateral trade imbalance is exceptionally high, thus the Indian government should easily overlook the less than half a billion-dollar apparel export there instead of imposing a duty," he said.

"Indian is now using our ports to carry goods to its seven sister states where its vessels get priority berthing instead of us," said Mr Rahman who is an apparel exporter.

Mr Rahman said Bangladesh's relations with India are now friendly, thus the government of the two countries should sit together to resolve the issue through discussion.

Source: thefinancialexpress.com.bd– Aug 15, 2020

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NATIONAL NEWS

CAI revises cotton output upwards to 35.4 million bales for 2019-20

The Cotton Association of India (CAI) has upgraded its cotton production forecast by 19 lakh bales to 354.50 lakh bales for the 2019-20 season in its July estimate on the back of higher fibre production in the central zone.

The total cotton production for the year 2018-19 (October-September) stood at 312 lakh bales, the CAI said in a statement on Monday.

Compared to its June estimate, the CAI increased its production estimate for the north zone by 3 lakh bales (1 lakh bales each in Haryana, upper Rajasthan and lower Rajasthan), central zone by 13 lakh bales (7.50 lakh bales in Gujarat, 4.50 lakh bales in Maharashtra and 1 lakh bales in Madhya Pradesh), Southern zone by 3.25 lakh bales (1 lakh bales in Andhra Pradesh and 2.25 lakh bales in Karnataka), the statement said.

However, Odisha crop production is expected to be lower by 25,000 bales compared to the previous estimate.

This increase in the production estimate is on account of increased pressing of cotton bales, which happened due to the aggressive cotton buying by the Cotton Corporation of India (CCI) under MSP post lockdown that prompted farmers to bring their produce to the market instead of carrying forward the same to the next year," CAI added.

Meanwhile, the total cotton supply estimated by the CAI during October 2019 to July 2020 is 392.40 lakh bales, which consists of the arrival of 345.40 lakh bales, imports of 15 lakh bales up to July 31 and the opening stock estimated at 32 lakh bales at the beginning of the season on October 1, 2019.

Further, the CAI has estimated cotton consumption during the months of October 2019 to July 2020 at 206 lakh bales while the export shipments of cotton is estimated at 43 lakh bales up to July 31. Stock at the end of July 2020 is estimated at 143.40 lakh bales, including 15 lakh bales with textile mills and the remaining 128.40 lakh bales with CCI or Maharashtra Federation and others (MNCs, MCX, traders, ginners among others).

The Crop Committee of the CAI has estimated total cotton supply till end of the season, up to September 30, at 402.50 lakh bales. Total cotton supply estimated now comprises the opening stock of 32 lakh bales, likely crop production of 354.50 lakh bales and estimated imports of 16 lakh bales.

The imports estimated for the 2019-20 crop year are just half of the previous year's import estimate of 32 lakh bales. Domestic consumption is estimated decline by 30 lakh bales to 250 lakh bales up to September 30 due to the lower demand of cotton on account of disruptions caused by COVID-19 pandemic and the shortage of labour after that.

The CAI has estimated export for the season at 50 lakh bales, which is higher by 8 lakh bales than that estimated for the previous season, due to the favourable conditions now existing for export of cotton from India. The carry-over stock at the end of the season is estimated now at 102.50 lakh bales, CAI added.

Source: business-standard.com.com– Aug 17, 2020

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India's GDP to contract 16.5% in Apr-June quarter: SBI report

State Bank of India's research report Ecowrap expects the country's GDP to contract by 16.5 per cent during the first quarter of the current fiscal. Earlier in May, Ecowrap had estimated Q1 FY21 GDP contraction at over 20 per cent and now pegs it at much lower contraction of 16.5 per cent for the quarter, "though with the relevant caveats in the current uncertain scenario", the research report released on Monday stated.

It said degrowth in corporate GVA (better than expected results of some financial and non-financial companies) has been significantly better than revenue degrowth in Q1 FY21 as far as the results of the listed companies are concerned. So far, around 1,000 listed entities have announced their results for the first quarter.

The results indicate more than 25 per cent decline in topline and more than 55 per cent decline in bottomline. However, it is interesting to mention that the decline in corporate GVA (gross value added) is only 14.1 per cent, it said.

"In principle, revenue decline of listed companies has been far outstripped by cost rationalisation thereby not impacting margins, the report said. It further said over the months of July and August, coronavirus has now significantly penetrated the rural areas. The percentage of cases in rural districts to total new cases has risen to 54 per cent in August. Also, the number of rural districts with less than 10 cases have reduced significantly. Andhra Pradesh and Maharashtra have been impacted more severely with increasing coronavirus penetration in rural areas.

"These districts contribute mostly around 2-4 per cent of GSDP (gross state domestic product) of their respective states, indicating that cases are penetrating deep rural hinterlands," the report noted. The report estimates total (GSDP) loss due to COVID-19 to be at 16.8 per cent of GSDP. State-wise analysis indicates that top 10 states accounted for 73.8 per cent of total GDP loss, with Maharashtra contributing 14.2 per cent of total loss followed by Tamil Nadu (9.2 per cent) and Uttar Pradesh (8.2 per cent), it said.

Subsequently, the per capita loss for all India is around Rs 27,000 with states like Tamil Nadu, Gujarat, Telangana, Delhi, Haryana, Goa, exhibiting loss of more than Rs 40,000 per person in FY21, the report stated.

Source: financialexpress.com– Aug 17, 2020

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Covid leaves global garment industry in disarray

Cancellation of orders and delays in payments by brands, shortage of raw materials from China, lockdowns, and fall in demand have hit supplier firms, mainly MSMEs in Asia, hard

The Covid-19 pandemic has accentuated the misery of garment workers who are paid poverty-level wages in global supply chains. This is not a sudden crisis, but a structural one.

For years, global fashion brands that outsource production to suppliers in developing countries have been making supernormal profits through unfair purchasing practices, while garment workers who produce clothes in unsafe conditions have been left with little to no savings.

A significant majority of the supplier firms in the Asian garment industry are MSMEs (micro, small and medium enterprises) that operate on limited working capital. Within MSMEs, micro enterprises that operate on wafer-thin margins constitute the largest segment and employ the largest number of workers, most of them being women from marginalised communities.

These enterprises further rely on piece-rate informal workers in factories or subcontract operations to home-based units that rely on unpaid domestic labour. However, the lack of transparency in supply chains 'invisibilises' such units, making it difficult to track super-exploitative practices and hold brands responsible.

Four major shocks

Due to the Covid-19 pandemic, supplier firms faced four major shocks. The first shock came around February 2020 in the form of a shortage of raw materials from China, which affected production in countries like Cambodia, Indonesia, Myanmar and Sri Lanka that depend on imported raw materials. In Myanmar, for example, this led to the closure of at least 20 factories and the loss of 10,000 jobs.

The second shock came in the form of cancelled orders, delays in payments or through demand for discounts by brands to suppliers. A survey by the Business and Human Rights Resource Center finds that nearly half of 35 global brands surveyed have not made any public commitment to pay for completed orders. In Bangladesh alone, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), this has caused a revenue loss of around $3 billion and has affected some 2.17 million workers.

The third shock that occurred simultaneously or in quick succession with the second came in the form of state-administered lockdowns, which was particularly harsh in countries like India. Indian supplier associations like AEPC and CMAI report that small manufacturers faced unprecedented distress during the first phase of the lockdown due to suspension of supply chains.

The fourth shock to supplier firms in the form of reduced business and dull prospects of recovery arose as a result of the cascading effects of several distinct macroeconomic trends that affected global demand and supply, trade and finance. This is despite the temporary opportunity in the form of producing face-masks that brands and few suppliers have taken advantage of. McKinsey estimates that the global fashion industry will contract by 20-30 per cent in 2020, resulting in a "Darwinian shakeout" affecting 80 per cent of players, if regular sales are disrupted for two months.

The burden of these shocks has been disproportionately borne by workers in Asia, with reports of mass layoffs without severance pay, unpaid wages and wage cuts becoming commonplace.

Demand for concessions

Given the nature of the crisis, garment manufacturing associations in South and South-East Asia have been demanding concessions in utility payments and relaxation in credit so as to sustain themselves. This has been met to some extent by governments through various relief packages, though the quantum of relief has been inadequate. Additionally, industry bodies have also called for a relaxation in labour laws during the crisis, which is in line with the state policy of 'simplifying' labour regulations to facilitate the ease of doing business.

Simultaneously, across garment producing countries, there have been reports of union-busting through targeted layoffs and repression by police force. The Business and Human Rights Resource Center (BHRRC) reports that more than 4,870 unionised garment workers have been targeted for dismissal by nine factories in Cambodia, Myanmar, Bangladesh and India.

Apart from hampering the freedom of association that is a right of all workers, there is no compelling evidence that such reforms alone generate long-term investment or employment. Industry bodies and governments need to abandon the neo-liberal dogma that unions breed inefficiency. Strong unions through collective bargaining, can in fact, reduce wage inequalities, increase labour productivity and bring stability to workplace relations.

Any progressive change in the industry can only come only with the recognition that international brands are the principal players in export-oriented garment production. The Freight on Board (FOB) price at the point of exchange is set by brands at levels that do not meet the living costs of garment workers, leading to a race to the bottom in terms of wages, while brands corner as much as 75 per cent in profits. Through the fast fashion model, brands have placed undue pressure on suppliers to deliver cheap clothes in low lead times, which in turn has led to new forms of informality and precarity among workers.

Moving forward, fashion needs to 'slow down', fair transfer prices must be paid, poverty wages should no longer be accepted as a norm and social protection should be expanded to both formal and informal workers. The case for public investment, labour unions, and the payment of a living wage is stronger than ever.

Source: thehindubusinessline.com– Aug 17, 2020

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Govt needs to replace handicrafts board with a smarter body, say artisans and industry insiders

The All India Handicrafts Board, set up in 1952, has been abolished but the need is to quickly replace it with a more dynamic and effective body that represents the artisan community and shows it the way forward, say industry insiders and craftspersons.

The decision to scrap the handicrafts board, which had its last meeting in 2016, caps the slow decay of the institution set up five years after Independence with a mandate to preserve the country''s rich craft heritage.

The advisory board, instituted by cultural activist Pupul Jayakar, was practically non-functional for most part of the last decade, a major reason why many seem to agree it needed to be disbanded.

It was scrapped on August 3 by the Ministry of Textiles, which stated that the decision was in "consonance with the government of India vision of 'minimum government and maximum governance', a leaner government machinery and the need for systematic rationalisation of government bodies".

Hyderabad-based designer Bina K Rao, who was a member of the handicrafts board, expressed the hope that "something smarter" would come up in its place.

The last meeting, she said, was held in 2016 and the situation wasn't much better even before that.

"Sometimes the meetings would happen once a year, or once in two years... The board should have been reconstituted in 2017 after the completion of the two-year term, but we never received any intimation," Rao told PTI over phone.

With all its flaws, the body provided "a window" for grassroots artisans and that has closed now so something must replace it, he said. The issues discussed when the board met ranged from subsidies on silk yarns to lack of enough marketing of handicrafts products.

Rao was one of the 88 non-official members (small and medium scale artisans as well as handicrafts enterprises) on the board, which also comprised eight institutional members, including the director general of the National Institute of Fashion Technology (NIFT) and chairperson of the Carpet Export Promotion Council.

Chaired by the Textiles minister, it also comprised 16 official members, including the development commissioner (Handicrafts), secretary, Micro Small & Medium Enterprises and senior director of the National Handicrafts & Handlooms Museum.

Srinivas Pitchuka, a second generation manufacturer and exporter of 'kalamkari' and other block printed textiles in Pedana village of Andhra Pradesh, is hoping that any new body will have more representation from his community.

The All India Handicrafts Board was inconsequential, he said.

In the two years that he was a member (2013-15), no meetings were held and the problems of the artisan community in the area remained unaddressed.

"I manufacture 'kalamkari' textiles and we use organic colours for dyeing and block printing, but there are people who use artificial colours and sell unauthentic products. This was an issue that I would have wanted to bring to the government's notice.

"Besides my business, our region is also quite well known for making 'veenas' (musical instrument). Sourcing wood for it is very difficult, but there is no one to help us out with these problems," Pitchuka told PTI.

Pitchuka believes the lack of "real artisans" on the board was the real problem.

“How could these ‘netas’ understand the true value of art? Such bodies need to have real artisans who will understand the problems of the community in order to make a difference,” he said.

The second largest livelihood sector in India, the textile handicrafts sector alone employs 68 lakh artisans. The handicrafts industry brought in Rs.36,798.20 crore through exports, according to the Ministry of Textiles’ annual report for 2018-19. The revenue also includes sales of carpets.

About 60 per cent of the handicrafts products produced in the country are exported.

Jaya Jaitly, handicrafts curator and founder of the Dastkari Haat Samiti (an NGO working with artisans to uphold craft traditions) said the board had been made gradually useless since the 1990s and is glad it has been abolished.

"No point renovating a dead object. It is best to be rid of it and create something new, effective, dynamic in tune with an ‘aatmanirbhar’ Bharat on a clean slate, with inputs from truly experienced and knowledgeable persons rather than use it for the patronage of favourites,” she said.

A senior official said an alternative to the board is yet to be announced but the government has taken the first step by strengthening Weaver Service Centres across the country in collaboration with NIFT.

“With the help of NIFT, these centres will undergo facelifts and redesigning…a design component will be created in these centres. The first phase has already started in eight to nine centres, and eventually all 28 WSCs will be taken up,” he said.

Besides the All India Handicrafts Board, the government last month also disbanded the Handloom, Powerloom as well as the Cotton Advisory Board.

The official cited “decreasing relevance” as the reason behind the move.

The handicrafts board, he added was established a really long time ago and used to meet once a year. “But because the department anyway has advisory bodies at several levels, the board’s relevance kept decreasing… The idea is to let professional bodies function professionally so the government has a minimum role.”

The handicrafts board was not the only space where artisans could voice their concerns.

"We have field offices at regional levels. Local artisans keep having interactions at those forums. We have 66 field offices all over India. There are also all the handicrafts corporations which have their own associations. Similarly, handloom corporations have their own associations, which are supported by the government in some way," the official said.

Source: outlookindia.com– Aug 17, 2020

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Shifting supply chains: China's loss may be India's gain

India's latest incentives are drawing companies looking to diversify amidst US-China trade tensions

India's latest set of incentives to entice businesses moving away from China seem to be working, with companies from Samsung Electronics Co to Apple Inc's assembly partners showing interest to invest in the South Asian nation. Prime Minister Narendra Modi's government in March announced incentives that make niche firms — electronics manufacturers — eligible for a payment of 4-6 per cent of their incremental sales over the next five years. The result: about two dozen companies pledged $1.5 billion of investments to set up mobile-phone factories in the country.

Besides Samsung, those that have shown interest are Hon Hai Precision Industry Co, known as Foxconn, Wistron Corp and Pegatron Corp. India has also extended similar incentives to the pharmaceutical sector, and plans to cover more sectors, which may include automobiles, textiles, and food processing under the programme.

While companies have been actively looking to diversify supply chains amid the US-China trade tensions and the coronavirus outbreak, it hasn't yet translated into big gains for India despite the country making it cheaper for businesses to open shop. Vietnam remains the most favoured destination, followed by Cambodia, Myanmar, Bangladesh and Thailand, according to a recent survey by Standard Chartered Plc.

There is a reasonable chance for India to gain in terms of incremental investment of supply chains within the country over the medium term, said Kaushik Das, chief India economist at Deutsche Bank AG in Mumbai. These programmes are aimed at increasing India's manufacturing share in the gross domestic product.

Economic boost

The government expects the programme for electronics alone could lead to $153 billion worth of manufactured goods over the next five years and create about one million jobs directly and indirectly.

This would bring an additional investment of $55 billion over five years, adding 0.5 per cent to India's economic output, according to analysts led by Neelkanth Mishra at Credit Suisse Group AG. This could shift an additional 10 per cent of global smartphone production to India in five years, most of it from China, they wrote in a report on August 10.

That complements Modi's goal to grow the share of manufacturing in the economy to 25 per cent from the current around 15 per cent as part of his 'Make in India' programme. His government has already lowered taxes on companies to among the lowest in Asia, seeking to attract new investments in an economy headed for its first contraction in more than four decades this year.

The latest output-linked incentive plan is a big win for Make in India, Amish Shah, an analyst at BofA Securities, said in a report to clients. He sees gains for industrials, cement, pharmaceuticals, metals and logistics, with long-term indirect benefits across many sectors.

Source: thehindubusinessline.com– Aug 17, 2020

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RBI's monetary policy mandate is still valid

The MPC is needed to rein in inflationary expectations and give the Central bank functional autonomy from the government

The first ever monetary policy committee (MPC) of the RBI has completed its last meeting and decided to keep the repo rate unchanged while retaining an accommodative policy stance. Since Shaktikanta Das took over as Governor in December 2018, the MPC has cut the repo rate seven times in a row in order to revive economic growth. This has prompted many to argue that if growth is prioritised over inflation, then do we really need an MPC?

Indeed, in the past few months, the RBI has often bypassed the MPC when it unleashed unconventional policy actions like a standalone reverse repo cut, Operation Twist and targeted long term repo operations. Now that the term of the three external members on the six-member MPC has ended (with one position vacant even from the RBI's quota of three), it is a good time to ask whether we need an MPC at all. I would argue with a resounding yes.

The answer lies in two parts: First, inflation shall continue to be an important anchor for sustainable growth and job creation in the economy. The Covid crisis notwithstanding, once the pandemic is over and the fiscal-monetary stimuli start showing results, it will once again become important to rein in prices. It is not very long ago that we experienced a five-year spell of inflation above 8 per cent during 2008-13, which partly contributed to a slowdown in economic activity at the time. Since then, the RBI has been successful in anchoring the public's inflationary expectations. The worry is that if the public comes to believe that the Central bank has abandoned inflation control, contracts will start pricing-in high inflation, resulting in a self-fulfilling prophecy.

Inflation control

That does not mean the RBI should obsess about inflation when the economy is in the ICU. The MPC has rightly been cutting the repo rate in line with the monetary policy mandate to maintain price stability "while keeping in mind the objective of growth". In fact, that is the whole point of having a 'flexible inflation target' in the form of a range instead of a hard target. Perhaps in its initial years, the MPC was too hawkish in trying to target the 4-per cent inflation number, which did not allow for corrective action even when the inflation print kept undershooting the target.

Yet, it is important not to lose control over inflation in the medium term. A commitment to price stability is also useful as a signal to the government that once things return to normal, the RBI will not hesitate to be a party pooper if the government persists with fiscal expansion instead of structural reforms to achieve long-term growth.

The second reason for continuing with an MPC is that the RBI must have a publicly known mandate that keeps its monetary policy actions transparent and independent. Thanks to the MPC minutes, we now have a much better idea of the RBI's assessment of the economy and the rationale behind its rate decisions than before. The transparency is important to keep the public and the markets prepared for future changes (or what the RBI calls "forward guidance"). Such actions build investor confidence.

Proper autonomy

Just a few days ago, we saw the Turkish lira collapsing as investors pulled out of the country, which was battling persistently high inflation, and the central bank of Turkey is now left with net negative forex reserves. Having a clear objective makes a central bank accountable, and at the same time, gives it functional autonomy from the government. This autonomy is an important ingredient of macroeconomic stability, and relegating the role of the MPC would pose serious risks to the hard-earned success in anchoring inflationary expectations and stability of the exchange rate.

One can justifiably ask if a headline inflation target is appropriate for a developing country that operates below full employment. In that case, the government and the RBI can consider an alternative nominal anchor for the MPC to target. Average inflation (where the target is met over a year or two) or nominal GDP (which is unaffected by supply shocks) are possible candidates. Or, the MPC can be given an explicit dual mandate (of price stability and employment), like the Federal Open Market Committee in the US.

Apart from redefining the target, the government should concentrate on rebuilding a high-quality MPC. The vacant position from the RBI's quota can be immediately filled by Mridul Saggar, the new head of the Monetary Policy Department. And the three external positions can go to reputed macroeconomists — preferably from academia — to insulate against suspicions of government interference; this had worked very well the last time.

Source: thehindubusinessline.com– Aug 17, 2020

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Kerala has potential to earn $54.7 billion in export revenues by 2024-25: Study

Kerala could well earn $54.7 billion in export revenues by 2024-25 with a favourable policy framework in place and concerted efforts to boost exports, revealed a study published by the Export-Import Bank of India (Exim Bank) on Friday.

Merchandise exports from Kerala stood at $ 9.8 billion in 2018-19. Although exports from the state have registered robust growth in 2018-19, there remained an untapped merchandise export potential of nearly $ 6.7 billion.

The report was released in a recent interactive webinar organised by the Exim Bank.

The study identified a six-pronged export strategy for the state, built upon the essential dimensions of diversification of products and markets, infrastructure leverage and strengthening, capacity building, fiscal incentives, devising an export promotion campaign, and institutional streamlining.

Exim bank recommended shifting from traditional export items for Kerala towards higher value-added products such as processed food, technical textiles, bulk drugs, and electronics and machinery.

Highlighting the role of trade-friendly infrastructure in export competitiveness, the study recommended, inter alia, adoption of a public-private partnership model for strengthening the existing network of waterways, creation of a fund for development of export infrastructure in the non-major ports, increasing warehousing capacity in the districts of Alappuzha and Palakkad, leveraging central government-sponsored schemes for enhancing the cold chain network, utilising IT-enabled services to improve the reach and transport of agricultural produce, and setting up a centre of excellence for the animation, visual effects, gaming and comics sector in the state.

From the perspective of capacity building, the study suggested development of a branding strategy for products in which the state has geographical indications, refund of expenses incurred by exporters in the state to obtain statutory certifications, assisting firms in availing funding for cutting-edge technologies under various central government schemes, encouraging hospitals in Kerala to tie up with foreign health institutions/ hospitals, and creating awareness about finance and risk mitigation products.

Source: financialexpress.com– Aug 15, 2020

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Logistics startups feel the heat amid rising diesel prices, labour costs

The online freight aggregators see the situation worsening after the loan moratorium period expires this month prompting recovery agents of banks and financiers to repossess the vehicles for payment defaults.

The online aggregators see the situation worsening after the loan moratorium period expires this month prompting recovery agents of banks to repossess the vehicles for payment defaults

All India Road Transport Congress claimed about 50% of the vehicles are still off the road and once the current moratorium period is over there would be spurt in NPAs.

There is strong asset utilisation problem in the sector as return loads are few and far between

Amid high operational costs due to soaring diesel prices and a spike in labour charges post lockdown, logistics start-ups such as Fortigo and GoBolt have seen fleet-owners occasionally declining freight movement offers.

The online freight aggregators see the situation worsening after the loan moratorium period expires this month prompting recovery agents of banks and financiers to repossess the vehicles for payment defaults.

They also fear a large number of fleets going out of the system.

This is double whammy for the logistics start-ups given that they are unable to provide vehicles to clients in time and at competitive rates while the cash flow situation remains tight.

“As many as 60% of the vehicle owners are under tremendous stress. The stress would grow further. One-third of the vehicles may go off the road by mid-October. The assessment is based on real cost economics and the reality of the situation,” said Anjani Mandal, co-founder and CEO of logistics start-up Fortigo.

All India Road Transport Congress, the apex body of transporters, in a letter to RBI Governor Shaktikanta Das earlier this month said that the sector was highly distressed and reeling under deep distress as it made the case for extending the moratorium on existing vehicle loans till December and then subsequently restructure them.

“The road transport sector in India is highly distressed, reeling in deep financial crisis due to fallout of corona induced lockdowns and there is little hope of its revival in the current financial year,” it noted.

The trade body claimed that the financial health of small operators accounting for 85% of the vehicles was precarious. Further, the transporters continued to operate their fleet during lockdown and incurred heavy losses but did not get any fiscal benefit.

“At present about 50% of the vehicles are still off the road and once the current moratorium period is over there would be spurt in NPAs (non-performing assets),” the transporters’ body said.

Transporters argue that while demand for load remains weak, they are required to pay taxes, high diesel prices and toll.

“The demand is back but supply is not. The reason is the driver is still a big issue. Those who manage to get drivers, salaries are very high. So, truckers are not able to provide vehicles at the rate they used to.

Source: maritimegateway.com– Aug 18, 2020

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