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INTERNATIONAL NEWS

EU and Japan's apparel retail sales continued murky in September

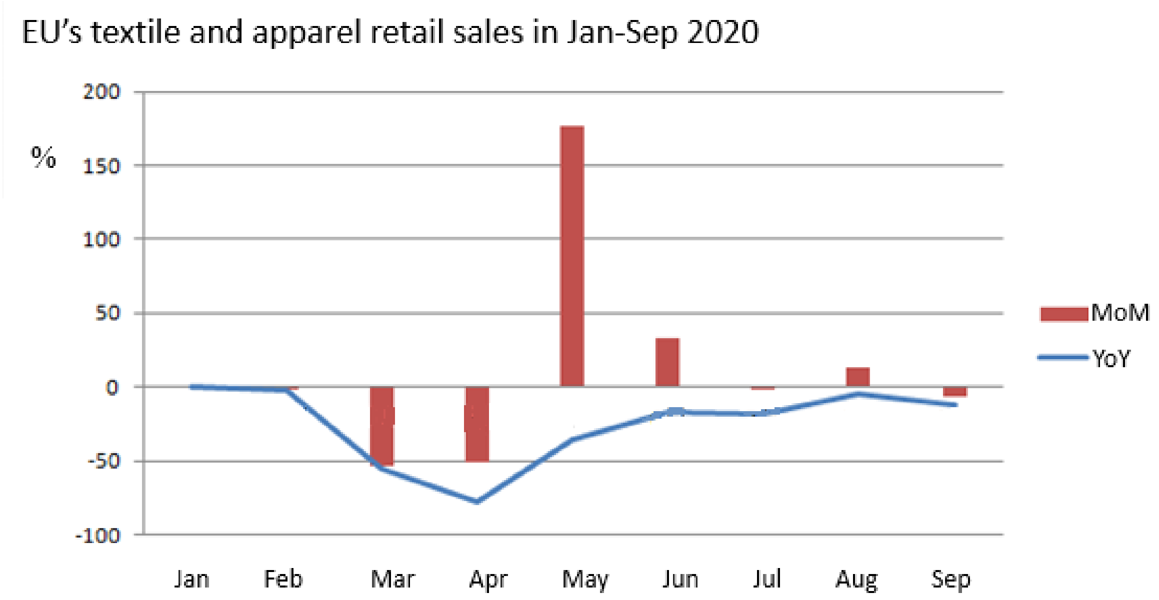
Japan and EU released textile and apparel retail sales data in September. Japan's apparel retail sales have declined month-on-month since June, and the decline continued to expand in September, down 23.5% year-on-year.

After a slight recovery in August, EU's apparel retail sales moved down in September, down 12.6% compared with that in same period of last year.

1. EU's apparel retail sales dropped by 12.6% year-on-year and 6.3% month-on-month in September.

According to Eurostat retail data, EU retail sales fell 1.7% month-on-month but up 2.1% year-on-year in September.

Among them, the retail sales of textile, clothing and footwear decreased by 6.3% month-on-month and 12.6% year-on-year.



2. Japan's apparel retail sales fell by 23.5% year-on-year and 2.4% month-on-month in September.

According to the statistics of Japan's trade ministry, Japan's commodity retail sales fell by 0.1% month-on-month in September, 8.7% lower than that in same period of last year. Among them, the retail sales of textile and apparel decreased by 2.4% month-on-month and 23.5% year-on-year.

3. Latest developments of major brands in EU and Japan

Uniqlo

Japan-based Fast Retailing said that Uniqlo, the core brand, recorded a strong sales growth of 16.5% in Japan's domestic market in October, with double-digit growth in both online and offline revenue, mainly due to the cold weather stimulating consumer demand for autumn and winter clothing. As the epidemic is not over, there are four stores temporarily closed in Japan, and 87 stores that have shorter business hours than normal.

Hugo Boss

In the three months to the end of September, sales of Hugo Boss, a German high-end clothing group, fell 24% year-on-year to EUR533 million, but its business profit reached 15 million euros, which significantly improved from the loss in the second quarter and far exceeded expectations. The group said the recovery was helped by strong growth in sales of e-commerce and that in Chinese mainland, with thee-commerce business growing by 66% and that in Chinese mainland up by 27%.

RENOWN

RENOWN, a Japanese clothing giant founded in 1902, said that the group received a decision from the Tokyo District Court on October 30 to repeal the bankruptcy protection procedure under the civil regeneration law. D'URBAN, a men's wear brand, and Aquascutum, a British high-end brand, were sold to other enterprises in the same industry, Arnold palmer timeless, which have not been found for sale, have all closed before the end of October.

Puma

Puma, a German sports brand, released its third quarter Financial Report. Sales increased by 13% to 1.58 billion euro and operating profit increased by 17% to 190 million euro after adjusting the exchange rate, which was better than expectations of 1.56 billion euro and 174 million euro. Thanks to the reopening of its stores, Puma's revenue in US and EU, the Middle East and Africa surged by 20.7% and 17.7% respectively, with basketball, racing, golf and team sports as the largest sales growth.

SMCP

SMCP Group sales fell 9.5% year-on-year to 248 million euros, but e-commerce revenue rose 27.6% in the three months to September 30. During the period, the group resumed growth in the Asia Pacific market, with a 13.8% year-on-year increase in sales, which was mainly driven by the organic growth of 29.6% in the mainland market of China and a significant improvement in the performance of South Korea. The group said its brands will invest more in the Chinese market next year.

Adidas

Citibank analysts said that although the global epidemic is not over, according to Google Trends, consumers' attention to Adidas is picking up. Adidas's revenue in the third quarter will further improve, with a decrease of 2% compared with 33% in the previous quarter, and is expected to turn a loss into a profit. The pre-tax profit may be 716 million euro, which is better than the loss of more than 300 million euro in the second quarter.

Source: ccfgroup.com– Nov 18, 2020

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US exporters coming up empty in scramble for outbound containers

A surge in Asian imports bound for U.S. retailers stocking up for the holidays is leading to an acute shortage of shipping capacity for U.S. exporters, with agricultural producers now struggling to find the containers they need to send their products to overseas buyers.

Container shipping companies seeking to keep pace with the strong demand for goods from China are rushing to unpack and return to Asia the containers, industry officials say. That leaves fewer boxes available for American exporters to stuff with soybeans, lumber, cotton and other products.

“Right now we are grappling with a true emergency—carriers refusing bookings for trans-Pacific agricultural exports and canceling those already booked,” said Peter Friedmann, executive director at the Agriculture Transportation Coalition, a trade body representing U.S. farmers. “We are getting locked out of foreign markets.”

The shortage is in part the result of the steep imbalance in the value of the goods moving across the Pacific. U.S. imports from China, for instance, include big volumes of electronics, apparel, toys and other manufactured goods. U.S. exports lean heavily toward bulky agricultural goods, along with food and beverages, which have a lower market value.

Container shortages aren’t uncommon during the busy summer months, but it is more intense this year and has spread to ports around the world as demand swung sharply from record lows to record highs within a few months.

The high demand in the U.S. for imports has pushed container freight rates from China to the U.S. West Coast seaports beyond $4,000 per container while average prices to ship goods by container from Los Angeles to Shanghai in recent weeks was $518.

For carriers, that means it makes more financial sense to hustle boxes back to Asia rather than wait for them to travel inland for several weeks to reach exporters and then return to the coastal gateways.

“Demand is driven by U.S. consumers who are ordering goods like sports equipment, entertainment devices and furniture,” said Nils Haupt, spokesman for German container line Hapag-Lloyd AG . “Ships from China to the U.S. are full and there is high demand for empty boxes in China. We expect that to continue into the first quarter.”

The U.S. import surge took off in midsummer after global trade nosedived from extended city closures because of the Covid-19 pandemic. Big U.S. retailers rushed to replenish inventories that were depleted earlier in the pandemic and started pulling in more goods from Asia to stock shelves and e-commerce warehouses as consumer sales rebounded.

The Global Port Tracker report by the National Retail Federation and Hackett Associates LLC said major U.S. ports imported 2.11 million containers in September, 12.5% more than the year before and the highest monthly total in records going back to 2002.

“We are seeing more imports than ever for the replenishment of inventories and they can’t be processed fast enough,” said Gene Seroka, the executive director of the Port of Los Angeles. “We have containers stacked six-units high and the dwell time at the terminal has almost doubled to more than four days. It’s a one-way traffic and empty boxes are the very last to be processed.”

The neighboring Port of Long Beach handled 88,903 more empty outbound containers in October than loaded container exports.

Mr. Seroka said the Covid-19 pandemic is exacerbating the situation because fewer people are working at warehouses and terminals because of social-distancing guidelines.

The trade imbalance is affecting ports and cargo owners around the world. In South Korea, government officials on Thursday called in container line executives to warn them against violating contracts with Korean exporters after complaints empty boxes were sent to China on the back of the stronger freight rates there.

Freight brokers in China and Singapore said they are flooded with requests for more outbound shipments. "There is a race to book any empty container that comes in. We've not seen such demand in more than a decade," said a middleman in Shanghai.

With retailers continuing to bring in goods in record numbers, industry executives expect the imbalance and the shortage in outbound equipment to continue through the holidays.

Peak season for shipping runs from August to early October, but this year "we got a peak season on steroids, that started in July and is still going," said Steve Ferreira, the chief executive of New York-based consulting firm Ocean Audit Inc.

Source: maritimegateway.com– Nov 18, 2020

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USA: Apparel Did Well in Walmart's Rosy Q3

Walmart Inc.'s strong third-quarter results bested Wall Street estimates, and strong October sales position the mass merchant for a solid fourth quarter and holiday season.

In a Nutshell: President and CEO Doug McMillon noted consumers' accelerating shift to e-commerce during Tuesday's quarterly conference call.

"Our e-commerce and omni-penetration continues to rise," he said, adding that the shift to online has been "accelerating the trend by two or three years." McMillon doesn't expect that to change even after the Covid pandemic is over.

"Our customers want to be served in a number of ways, and we're poised to save them money," he added. McMillon expressed optimism about 2021. "The back half should start to look more normal. [We see] momentum in a number of key areas. We're in control of our destiny—we know what customers want," he told investors.

Walmart has been focusing on improving in-stock inventory levels, which McMillon said is better than what it was in the prior second quarter, and now 2,500 stores are helping to fulfill online orders. "We can quickly flex this number during holiday," he said, noting that the ability to do so would help ease the pressure on e-commerce fulfillment centers.

Noting the current political climate, McMillon said it's "imperative that elected officials in Washington work together" to get the help that many small businesses need. He also congratulated President-elect Joe Biden on his election victory and said Walmart looks forward to "working with both houses of Congress."

McMillon admitted that supply chain are stressed by demand, depending on where consumers live and the coronavirus infections rate in their area.

In the third quarter, Walmart saw strong increases and repeat rates on orders, said chief financial officer Brett Biggs. While the delayed back-to-school season drove a slow start to the third quarter, Biggs said "sales picked up in September, and momentum picked up in the third quarter." Home and sporting goods performed well, while grocery sales were also strong. "We continued to see trip consolidation and bigger baskets in [the third quarter]," he added.

Walmart is making meaningful progress in getting higher in-stock levels for some categories for the fourth quarter. "We expect a good holiday season," Biggs told analysts.

Judith McKenna, president and CEO of Walmart International, noted that the recent divestitures in Argentina and Japan were completely in line with the company's the strategy based on strong local businesses powered by Walmart. "We continue to focus on our priority markets in India, China, Mexico and Canada," she said.

Net Sales: Total revenues for the quarter ended Oct. 31 rose 5.2 percent to $134.7 billion from $128.0 billion, which included a net sales gain of 5.3 percent to $133.8 billion from $127.0 billion.

For Walmart U.S. operations, net sales rose 6.2 percent to $88.4 billion from $83.2 billion as comparable sales, excluding fuel, rose 6.4 percent. Walmart International saw net sales rise 1.3 percent to $29.6 billion from $29.2 billion. Sales at Sam's Club was up 8.3 percent to $15.8 billion from $14.6 billion, and comp sales were up 11.1 percent, excluding fuel.

Apparel, online sales and marketplace all performed well in the quarter.

“Walmart posted yet another in a long string of stellar quarters, with performance strong across all facets, resulting in operating income up a substantial 22-plus percent despite Covid and online-related costs,” Charlie O’ Shea, Moody’s vice president and senior credit officer, said. “Online continued its explosive growth, with 79 percent impressive especially in light of the strength in comparable store sales at both US stores and Sam’s Club, continuing to reflect the effectiveness of Walmart’s multi-channel strategy.”

He added that with holiday in full swing, “[W]e expect Walmart to continue its tradition of being one of the true pace-setters, and the efficiency with which it has integrated its two channels will serve it well as promotional activity kicks up.”

For the nine months, total revenues rose 6.5 percent to $407.1 billion from $382.3 billion, which included a 6.6 percent increase in net sales to $404.2 billion from $379.3 billion.

Earnings: Net income jumped 56.2 percent to $5.14 billion, or $1.80 a diluted share, from $3.29 billion, or $1.15, in the year-ago quarter. On an adjusted basis, diluted earnings per share was $1.34.

Wall Street was expecting adjusted diluted EPS of $1.18 on revenue of $132.23 billion. For the nine months, net income was up 45.3 percent to $15.6 billion, or $5.48 a diluted share, from $10.7 billion, or $3.74, in the same year-ago period.

CEO’s Take: “This was another strong quarter on the top and bottom line. Our associates continue to impress during this challenging year. They are working together to serve customers and communities in new, relevant ways and we’re very proud of them. We think these new customer behaviors will largely persist and we’re well positioned to serve customers with the value and experience they’re looking for,” McMillon said.

Source: sourcingjournal.com - Nov 17, 2020

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China: Spandex price increases by 10,000yuan/mt, how will it fare later?

Spandex market is during traditional peak season now. In addition, stimulated by the expectation of cold winter, sound domestic orders for the online shopping spree on Nov 11, the order transfer from Southeast Asian nations such as India and some foreign orders for the Christmas Day, fabric mills saw good orders. Hot sales of elastic fibers drove run rate of spandex downstream mills to historic high. Price of spandex surged, up by around 10,000yuan/mt or above 32% within 3 months. How will spandex market fare in later period?

Price of spandex (Unit: yuan/mt)			
	20D	30D	40D
2020-8-20	33,300	32,500	27,800
2020-11-16	44,000	43,000	36,700
Change	10,700	10,500	8,900
Change (%)	32.10%	32.30%	32.00%

In view of demand, demand for spandex has marginally weakened in mid-Nov after earlier orders gradually completed. Production of thermal fabrics such as thick fabrics and fabrics for dralon and sweater gradually came to an end. Some plants saw sampling orders for the light fabrics for clothes in spring and summer. Exporters, fabric plants and textile and apparel companies had price game. However, later market still deserves anticipation as the pandemic is relatively better controlled in China. Sequent orders should be concerned.

Operating rate of downstream mills kept high, with that of warp knitting plants, air covered yarn plants and cotton core-spun yarn units in Zhejiang and Jiangsu up to around 70-90% and that of circular knitting plants, lace knitting unis, conventional covered yarn mills and braid mills at 50-70%. Operating rate declined in some plants after earlier orders completed. Some large circular knitting plants were still busy in delivering orders taken before in Guangdong, Zhejiang and Jiangsu, but local orders started coming to an end.

Warp knitting plants witnessed good business. Low-end warp knitting plants such as super-soft spandex fabric and velvet plants almost ran at full capacity at the beginning of Q4, but some plants have started slashing run rate with rising spandex price and falling orders. Some high-end warp knitting plants in Guangdong mainly produced based on feedstock procurement as spandex supply was tight. Orders can guarantee production until the beginning of 2021 in some plants. Production of covered yarn and lace knitting slightly diminished, and some plants started cutting run rate.

As for supply, proportion of top 5 spandex companies accounted for around 70% of the total in 2020, with concentration ratio much higher than that of nylon and polyester market. New capacity growth rate is estimated only at 2.6% in 2020, the lowest level since 2005.

In addition, spandex enterprises curtailed production greatly in the first half of year amid the COVID-19, but foreign orders surged in the second half of year and consumption of sportswear and casual wear rose. Stocks of spandex decreased rapidly when sales of elastic fabrics were hot, having declined to around 9 days now.

Cash flow of spandex 40D and BDO market apparently accumulated in end-Q3. Profit of spandex 40D hiked to the highest level in recent years and overall profit on spandex market apparently improved when margins of super-fine denier and coarse spandex were tolerable. However, cash flow of PTMEG market deteriorated compared with Q3 dampened by upstream and downstream market and tight supply. Under such circumstance, price of PTMEG may rise faster in later period.

Downstream fabric mills have seen falling orders and diminishing operating rate since mid-Nov, but the run rate remains high now, supportive to rigid demand for spandex.

Supported by rising feedstock price and low stocks, price of spandex is likely to continue rising and keep high. Supply tightness is expected to be eased as demand from some sectors has weakened. The order placement for orders of fabrics in spring and summer should be noted later.

Source: ccfgroup.com - Nov 17, 2020

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Over 60 UK CEOs say retail must reopen by start of Dec

Over 60 chief executive officers (CEOs) from the UK retail sector recently wrote to 'The Times' voicing their concern over the impact of the forced closure of 'non-essential' retailers during the current lockdown. These closures come despite a recent Sage paper reporting that closing 'non-essential' retail would have minimal impact on the transmission of the novel coronavirus.

Christmas is fast-approaching and half of retail has been forced to shut– depriving these stores of around £2 billion per week in sales, the letter said.

November and December account for over a fifth of all retail sales and if all shops are not allowed to reopen by the beginning of December, many stores may never reopen putting hundreds of thousands of retail jobs at risk, it said. A continued period of retail closure will see more shuttered high streets and many more job losses at the heart of the festive season, the letter said.

Retailers have invested hundreds of millions in making their stores secure from the novel coronavirus, keeping both customers and staff safe. Yet retail stands on the brink and decisive government action is needed to save it, the letter added. In the first few days of lockdown, data from a British Retail Consortium (BRC)-ShopperTrak showed that footfall plummeted by 75 per cent.

"The closure of thousands of retailers is compounding the challenges facing our high streets….To avoid local communities being hit hard by large scale shop closures and job losses, the Chancellor must address three issues– rents, rates and reopening.

Government should extend the rents moratorium, giving essential breathing space to allow negotiations between retailers and landlords to continue. They must ensure retailers do not face an £8bn rates bill from 2021," BRC chief executive Helen Dickinson said in a statement.

Source: fibre2fashion.com - Nov 17, 2020

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Europe's consumer companies brace for new pandemic curbs

Europe's consumer sector stalwarts such as LVMH Moët Hennessy - Louis Vuitton Société Européenne, Kering SA, H & M Hennes & Mauritz AB (publ), Pernod Ricard SA and Anheuser-Busch Inbev SA, which reported signs of recovery in the most recent quarter, now face another hit to demand as several European countries impose new restrictions to fight a surge in COVID-19 cases.

England on Nov. 5 entered its second lockdown for four weeks. France, Germany, Austria, Switzerland, Belgium, Italy, the Netherlands and Spain have also planned either some form of lockdown or tougher curbs on movement and gatherings. The measures will have an impact on luxury good companies, clothing retailers and suppliers of beer and spirits who are struggling in the face of the shutdown of bars, nightclubs and restaurants.

Europe's leading luxury companies, which depend heavily on tourism-driven duty-free trade and sales at physical stores, were hit hard in the first months of the COVID-19 pandemic. They now face a renewed bout of uncertainty as they head into what should be their most lucrative time of year, the Christmas holiday shopping season. While online purchasing will offset some of the lost revenue from brick-and-mortar outlets, it may not be enough.

"Q4 is a relatively big quarter for luxury companies, making up one-third of the average revenue for the sector," said Zuzanna Pusz, analyst at UBS, in an interview. "This year it carries an even bigger weight given the store closures in the second quarter." If store footfall declines significantly, "it would be a big hit to earnings."

In France, luxury goods stores and other non-essential businesses shut their doors on Oct. 30 and will stay closed until Dec. 1. France accounts for about 6% of global luxury goods sales. According to UBS, approximate percentage sales exposure to France are 13% for Hermès International Société en commandite par actions, 9% for LVMH, 8% for Compagnie Financière Richemont SA, about 6% for Kering and Moncler SpA. Swatch AG, Burberry Group PLC, Prada SpA, Tod's SpA and Salvatore Ferragamo SpA each derive about 5% of their sales from France. Moncler, which makes puffer jackets and makes about half of its annual profit in the fourth quarter, is especially vulnerable, according to Pusz.

Stay at home orders aren't good for the beauty business either. On Oct. 22, the world's biggest cosmetics company, L'Oréal SA, said its third-quarter sales fell 2.2%, partly because homebound consumers bought fewer makeup products. The environment "remains difficult and uncertain," said Jean-Paul Agon, chairman and CEO, in a statement.

More broadly, European consumers are changing the way they shop. According to Sept. 2 report by PwC, 40% of European consumers have suffered a fall in household income because of the pandemic. As a result, 38% plan to reduce their spending over the next few months. "Consumers in the countries that have been most severely affected by the pandemic are particularly determined to spend less: 56% in Spain, 43% in the UK, and 42% in Italy. This means discretionary spending will be postponed or avoided altogether, and consumers will look for cheaper offers," the report concluded.

That has caused many drinks companies to struggle. "While we expect that the second half of this year will be better than the first, the environment remains very volatile and uncertain, especially as we see now increased on-premise restrictions in several markets like Europe," said CEO Carlos Brito of AB InBev, on an Oct. 29 earnings call with analysts. Pernod Ricard's CEO Alexandre Ricard was more blunt about the last three months of the year. "We expect a second quarter that will be heavily impacted by the COVID crisis," Ricard told Reuters.

On Nov. 2, all German restaurants, bars, restaurants and entertainment venues were temporarily closed for a month to fight a rising tide of COVID-19 infections. "Even if the German government announced to pay companies hit by the second lockdown a grant of 75% of their November 2019 turnover (around €10 billion in total), renewed uncertainty, lockdown-fatigue, job losses and bankruptcy fears will dent confidence, spending and investment," wrote Carsten Brzeski, global head of macro at ING Research, in an Oct. 29 research note. "A double-dip now looks unavoidable."

Germany's restaurant industry saw its turnover plunge 40.5% between March and August 2020 compared to the same period in 2019, while the number of people employed by the industry fell 17.6%, according to the country's statistics office. In the hotel sector, there were 14.2% fewer overnight stays in Germany in August 2020 compared to the year-ago period, while overnight stays by overseas visitors fell 56% from the previous year.

The clothing trade has also suffered. Between the months of February 2020, before the pandemic began in Europe, and August 2020, Europe's textiles, clothing and footwear segment recorded the biggest drop across all types of retail activity, falling 10.7%, according to Eurostat. Though the sector has staged a partial recovery since then, companies have scrambled to adjust. On Oct. 1, Sweden's H&M reported third quarter profit that beat expectations, but also said it would close 250 stores in 2021 to focus more on its online business.

In the automotive sector, Europe-wide sales fell 29% year over year during the first nine months of the year, and carmakers say they expect some impact from renewed lockdowns on top of an economic downturn that is stifling demand for big-ticket items. Most companies in the sector are coming off the back of a stronger-than-expected third quarter and have adapted to ensure some continuity on the retail side in the coming months.

"We believe the situation is slightly different compared to the situation we were facing in spring when we had really a more 100% lockdown," said Bayerische Motoren Werke AG CFO Nicolas Peter on a Nov. 4 earnings call. "We expect that the showrooms will be closed in some markets. However, deliveries and workshop services will still be possible. We expect an impact, but not as severe as the one we had between Q1 and Q2."

The coronavirus pandemic isn't bad news for everyone. Reckitt Benckiser Group PLC, maker of Dettol disinfectant and Lysol cleaning products, on Oct. 20 raised its 2020 outlook for the second time after reporting better-than-expected growth in third-quarter sales as the pandemic boosted demand for its hygiene products.

"Meeting the global demand for Dettol and Lysol has been a priority for the business," said CEO Laxman Narasimhan on a third-quarter call with analysts. "Since the start of the year, we have taken Dettol and Lysol into 19 new countries and expanded the reach of different products, for example, taking Dettol hand sanitizer into 20 new markets and Dettol wipes into 13 new markets."

And even though the renewed curbs will hurt many European consumer businesses, they could bounce back more quickly this time. "I don't expect the impact [on luxury companies] to be as bad as it was in the third quarter," said Pusz of UBS. "Companies are better prepared to deal" with the disruption. "Investors will remember how quickly things went back to normal."

Source: spglobal.com - Nov 17, 2020

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UK to offer Sri Lanka same benefits of EU GSP+ post-Brexit from 2021

The United Kingdom has assured Sri Lanka will continue to enjoy EU GSP+ benefit from 2021 post-Brexit, the Export Development Board said in a statement.

It said since the UK was the main market for Sri Lanka's exports to the EU region and the second largest export market after the USA, it was important for Sri Lanka to receive the same tariff preferences it was enjoying prior to Brexit when trading with the UK in the post-Brexit period.

Exports to UK in the first 10 months of 2020 amounted to $ 766.72 million and rose by 39% to $ 102.5 million in October as per provisional data.

The EDB said once the transition period ended on 31 December this year, the UK Global Tariff (UKGT) would replace the EU's Common External Tariff – which would apply until 31 December 2020 – and UK Generalised Scheme of Preferences (UK GSP) would apply from January 2021.

"The Department of International Trade of the UK has announced that EU-GSP eligible countries will be able to get the same tariff preferences they were entitled to earlier through the UK GSP from 1 January 2021," the EDB said.

Being a EU-GSP-plus beneficiary country, Sri Lanka will continue to be eligible to receive the same preferential benefits under EU GSP+ for the UK as per its proposed Enhanced Framework replicating EU GSP plus. The proposed Enhanced Framework of the UK replicating EU-GSP Plus criteria is expected to be enforced on 1 January 2021 for a three-year-period from 2021 to 2023.

Further to the information received by the Sri Lanka High Commission in the UK, the current EU GSP Rules of Origin criteria will be applicable till 31 December 2023 and the exemptions of the EU-GSP Rules i.e. bilateral/regional/cross-regional and extended cumulation will be available in a different terminology.

A beneficiary country intending to apply for extended or cross regional cumulation has the option to submit a joint application to the UK authority once the Enhanced Framework is enforced.

With regard to the proof of origin of exported goods, the Registered Exporters System (REX system), which is in use at present, will be discontinued from 31 December 2020. However, a similar self –declaration form or a Certificate of Origin (COC) Form A will be introduced by the UK authority. More details and guidelines on the COC will be issued shortly by the UK authorities.

During the three-year-period (2021-2023), the UK will review the eligibility criteria, rules of origin criteria and guidelines to develop its bespoke preferential scheme. The stakeholders too will be consulted in this process.

Source: ft.lk- Nov 16, 2020

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Sri Lanka: COVID-19 second wave curbs exports' momentum in Oct.

The emergence of the second wave of COVID-19 pandemic in October has impacted the performance of exports, which saw strong momentum since June.

As per the Customs statistics, earnings from merchandise exports recorded a negative growth of 14.9% in October 2020 to $ 831.72 million as compared to the value of $ 977.3 million a year earlier.

"This poor performance is due to the adverse impact of 2nd wave of COVID 19 pandemic within the country and globally," Export Development Chairman Prabhash Subasinghe said.

"It is concerning to see a sharp reduction in exports in October due to the COVID-19 eruption in Sri Lanka which has had a direct impact on our manufacturing and export facilities.

The exporters' order book is full for the rest of the year and the businesses need to be agile to manage through the COVID-19 disruption. European markets have moved into a lockdown phase and the USA has also reported very high COVID-19 numbers, this will have a significant impact on our market access. Our exporters will need to navigate this uncharted territory in order to maintain business continuity," Subasinghe added.

Increases in exports were recorded only in the Europe Region (6.45%) in October 2020 compared to October 2019. Moreover, earnings from merchandise exports absorbed by United Kingdom in October 2020 increased by 38.93 %.

Following October data, EDB has revised export target for 2020 to $ 13.39 billion and of that it expects $ 9.57 billion from merchandise exports and $ 3.82 billion from services exports. During the period January to October 2020, earnings from exports recorded $ 10.81 billion including the estimated services data for July to October and 80.75% achieved from the revised export target.

Export earnings from Apparel and Textiles declined by 18.93% to $ 356.52 million in October 2020 as against last year. In comparison to September 2020, the performance in October was down by 17.45%. EBD said despite the decline, earnings from exports of other textiles increased by 43.92% in October 2020 in comparison to October 2019.

Export earnings from Tea in September 2020 which made up 12% of merchandise exports decreased by 1.38 % y-o-y to $ 112.22 million and the export volume declined by 10.57% in October 2020. In addition, export earnings from Tea recorded a 1.55% increase in October 2020 in comparison to September 2020.

In addition, export earnings from Rubber and Rubber finished products have increased by 12.4 % y-o-y to $ 80.3 million in October 2020 due to the better performance in exports of Pneumatic and Retreated Rubber Tyres and Tubes (8.49%) and Industrial and Surgical Gloves of Rubber (36.27%).

However, exports of Rubber Plates, Sheets Rods of Vulcanised or Unhardened Rubber, Gaskets, Washers, Seals etc. of Hard Rubber and Hygienic or Pharmaceutical Articles have decreased by 39.93 %, 10.04% and 65.71% respectively in October 2020.

Earnings from all the major categories of Coconut-based products increased in October 2020 compared with October 2019. Earnings from Coconut Oil, Coconut Milk Powder, Coconut Cream, Liquid Coconut Milk, and Coconut Flour categorised under Coconut Kernel Products increased by 70.46%, 41.67%, 72.64% and 208.7% respectively in October 2020 from a year earlier.

Being the largest contributor to Coconut based sector, Coco Peat, Fibre Pith and Moulded products categorised under the Coconut fibre products increased by 30.64% to $ 13.09 million in October 2020. Earnings from Activated Carbon, categorised under Coconut shell products, increased by 17.61% in October 2020 compared to a year ago.

Export earnings from Spices and Essential Oils have increased by 3.71% to $ 33.8 million in October 2020 due to the better performance recorded in exports of cinnamon (10.16%).

Earnings from export of Electrical and Electronic Components (EEC) decreased by 37.51% to $ 20.49 million in October. Earnings from export of EEC decreased by 44.64% in October compared with September 2020. Despite the decline in the sector, export of Printed Circuits recorded an increase of 4.17% in October 2020 compared to October 2019.

Total merchandise export earnings for January to October 2020 was $ 8,233.21 million, down by 16.4% from the corresponding period of last year.

Major exports such as Apparel and Textiles ($ 3,630.41 million), Tea ($ 1,031.78 million), Rubber and Rubber based products ($ 667.14 million) and Electrical and Electronic Components ($ 266.71 million) recorded decrease of 21.29%, 9.42%, 11.49% and 17.64% respectively.

However, export of Coconut and Coconut-based products ($ 552.74 million), Spices and Concentrates ($ 268.33 million) and Other Export crops ($ 63.77 million) recorded positive growth rates during the period.

EDB said the export sectors that show positive growth at disaggregate level includes export of Made-up Textile Articles, Other Textile Articles, Industrial and Surgical Gloves of Rubber, Coconut Oil, Coconut Milk Powder, Coconut Cream, Liquid Coconut Milk, Coconut Flour, Coconut Vinegar, Coco Peat, Fibre Pith and Moulded products, Coconut Husk Chips, Activated Carbon, Coconut Shell Pieces, Powder and Charcoal, Cinnamon, Essential Oils, Ginger, Processed Vegetables, Fruits and Juices, Sugars, Sugar Confectionery and Bakery Products, Rice, Black Gram, Lentils, Betel Leaves, Arecanuts, Starches, Glues, Enzymes, Gloves, Mitts and Mittens (Plastic Products), Natural Salt and Petroleum Gases.

Earnings from export of PPE (Personal Protective Equipment) related products increased by 46% to $ 731.63 million in January to October 2020 compared with the value of $ 501.13 million recorded in the corresponding period of previous year. The strong performance was mainly due to the increased exports of Other made-up articles (HS 630790) and Articles of apparel and clothing accessories of plastics (HS 392620).

The top five export destinations during the period January-October 2020 were the United States of America ($ 2,089.2 million), United Kingdom ($ 766.72 million) India ($ 498.79 million), Germany ($ 478.96 million) and Italy ($ 371.58 million) absorbed over 50% of exports recorded in the period.

Being the largest single export destination, United States of America has absorbed $ 197.06 m worth of exports in October 2020 recording a decline of 17.88 % in comparison to $ 252.16 m absorbed in October 2019. Also, exports to United States of America decreased by 19.32 % in January-October 2020 in comparison to October 2019.

Exports to United Kingdom as the largest trading partner in the EU Region recorded an increase of 38.93% to $ 102.52 million in October 2020 compared with October 2019. Further, exports to Netherlands, Canada, China, Turkey and Russia have also shown better performance during the month of October 2020.

Except EU Region (6.45%), exports to other regions; South Asia, Asean, CIS, African and Middle East Countries have decreased 30.08%, 21.44%, 27.01%, 7% and 39.13% respectively in October 2020 compared with October 2019.

The services exports estimated by EDB which includes ICT/BPM, Construction, Financial Services and Transport and Logistics show exports of $ 2,577 million for the period of January to October 2020 compared to $ 3,208 million recorded in the corresponding period of the previous year. However, estimated service exports declined by 19.66% during the period of January to October 2020 compared with the corresponding period of previous year.

Further, earnings from Merchandise exports and services exports achieved 86.02 % and 67.53% respectively during the period of January to October 2020.

Source: ft.lk- Nov 16, 2020

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Dhaka seeks duty-waiver for 12 more years past LDC graduation

Bangladesh has demanded before the United Nations export duty waivers on its products for 10 to 12 years past its graduation from a least developed country (LDC) to a developing one in 2024, said a top commerce ministry official yesterday.

Bangladesh has been lobbying with international communities, like the LDC group of the World Trade Organisation (WTO), for the waiver, said Commerce Secretary Md Jafar Uddin.

This is because the country's economy, exports, supply chains and employment have been severely damaged from the fallouts of the Covid-19, he said.

Bangladesh will graduate to a developing country in 2024 as the country proved its eligibility in all three prerequisites set by the UN Committee for Development Policy (UN CDP).

The three prerequisites are on gross national income, human assets index and economic vulnerability index. Next year the UN CDP will assess the country's graduation requirements again.

Last month, the commerce ministry sent a letter to the European Union (EU) for the continuation of the Generalised System of Preferences (GSP) under its Everything but Arms (EBA) initiative for 10 more years following the graduation.

Bangladesh has been enjoying the zero-duty benefit to the EU under the EBA since it gained independence in 1971.

The EU is the country's single largest export trade bloc where 58 per cent of its exportable goods are destined for and 64 per cent of its garment exports are bound for in a year.

Only the EU has already announced that the trade bloc will continue the zero-duty benefit for Bangladesh after the graduation for three more years as a grace period for preparations.

However, Bangladesh demanded 10 years instead of three years as the country's economy has been severely damaged.

Other developed or developing countries did not assure for any extension of the tenure for Bangladesh's zero-duty benefits after the graduation.

Jafar Uddin also said as per the WTO's previous announcement, Bangladesh was supposed to be immune from the restrictions stemming from patent rights of medicine under its Trade Related Aspects of Intellectual Property Rights (TRIPs) up to January 1, 2033.

However, there is a possibility of the abolishment of such facilities once the country makes the graduation. "We demanded that the UN continue with the patent rights for our country up to 2033 as per the previous announcement," the commerce secretary said.

In both cases, Bangladesh has been lobbying along with its other LDC peers for the trade benefits to be granted for 10 to 12 years.

The LDC countries will hold discussions on the Bangladesh's proposal today, he said.

Bangladesh's export will decline 5.7 per cent annually if the EU's EBA initiative is not extended, as local exporters will then have to face an 8.7 per cent duty on exports to the bloc.

So, there is a possibility of losing more than $2 billion worth of export business annually after the graduation, according to the United Nations Industrial Development Organisation.

Bangladesh will have to ratify 27 international conventions including four core conventions on good governance, labour rights, human rights and environmental protection if it wants to secure the much-required GSP Plus to enjoy the zero-duty benefit to the EU after the graduation.

Source: thedailystar.net- Nov 16, 2020

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Bangladesh to seek relaxed China rules for increasing exports

Bangladesh is set to put forward some proposals including seeking relaxation of Asia Pacific Trade Agreement (APTA) rules of origin during the ensuing Foreign Office Consultation (FOC) meeting, officials said.

The Bangladesh side will also request Chinese entrepreneurs to set up joint venture industries in Bangladesh, they added.

Other proposals to be placed before the meeting include setting up of a design institute in the leather sector and a fashion design institute in the readymade garment (RMG) sector etc., they mentioned.

The commerce ministry has recently submitted some proposals to the foreign ministry for placing them at the upcoming FOC meeting between Bangladesh and China.

"Bangladesh has been suffering from a continuous trade imbalance over the years. In order to trim down the existing trade imbalance between the two countries, we have given some talking points to the ministry concerned for placing the proposals at the next FOC meeting," a high official of the commerce ministry said.

The commerce ministry suggested requesting China to relax the APTA Rules of Origin and Rules of Origin of Zero Tariff Treatment for Bangladesh in the form of 25 per cent value addition (ad valorem percentage) instead of 40 per cent in processed products, according to the talking points.

It has also made request to persuade the Chinese investors to set up joint venture industries in the fields of country's leather goods including shoes, IT, light engineering, agro-processing foods, shipbuilding, high value added textile products.

The ministry suggested that trade delegations need to visit China and meet their counterparts for assessing the demand, price and quality of products having export potential.

China granted duty-free and quota-free (DFQF) access to 8,549 Bangladeshi products (97 per cent), which may help boost exports while lowering the ballooning bilateral trade imbalance, officials say. The trade benefit was given by China to Bangladesh as a least developed country (LDC) under the World Trade Organisation (WTO) provisions.

China offered duty-free treatment to the LDCs in July 2010 and Bangladesh used to enjoy the benefit for 60 per cent of its tariff lines. The benefit for Bangladesh came into effect from July 01, 2020 and would continue until the country graduates to a developing country status, slated for 2024.

Simultaneously, Bangladesh will continue enjoying preferential market access to China under the Asia-Pacific Trade Agreement or APTA, which covers 3,700 HS Codes. Under the facility, Bangladeshi goods will have to ensure value addition of 40 per cent while under the APTA the requirement is 35 per cent.

To avail the enhanced benefit, Bangladesh signed a letter of exchange in 2019 and sent it to China for its response. After a long wait, the Chinese finance ministry on June 16 agreed to grant the facility to Bangladesh.

China is the largest trade partner for Bangladesh with annual bilateral commerce totalling over $12.13 billion. In the fiscal year 2019-20, Bangladesh imported goods worth over US$11.53 billion from China and exported goods over US$ 600 million.

Country's trade gap with China stood at nearly US$ 11 billion in the last fiscal year (FY20), according to the statistics of the ministry. The Bangladesh-China FOC is likely to be held in Dhaka soon.

The FOC will review various global, regional and sub-regional issues of mutual interests. Issues of bilateral cooperation will also be discussed.

Source: thefinancialexpress.com.bd– Nov 17, 2020

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Pakistan: A rare opportunity for exports

Recent economic indicators of Pakistan suggest that the economy is currently on the right track as it recovers from the pandemic shock.

Export numbers are increasing, the SBP-IBA Business Confidence Index has returned to the positive zone and manufacturing activities are rebounding. However, the government policymakers must tread more cautiously.

With winter approaching in the northern hemisphere, there is a resurgence of Covid-19 cases in Europe. Positive Covid-19 cases also continue to move upwards in the United States. Several Western governments are forced to impose strict lockdowns, which can further slow down their already struggling economies.

Although the recent announcement of a possible Covid-19 vaccine can alleviate fears of long-term struggle against the disease and its adverse economic impact, short-term challenges to health and economic conditions remain more significant than ever.

Cases in Pakistan are also reported to be going up. The positivity rate is yet again increasing. This can create uncertainty within the business sector. Unfortunately, the lack of adherence to the standard operating procedures, recommended by the National Command and Operation Centre (NCOC), is disconcerting.

Although the worst-case scenario that involves a complete lockdown of the economy is unlikely, uncertainty in business activities can dent the recovering economic conditions.

For instance, firms may face a dilemma in building their inventory, particularly if another economic slowdown is expected. This can significantly increase the cost of doing business, particularly for small and medium enterprises (SMEs) that are usually capacity-constrained and relatively more sensitive to shocks in input and output prices.

Furthermore, as uncertainty increases, certain businesses may report greater rent-seeking activities but also higher prices from essential services such as transportation and other facilities as they seek to reduce time delays.

The monthly summary of export and import figures, published by the Pakistan Bureau of Statistics (PBS), reveals a continued upward trend in exports in October 2020 as they increased 10.16% over September 2020 and 3.07% over October 2019. Exports breached the psychological barrier of $2 billion in October 2020.

However, imports in October 2020 were 11.59% lower than imports in September 2020 and 5.73% lower than imports in October 2019. Trade deficit declined by 28.50% in October 2020 over the value reported in September 2020 and 14.46% over the value reported in October 2019.

Export orders

It is important to mention that the rupee had started to appreciate in value in October 2020. However, export orders were likely to have been placed in advance, before the upward trend in Pakistani rupee against the US dollar.

Reports of orders from leading apparel brands suggest that business opportunities, otherwise destined for more competitive markets in the region, are now favouring Pakistan. These opportunities must not only be tapped for short-term benefits but must be converted into longer-term gains and sustainable trading relationships.

One of the biggest challenges in recent months faced by the economy is the shortage of agricultural commodities and the resulting inflation. Imports of food group increased 83.03% in September 2020 over the value in September 2019 in dollar terms.

It was driven by a sharp increase in imports of wheat and sugar. There was zero import of wheat in September 2019, which increased to $92.3 million or 392,000 tonnes in September this year.

Sugar imports increased 5,535.62% in September 2020 over the value reported in September 2019. There was also an increase in imports of dry fruits, nuts and soybean oil, exceeding 100% of the value reported in September 2019. A similar trend is reported for imports of food group in the first quarter of FY21 over the same time period in FY20.

With textile exports expected to increase, it is important to note a sharp increase in imports of raw cotton and synthetic fibre. Imports of cotton in September 2020 were 2,248.61% higher than the value reported in September 2019 while imports of synthetic fibre were 135% higher.

This can suggest that there is a significant increase in demand for raw material and intermediate goods by textile producers that is not being fulfilled by domestic growers of cotton. It can also imply that the upward trend in textile exports is not only likely to continue as imports increase but also textile producers are demanding different staples and varieties of cotton that are not typically grown in Pakistan.

This can lead to the much-needed upgrading in the quality of textile products exported from Pakistan as it provides them with an opportunity to move out of exporting low value-added textile products to high value-added apparels that require higher quality cotton and man-made fibre.

This change in composition will allow Pakistani exporters to enter those market segments that were otherwise inaccessible. Furthermore, with the increase in imports of US cotton, it can increase linkages with the US textile industry and provide much-needed support from textile groups for tariff concessions on exports to the US.

Pharma goods

The onset of the pandemic provided opportunities for the exporters of Covid-related medical products to increase their shipments. Although a few items were initially banned from exports, Pakistan has a small export basket. Its major products include undenatured ethyl-alcohol used as a disinfectant and sterilisation product, surgical and medical equipment, tents for makeshift hospitals and certain protective garments and their likes.

There was an increase of 78.71% in exports of tents, canvas and tarpaulin and an increase of 22.60% in exports of pharmaceutical products in the first quarter of FY21 over the value reported for the same time period of previous fiscal year. However, exports of surgical and medical instruments declined slightly by 1.45%.

A major challenge to Pakistani exporters is the cost of trading and delays at the border. It is imperative that policymakers improve trade facilitation processes and procedures to ensure that all the stakeholders involved in international trade can benefit. Pakistan must make full use of this rare opportunity.

Source: tribune.com.pk– Nov 15, 2020

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Centre, states look to tighten GST registration process

The Centre and states are looking to further tighten the GST registration process and legal measures to deal with the rising cases of fake invoicing.

A meeting of the law committee of the GST Council has been convened on Wednesday to discuss these issues, finance ministry sources said.

The committee, comprising senior central and state tax officers, would also discuss the GST fake invoice frauds, further tightening of the GST registration process and work out other legal measures including necessary law amendment required in the GST Act to curb the menace of fake invoicing, they added.

Also the provisions related to deemed registration under Goods and Services Tax (GST) law may be tightened to prevent the misuse of such provisions by fake dealers and the provisions related to suspension of registration may also be streamlined to make the procedure of suspension and cancellation of registration more efficient and faster, so that such fraud operators can be prevented in time from continuing to pass on fake credit down the chain.

"It is also learnt that data analytics techniques will be used to identify such taxpayers, who are suspected to be indulging in fraudulent activities and a coordinated action is likely to be taken against such elements by suspending their registration, followed by detailed physical and financial verification by field officers to check genuineness of their operations, before they are allowed to reuse their registration," a source said.

The Directorate General of GST Intelligence (DGGI), the investigation unit under GST, has arrested 30 unscrupulous persons dealing with fake invoice and identified 1,282 entities and booked 393 cases so far.

Goods and services involved were waste and scrap of metals (ferrous metals as well as non-ferrous metals), articles of iron and steel, copper wire, plastic granules, milk products (butter and ghee), electronic goods, leather, textiles, chemicals, software, waste paper, cement, TMT bar, tobacco products, construction services, works contract services, manpower supply services, advertisement and animation services, other employment and labour supply services etc.

The law committee would also consider the impact of the issuances of fake invoices and strict actions/measures required under the GST law to curb these activities and deliberate on measures that are required to plug loopholes in the law which are being exploited by the unscrupulous elements to defraud the exchequer.

Sources said that businesses, whose owners or promoters do not have commensurate financial track record, like filing of income tax returns and payment of income tax to the government, may require detailed physical and financial verification by tax officers, before their companies can be considered for GST registration.

“The Finance Ministry is in the process of plugging these gaps in the GST registration process to ensure that only genuine businesses get a GST registration and those, who have intent to defraud the system, are purged out at the registration stage itself,” one of the sources said.

Source: financialexpress.com– Nov 17, 2020

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Govt unveils new rules for setting up ICDs, CFS’ and air freight stations

The government will discourage setting up of new inland container depots (ICDs) within 200 km of a connecting or the nearest serving seaport and has decided against permitting new ICDs to be built within 100 km of an existing facility, according to the revised policy for developing such dry ports.

Rail transport is price competitive with road transport when the lead distance is more than 200 km. Rail linked ICDs are favoured at inland locations, with a lead distance of up to 1,500 km in north India.

The new rule for setting up ICDs is expected to boost direct port delivery (DPD) and direct port entry (DPE) between the hinterland and ports, the Central Board of Indirect Taxes and Customs (CBIC) said.

The country will be grouped into three areas – green, blue and red zones – for the purpose of opening new ICDs, container freight stations and air freight stations.

States low on ICD/CFS infrastructure will be listed under the green zone and will be open for setting up new dry ports.

In states where proposals can be accepted only for specific trade generating locations, with no existing facilities or with over-utilised facilities, will be grouped under the blue zone.

States identified under the red zone having adequate ICD/CFS infrastructure may be closed indefinitely for building new CFS. However, in exceptional cases, new ICDs may be approved in trade generating locations with high export and import potential in need of new facilities in states and union territories not listed in the green and blue zones.
The inter-ministerial committee (IMC) that vets proposals for setting up new facilities can relax distance rules in green zones to support infrastructure development in states with a limited logistics network.

The IMC can approve creation of additional facilities near existing ICDs (in all three zones) if demand exceeds the existing capacity of ICDs/CFSs in trade generating locations.

Development of ICDs along waterways will be encouraged, with relaxations being given in geographical zone and distance rules.

Approval for new ICDs directly along or linked with dedicated freight corridors will be accorded with no more than one ICD directly connected with these corridors, within chargeable distance of 100 km in both directions.

New CFS' which are linked to an ICD will not be allowed. Only CFS' connected to ports in permissible zones will be allowed after considering the existing capacity and utilisation parameters. While screening applications for setting up airfreight stations, the IMC will only consider the demand-supply gap before taking a call.

The minimum threshold performance will be 7,200 twenty-foot equivalent units (TEUs)/ consignments per year (two way) for an ICD and 1,200 TEUs/consignment per year (two way) for a CFS. There is no threshold performance for an air freight station.

An ICD should have a minimum area of seven hectares, of which at least four hectares should be a Customs Notified Area, while one hectare should be devoted for DPD and DPE requirements.

For states in the green zone, ICDs with three hectares for Customs Notified Area and one hectare for DPD and DPE could be considered.

The minimum area for a CFS will be two hectares, while 1,000 square metres of covered area each for exports and imports should be made available for air freight stations.

“The zoning and distance rules in the revised policy will aid in more balanced development in the sector and prevent concentration of facilities, which will improve the viability of existing/ upcoming facilities by reducing competitive pressure,” said K Ravichandran, Senior Vice-President and Group Head, Corporate Ratings, ICRA.

Source: thehindubusinessline.com– Nov 17, 2020

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Get competitive, don’t blame RCEP: Why India’s exports haven’t grown as fast as China’s or Vietnam’s

All the 10 members of the Asean, along with China, Korea, Japan, Australia and New Zealand, finally signing the Regional Comprehensive Economic Partnership (RCEP) is bad news for India, more so since this is the second major multilateral trade deal in recent years; after the US pulled out of the TransPacific Partnership (TPP) in 2017, a TPP minus the US was signed in 2018 and, as it happens, seven of the 15 RCEP members belong to the TPP-minus-US. RCEP accounts for 30% of global GDP and, given the dynamism of the region, this will rise to 50% by the end of the decade.

If India is not part of trade pacts with major countries, and the WTO process is in trouble, it will quite quickly run out of countries to trade with. Sure, India can continue to export to these countries, but it will suffer a disadvantage since, with the pact-countries, there will be no/low import duties on most goods traded while this will not hold for India.

The traditional government response to this has been two-fold. One, India is better served by concluding FTAs with the US and the EU and two, RCEP is nothing but a legal way for low-cost Chinese goods to flood the Indian market and destroy large swathes of local industry. The latter, as it happens, is part of the larger BJP narrative against FTAs/RTAs since 2014; the party has argued that India has suffered from such pacts and that they need to be reviewed.

While this may be correct for one or two countries, and a lot depends on which years are taken for the analysis, the Economic Survey did an analysis for the 1993 to 2018 period and debunked the argument. For one, it pointed out that India's goods exports had benefited from the pacts with Asean etc. On the whole, it said India's exports of manufactured goods with FTA/RTA countries had grown by 13.4% per year while imports had grown by 12.7% in this period.

Analysis by Pravin Krishna of Johns Hopkins University, for the period 2007 to 2018, shows that India's trade deficit—as a share of its total trade deficit—with the Asean fell from 9.9% to 6.6%. For all bilateral agreements that India has, such as with Japan, Korea, etc, this fell from 12.6% to 7.5%. Interestingly, the sharpest deterioration in India's deficit is with China, a country with which it has no FTA.

Indeed, the real issue that comes out is that of India's poor competitiveness, and that has little to do with FTAs. To understand this better, let's keep India out of the equation, just look at the overall exports of various countries.

In the last 20 years (see graphic), India's exports grew 9 times while those of China rose 13 times—on a base that is 5.5 times India's—and Vietnam's rose 23 times; as a result, from a mere 32% of India's in 1999, Vietnam's exports are 81.5% of India's today. In other words, whether or not we sign a trade pact with these countries, chances are their exports will grow faster than India's; the fact that their exports are growing faster than ours means they are more competitive.

The same result, of lack of competitiveness, as it happens, is visible from India's overall exports. From 16.8% of GDP in FY12, India's exports fell to 10.9% in FY20; and while imports fell from 26.8% to 16.5%, imports are significantly higher than exports.

Indeed, the production linked incentive (PLI) scheme that the government has finalised for mobile phones—and plans to do for 10 other sectors soon—is itself recognition of this reality since the PLI offered are meant to offset a part of the disadvantage of producing in India. One of the studies on the disadvantage in the case of mobile phones put this at 9.4-12.5% versus manufacturing in Vietnam; the cost of electricity (based on the amount used for production) added one per cent to the cost of production of a phone in India, expensive bank loans added 1.5-2% to the costs, logistics 0.5%, land one per cent, etc.

What makes an exports push all the more critical, especially at a time when India is raising import duties and talking of atmanirbharta, is that India's high GDP growth in the past has been directly related to exports growth, not that of local consumption.

In the boom years of 2003-08, JP Morgan chief India economist Sajjid Chinoy points out, India's real exports growth averaged 17.8% annually while (public and private) consumption grew just 7.2%; a similar point has also been made by former chief economic advisor Arvind Subramanian.

While it is theoretically possible India's exports can grow faster should there be an FTA with both the US and EU—even so, China and Vietnam's higher competitiveness is an issue—it is by no means a given that such an FTA can be signed quickly. Indeed, for decades, India has resisted opening up sectors that the US and EU have been interested in.

That something like the import duties on Harley Davidson motorcycles was allowed to become a friction point between India and the US despite no serious manufacture of these motorcycles in India indicates just how inflexible India has been; imagine its ability to open up sectors or reduce duties in sectors where there are a large number of local producers who will be hit.

Source: financialexpress.com– Nov 17, 2020

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Trade pacts with the world remain underutilized

With India sitting out of the RCEP deal, opinion cops have cautioned against protectionist sentiments. But if you look closely, India's experience with trade pacts so far has been mixed. Consider the overall merchandise exports. A majority of the trade agreements in force have had no effect whatsoever until now, concluded none other than the 2020 Economic Survey. The Survey had madesimilar observations in its past editions including 2017-18.

India is believed to be underutilizing its existing Free Trade Agreements (FTA) and evidence came from ADB a few years ago, which pointed out that the utilisation rate of India's FTAs varies between 5 and 25 per cent— one of the lowest across Asia. Besides, it added, our exports to FTA countries didn't outperform overall export growth or exports to the rest of the world.

Buttressing the same, a Niti Aayog paper, too, in the past had noted that recent FTAs suggest unfavourable gains to trade partners and that worsening of trade imbalances merits attention. It underscored how India's trade deficit with ASEAN, Korea and Japan widened post-FTAs. Predictably, India didn't sign any new agreements in nearly a decade and has only 14 FTAs till date. Analyzing the four key FTAs India signed with ASEAN, Korea, Sri Lanka and Japan, the paper found that bilateral trade increased post signing of all the above FTAs.

Imports from these FTA partners into India increased more than exports, but as imports shot up, India's trade deficit with these countries increased since then. Only exports to Sri Lanka rose more than imports into India. For instance, the overall trade deficit with ASEAN, Korea and Japan doubled to $25 billion in FY17 from $15 billion in FY11 and $5 billion in FY10. Similarly, the trade deficit with Korea widened from $5 billion to $8 billion, while with Japan and ASEAN, it doubled between FY10 and FY17.

Analysts feel higher logistics costs were also a major impediment to export growth. Estimates peg logistics cost in India to be about twice of that in developed countries. Average logistics costs in India are about 15 per cent of GDP, while such costs in developed countries are about 8 per cent. The Economic Survey 2017-18 showed how improved logistics can have huge implications on increasing exports, as a 10 per cent decrease in indirect logistics cost can contribute to about 5-8 per cent of extra exports.

Meanwhile, the Economic Survey 2020 also noted that other than merchandise exports, categories like manufactured products saw moderate trade surplus with four trade agreements (with Mercosur, Nepal, Singapore and Chile) showing a positive impact. Even as some of the agreements led to increase in imports, for most of the cases, the percentage increase in exports is higher than the percentage increase in imports, it stated.

However, Korea, Japan and Sri Lanka were an exception with the percentage increase in imports being higher than exports.The International Trade Center (ITC) estimates India's untapped export potential at $201.4 billion with a corresponding import potential pegged at $181.8 billion.

Source: maritimegateway.com– Nov 18, 2020

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A day after RCEP, Jaishankar slams trade pacts, globalisation

'The effect of past trade agreements has been to deindustrialise some sectors'

India has allowed other countries "unfair" trade and manufacturing advantages "in the name of openness", asserted External Affairs Minister S. Jaishankar, in a speech criticising the effects of globalisation on Monday. Speaking just a day after the 15-nation Regional Comprehensive Economic Partnership (RCEP) was signed, Mr. Jaishankar was particularly scathing of trade agreements, which he said had forced India to "deindustrialise".

"In the name of openness, we have allowed subsidised products and unfair production advantages from abroad to prevail. And all the while, this was justified by the mantra of an open and globalised economy," Mr. Jaishankar said at the Deccan Dialogue conference supported by the Ministry of External Affairs.

Without directly referring to the RCEP, the world's largest trading bloc that India decided to walk out of a year ago, Mr. Jaishankar said that the government had decided to move away from trading arrangements, towards an "Aatmanirbhar Bharat (self-dependent India)" policy where India could decide the rules and consolidate "comprehensive national power".

“The effect of past trade agreements has been to deindustrialise some sectors. The consequences of future ones would lock us into global commitments, many of them not to our advantage. Those who argue stressing openness and efficiency do not present the full picture,” Mr. Jaishankar said, adding that India was not “turning its back on the world” but strengthening itself.

Mr. Jaishankar’s comments indicate that India is not considering at present, an offer from RCEP countries to rejoin the group at a later stage. In a separate statement, which Japan reportedly drafted, all RCEP countries committed to restarting talks with India, if and when it decides to reapply in writing.

Economists warn that staying out of RCEP could mean India misses a chance to set the rules in the important grouping at the beginning.

“India has been repeatedly missing the Asian bus, despite our desire to get on board,” said Sanjaya Baru, columnist and former director for geo-economics and strategy at the International Institute of Strategic Studies (IISS), likening the present to India’s decision to stay out of the Asia Pacific Economic Cooperation (APEC) forum in the 1990s.

“RCEP was an important element and logical extension of our Act East Policy,” he added. Leaders of the grouping hailed the RCEP agreement as a boost for multilateralism, even as Asian markets rose on Monday on news of the signing of the much-delayed deal.

“This is a major step forward for our region,” said Singapore Prime Minister Lee Hsien Loong. “At a time when multilateralism is losing ground, and global growth is slowing, the RCEP shows Asian countries’ support for open and connected supply chains, freer trade and closer interdependence,” he added.

On Sunday, 15 countries including 10 members of the Association of Southeast Asian Nations (ASEAN) and Australia, China, Japan, New Zealand, and South Korea signed the RCEP that was negotiated for eight years. According to the agreement, RCEP members will work towards abolishing about 92% of the tariffs on goods traded between them.

The pact covers about 2.2 billion people with a combined GDP of $26.2 trillion, or a third of global population and GDP, and the previous Manmohan Singh government had originally joined the RCEP talks when they began in 2012.

After several rounds of talks, however, the Modi government decided to pull out of RCEP in November 2019, citing the group's failure to address India's concerns on "rules of origin", over protections for India's agriculture and dairy sectors, and worries about ceding more market access to China and other non-FTA partners.

Tensions over the ongoing standoff with China at the Line of Actual Control, appear to have hardened New Delhi's conviction about its decision last year.

In his speech on Monday, Mr. Jaishankar said that India had made its "choice" given the damaging consequences of previous free trade agreements, that had led to trade deficits, manufacturing cuts, job losses and to "becoming over-dependent on imports".

Source: thehindu.com– Nov 17, 2020

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Telangana decides to go for Option 1 to meet GST Compensation shortfall

Telangana has joined 22 States and 3 Union Territories to go by 'Option 1' for meeting GST compensation shortfall. Only West Bengal, Punjab, Chattisgarh, Jharkhand and Kerala are yet to send their acceptance formally.

With this, Telangana will get ₹2,380 crore through special window borrowing and permission to raise additional ₹5,017 crore through borrowings.

The States who choose Option-1 are getting the amount of shortfall arising out of GST implementation through a special borrowing window put in place by the Government of India.

The window has been operationalised now and the Centre already borrowed an amount of ₹18,000 crore on behalf of the States in three instalments and has passed it on to 22 States and 3 Union Territories on October 23rd, November 2nd and November 9. Now, Telangana will receive funds raised through this window. The next instalment of borrowings is likely to be released on November 23.

Under the terms of Option-1, States are also entitled to get unconditional permission to borrow the final instalment of 0.5 per cent of Gross State Domestic Product (GSDP) out of the 2 per cent additional borrowings permitted by the Centre, under Atmanirbhar Abhiyaan on May 17. This is over and above the Special Window of ₹1.1 lakh crore. On receipt of the choice of Option-1 from the Telangana, the Centre granted the Telangana government additional borrowing permission equivalent to 0.5 per cent of GSDP.

States who have opted for Option-1 are — Andhra Pradesh, Arunachal Pradesh, Assam, Bihar, Goa, Gujarat, Haryana, Himachal Pradesh, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Mizoram, Nagaland, Odisha, Rajasthan, Sikkim, Telangana, Tripura, Tamil Nadu, Uttar Pradesh, and Uttarakhand, along with the three Union Territories of Delhi, Jammu & Kashmir and Puducherry.

Source: thehindubusinessline.com– Nov 17, 2020

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India's cotton production may be hit by rains, pink bollworm infestation

India's cotton crop output could be lower than initial estimates as it has been affected by rains and pest attack, according to various industry players across the country.

The Ministry of Agriculture in its first advance estimate of commercial crops for 2020-21 season (October-September) has pegged cotton production at 371.18 lakh bales (of 170 kg each).

Last week, trade body Cotton Association of India (CAI) estimated cotton production at 356 lakh bales but said that the crop had been affected by excess rains in some regions in the country besides infestation of pink bollworm.

"The weather is not favourable for cotton crop. The hot temperature during day time is not good for the standing crop," said Atul Ganatra, CAI Chairman. The crop has been affected in growing regions in North India, Telangana, Maharashtra and Gujarat. "Conditions for the crop in these areas are not good," he said.

According to P Chengal Reddy, Chief Advisor to the Consortium of Indian Farmers Associations, at least one-third of the cotton crop in the known regions of Telangana has been affected. "There are some unknown regions such as Guntur and Prakasam districts in Andhra Pradesh which have also been affected," he said.

Telangana and Andhra Pradesh were badly affected by heavy rains under the influence of a cyclonic storm last month with parts of Hyderabad being inundated.

"We are yet to get a clear picture of the crop situation in Telangana and Andhra Pradesh. But we suspect that at least 10 percent of the cotton crop there could have been affected," said Anand Poppat, a cotton agent at Rajkot, Gujarat.

Estimates have pegged Telangana's cotton production at 48 lakh bales, while that of Andhra at 14 lakh bales.

Pink Bollworm infestation, a major concern.

More worrying than the weather impact is the problems that have cropped up due to pink bollworms, an economically destructive pest in cotton causing losses up to 60 percent.

"Cotton production will be 5-10 percent lower due to pink bollworm infestation in Gujarat. In the Saurashtra region, the bollworm has affected plants in Bhavnagar, Amreli, and, to some extent, in Junagadh districts," Poppat said.

"Even in Maharashtra, the crop in some parts has been affected. Still, I think we will achieve the 356 lakh bales as projected by CAI," he said.

According to Anil Ghanwat, President of Shetkari Sangathna, the pink bollworm could affect 25-30 percent of the crop in Maharashtra. "Vidharbha region has been badly affected by the infestation. The worms feed on the plants," he said.

The resistance against the pest attack has to come from within the plant for which it requires protein but the Union government has not given permission for the latest genetically-modified cotton variety, Ghanwat, whose organisation is demanding that the government allow farmers to grow the latest genetically-modified varieties.

“This would not have happened had our farmers access to the latest crop technology. Rains have first affected the crop and now this bollworm which will lead to problems in boll setting and dropping,” the Shetkari Sangathna leader said.

The Union government is yet to give its approval for the commercial cultivation of any genetically-modified crop ever since the Manmohan Singh-led United Progressive Alliance announced a moratorium on genetically-modified brinjal.

The current National Democratic Alliance government has left it to the respective States to permit the trials of genetically-modified crops.

The pink bollworm will force farmers to pluck out the plant from their farmers and go in for other alternatives such as chana (gram), wheat, jeera (cummin), said cotton agent Poppat.

“Two pickings have generally been completed. The third and fourth pickings in cotton crop could be affected. So, farmers would prefer to pull out the cotton plant and go for other alternatives that can also ensure better returns,” he said.

According to CAI, Maharashtra is estimated to produce 85 lakh bales and Gujarat 92 lakh bales this season.

CAI’s Ganatra said that the trade body would review the crop production at a meeting on December 10.

Industry not worried over cotton supplies

But industry users say that the crop being hit by the weather and pink bollworm should not be any cause for worry over supplies.

“We have a huge carryover stock and we need not worry over supplies even if the crop is affected. In fact, we will have a good carryover stock next season too,” a mill user said.

Cotton consumption was affected last season as industries were shut during the lockdown announced by the Government to tackle the spread of novel Coronavirus during March-June this year. It has resulted in a record carryover stock of 107.50 lakh bales this season.

Next season, too, the carryover has been pegged at 87.50 lakh bales, which is also higher than normal.

Reports of a lower crop have, however, helped kapas (raw cotton) prices of raw cotton to rise. Raw cotton in Gujarat primary agricultural markets is currently being quoted at Rs 5,340 a quintal against Rs 4,845 at the beginning of last week. This is still lower than the minimum support price of Rs 5,515 a quintal fixed by the Union government.

Processed cotton is quoted upwards of Rs 40,600 a candy (each 356 kg), while cotton December contracts on MCX quoted at Rs 20,170 a bale on November 17 afternoon against the previous close of Rs 20,220.

Source: moneycontrol.com– Nov 17, 2020

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IOCL textiles park in Odisha's Bhadrak to start in 2023-24

The proposed textile park of Indian Oil Corporation Limited (IOCL) in Bhadrak will be functional in 2023-24. IOCL's deputy general manager for business development (petrochemicals) Dhananjay Sahoo told a webinar organized recently by non-profit Odisha Corporate Foundation that the 900-tonnes per day (TPD) textile park will be set up with an investment of around ₹1,971 crore.

On the planned plastic park in Paradeep, the ministry of chemicals and fertilizers sanctioned over 120 acre on the IOCL premises for it in 2013. While the total estimated cost of the project is ₹106 crore, the central government has contributed ₹40 crore, according to media reports from the state.

While the state and country hold immense potential to invest in textiles and plastics industry, the demand will grow by 20 to 25 per cent in the coming years, said IOCL's chief general manager for petrochemicals strategy and project AV Raghunandan.

Source: fibre2fashion.com– Nov 17, 2020

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First Solar Powered Textile mill in Asia to come up in Parbhani district, Maharashtra

On November 17, 2020, the Chairman of Jai Bhawani Women cooperative textile mill announced that the mill will soon operate on solar power. With this, the mill will become the first Solar Power enabled textile mill in Asia. The mill is located in Parbhani district of Maharashtra.

Key Highlights

The mill is spread across 30 acres of land. It processes cotton to cloth. The mill does ginning, pressing, weaving and spinning of cotton. Parbhani district of Maharashtra is the leading cotton producing district in the state. Majority of the farmers in the state grow cotton and producing cotton is seen as a profitable investment in the state.
Textiles industry

The textiles sector requires a lot of hot water in the range of 40 degrees to 110 degrees Celsius. The requisite of heat in textile sector can be easily met through solar energy. According to Power Grid Corporation of India Limited, applying solar energy for textiles can save Rs 770 crores per annum.

Significance

The textiles and garment industry in India employs around 45 million people and contributes to 15% of India's export earnings. India's overall textiles imports are expected to increase to 82 billion USD in 2021. It was 31.65 billion USD in 2019.

The Indian textile industry is extremely varied. It comprises of low-scale traditional textiles to large mills. The main concern of all these mills is power.

Electrical consumption alone account to 15-20% of total production cost of these mills. Thus, by solarising the textile mills, the industry can increase their profit and reduce their overall energy consumption.

Solar Energy Scheme for Powerlooms

The scheme was announced by the Ministry of Textiles in 2018. Under the scheme, the Government will provide assistance for installation of solar power plant to address power shortage issues.

The scheme provides financial assistance in the form of capital subsidy to small Powerloom units. Under the scheme, the mills can install on-grid solar power plants and off-grid solar power plants.

Source: gktoday.in– Nov 17, 2020

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Indian factory workers supplying major brands allege routine exploitation

Women working at a Ralph Lauren supplier said they had been forced to stay overnight to complete orders, sometimes requiring them to sleep on the factory floor.

"We're made to work continuously, often through the night, sleeping at 3am then waking up by 5am for another full day," one woman said in an interview. "Our bosses don't care. They're only bothered about production," she said.

The BBC has withheld the names of those who agreed to be interviewed, as well as the names of the factories, to protect the workers' safety. Workers at the supermarket supplier said they had been made to endure conditions which would be unacceptable for staff employed by the same brands in the UK.

"We don't get toilet breaks, we don't get time to drink water on shift. We barely get time to eat lunch," one woman said. She said a manager would sometimes stand behind staff in the canteen and blow a whistle to send them back to work.

Another employee said staff were forced to work overtime and prevented from going home until extra work was finished.

"They've increased our workload. We're forced to stay late to finish it - or they yell at us and threaten to fire us. We're scared as we don't want to lose our jobs." The four brands supplied by the factories we investigated all said they were concerned about the allegations put to them by the BBC and would investigate.

The women working at these garment factories all live in poverty in a rural area of South India. The charity Action Aid, which supports more than 1,200 female garment workers across 45 villages in this specific region, told the BBC that forced overtime, verbal abuse and poor working conditions were routine at the factories in question.

Allegations such as these are not confined to the garment industry. Low wages and weak labour laws have long made India an attractive place for foreign brands looking to outsource work. Unions are rare and virtually absent in the private sector, making informal and contract workers especially vulnerable. While inspections are mandatory, rampant corruption and a sluggish system has meant that factories are rarely held to account for breaking the law.

The garment industry draws more attention because it's driven by exports and counts some of the world's biggest brands as among its clients. India is the world's second-largest manufacturer and exporter of garments after China. India's garment makers directly employ about 12.9 million people in factories and millions more outside, including their own homes, according to a 2019 report that investigated working conditions in the sector.

Several women who spoke to the BBC described a climate of fear at the factory supplying Ralph Lauren. They said managers did not give them notice to work additional hours, instead threatening them with the sack if they were unable to stay on. "The supervisor always shouts at us," one woman said. "If we make any error in stitching, I'll be taken to the master who is very scary. The master will start swearing and shouting at us. It's a terrifying experience"

Another woman, a widow who supports her family financially, said: "They ask us to work so late I can't even feed my children at night. They shouldn't treat us like slaves, they should give us respect," she said.The claims appear to violate India's Factories Act, which states that no worker should exceed more than 48 hours a week (or 60 hours with overtime), nor should they be made to work for more than nine hours in one day.

The law also states that women should only work night shifts if they choose to do so.

Ralph Lauren's 2020 Global Citizenship and sustainability report says the company is "committed to conducting our global operations ethically with respect for the dignity of all people who make our products". The report also includes a pledge to ensure employees "must not be made to work excessive working hours" and says there should be no "verbal harassment, coercion, punishment or abuse".

The three brands are all members of the Ethical Trading Initiative (ETI), and have signed up to its base code which includes a pledge to ensure working hours are not excessive, overtime is voluntary and that workers are not subject to verbal abuse.

In a statement, Ralph Lauren said it was deeply concerned by the allegations put to the company by the BBC and would investigate."We require all of our suppliers to meet strict operating standards to ensure a safe, healthy and ethical workplace, and we conduct regular third-party audits at all factories," the company said.

The factory supplying the fashion brand denied the staff members' allegations and said it was compliant with the law. The three supermarket brands all said they were shocked to hear the reports and were working together to ensure the issues were remedied, in particular on excessive working hours.

Sainsbury's said it was "insisting on a number of actions the supplier must take in order for us to continue to work with them", including "immediate actions and ongoing commitments the supplier must make while we continue to closely monitor the site".

Tesco said: "We don't tolerate any abuse of workers' rights and fully investigated these allegations as soon as we were made aware. We were deeply troubled with what we found." Tesco said its plan included "prohibiting excessive overtime, strengthening grievance procedures" and ensuring workers were "fully compensated at the correct rates for hours they've worked".

Marks & Spencer said it "undertook an immediate unannounced audit" in the wake of the claims, the company said it "identified overtime working practices that are not acceptable", but disputed worker accounts about access to toilet breaks and water.

The company also said it had a "robust" plan in place and would be "undertaking regular unannounced audits to ensure its implementation".

'Brands are to blame'

These kinds of brands do not own or operate factories in India, which creates distance between them and working conditions there, but one owner of a clothing supplier - who did not want to be named - told the BBC that if brands push for cheaper clothes it can leave suppliers with no choice but to cut corners to meet orders.

"It's the brand who wants to maximize the profit. So, they push you to a level wherein you have to do the exploitation in order to survive," he said. The owner, who used to supply a major UK brand not mentioned in this story, described some factory audit processes as a "sham".

"The factory is aware when the auditors are coming, so they keep everything in perfect condition before," he said. "The moment the audit is over, everything goes back to normal, which means exploitation and non compliance." He said that poor checks and balances, combined with a lack of responsibility by the brands, makes it hard to stamp out that exploitation.

"It is the way of working in the textile industry, it's just not India, it's everywhere." And as profits are squeezed, women often find themselves losing out. Payslips seen by the BBC show women working in garment factories can earn as little as £2.50 per day, making items which, in some cases, sell for hundreds of pounds.

More than 40% of workers surveyed by Action Aid India reported that their average monthly income was in the range of Rs. 2000-5000. (£20-£50). "Women are undervalued and underpaid throughout global supply chains," said Esther Mariaselvam, the associate director at Action Aid's Chennai office.

All of the workers who spoke to the BBC described living in impoverished conditions and said they struggled to survive on their salaries. One woman working at the Ralph Lauren supplier said she supported her entire family on a wage of around 6,000 rs (£61 per month), after deductions. Still in her late teens, she became the breadwinner after her father died and now provides for her mother and two sisters.

Her salary is within the local legal minimum wage bracket for her job, but labour rights organisations say women like her should be earning more than three times as much.

The Asia Floor Wage Alliance organisation which advocates for higher salaries for garment workers in the region, has set a monthly living wage in India of at least 18,727 rs (£190). Tesco, Sainsbury's and Marks & Spencer have previously made commitments to a living wage. Ralph Lauren has not done so explicitly.

But according to payslips seen by the BBC, neither of the factories we investigated appeared to be paying their workers anything close to the Asia Floor Wage Alliance recommended minimum amount.

We asked all four brands to comment on the living wage but none of them responded on the specific issue. Anna Bryher, from the advocacy group Labour behind the Label, said it was the responsibility of brands to ensure fair and safe working conditions.

"If you're a brand and you're making clothing in different countries around the world then you need to look at whether you're paying your workers enough to live with dignity," she said. "It's your responsibility as the company at the top of the supply chain to know what is happening in your supply chain and to make sure that it's fair."

Local labour laws were not doing enough to address exploitation, the push for change needs to come from the brands themselves," argues Vivek Soundararajan, a senior lecturer at Bath University who researches global supply chains.

"Most checks and balances do not include workers voices, they do not include what workers actually need," he said. "I think the brand should take the full responsibility ... They may not run the factory, but they get all the benefits."

Source: bbc.com– Nov 17, 2020

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Quality and labor upgrade can help boost India's textile productivity

Though India began unlocking its economy from June, normal textile production restarted much later which resulted in loss of many export orders. Ministry of Commerce and Industry stats reveal, India's textile and apparel exports shrank almost 87.5 per cent year-on-year in April 2020. Since then, the decline has narrowed month by month with exports increasing for the first time by 10 per cent year-on-year in September this year.

From April to September 2020, India's textile and apparel exports decreased 31 per cent year-on-year to $10.97 billion. Of this, apparel exports accounted for 43.6 per cent of the total industry exports and it declined by 39.3 per cent to $4.78 billion from April to September.

India's export of chemical fiber textiles also declined 38.7 per cent to account for 13.2 per cent of the total textile and apparel exports during the period. The decline in exports of cotton textiles and carpets remained relatively low at 19.5 per cent and 14.4 per cent year-on-year respectively.

Pandemic prevents resumption of production

Not just exports, work censure and production cuts led to textile industry's production falling sharply during the period. As data from the Ministry of Statistics and Planning and Implementation of India shows, in April 2020, India's textile and apparel production fell 90.8 per cent and 94.1 per cent.

Production has not resumed growth as the severity of the pandemic has not yet alleviated. The outlook for the Indian textile industry also remains pessimistic as India's daily increase in the number of confirmed cases has exceeded 70,000 since September. This resulted in textile factories reducing their production capacities drastically.

US and the European Union are the most important export markets for Indian textile industry. Consumption of textile and apparel products in these markets has gradually begun to recover since May. Retail sales have recovered to about 85 per cent of the same period in 2019. Arrival of peak consumption seasons such as Christmas and Black Friday has spurred consumption prompting brands to place orders.

Export revenues to fall

However, India has been unable to fully grasp these orders due to the aggravation of the pandemic. Rating agency ICRA opines, in mid-October sales revenue of Indian apparel exporters may fall by 25 per cent in FY2020-21 while the revenue of manufacturers focusing on domestic market may fall by around 40 per cent.

To bag more orders from the textile and apparel value chain, India needs to upgrade its product quality and customer services besides maintaining good reputation. It also needs to upgrade labor productivity.

Source: fashionatingworld.com– Nov 17, 2020

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WPI inflation for clothing up 0.07% in October 2020

India's annual rate of inflation, based on monthly wholesale price index (WPI), for October 2020, stood at 1.48 per cent over October 2019. The index for textiles incrased by 1.15 per cent and for apparel by 0.07 per cent in October, according to the provisional data released by the Office of the Economic Adviser, ministry of commerce and industry.

The official WPI for all commodities (Base: 2011-12 = 100) for the month of October 2020 increased by 1.48 per cent to 123.8, showing positive inflation for the third consecutive month since April this year when the economy was hit by COVID-19 pandemic and lockdowns.

The index for manufactured products (weight 64.23 per cent) for October 2020 increased by 2.12 per cent to 120.3 from 119.8 for the month of September 2020.

The index for 'Manufacture of Wearing Apparel' sub-group also increased by 0.07 per cent to 138.2. The index for 'Manufacture of Textiles' sub-group too rose by 1.15 per cent to 114.7.

The index for primary articles (weight 22.62 per cent) rose by 4.74 per cent to 152.4. The index for fuel and power (weight 13.15 per cent) however decreased by 10.95 per cent.

Meanwhile, the all-India inflation rates based on consumer price index (CPI) on base 2012=100 stood at 7.61 (provisional) in October 2020 compared to 7.27 (final) in September 2020, according to the Central Statistics Office, ministry of statistics and programme implementation.

Source: fibre2fashion.com– Nov 17, 2020

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‘Demand-driven skill development must to reduce need gap for skilled workers among MSMEs’

Skilling, Labour, Talent for MSMEs: Due to the lockdown and the ongoing pandemic, millions of India’s labor force migrated back to their hometowns and villages. This mass exodus has caused a labor shortage in organizations across India.

While India doesn’t have data on the labor force population in the period of Q4 2019 to Q2 2020, the PLFS 2017–2018 estimated that 77.1 per cent of employment in India is non-regular—either self-employed or casual workers.

This includes a further 13.7 per cent in regular but unprotected jobs. Thereby, taking into consideration the 2020 UN population estimates to the above proportion, the International Labor Organization (ILO) suggested that the lockdown put between 364 million and 473 million workers at risk of being adversely affected.

With most of the workers now left with no earnings and jobs, many of them wanted to return back to the cities months after the lockdown. As per a survey conducted by Inferential Survey Statistics and Research Foundation, more than 67 per cent of the migrants wanted to come back to the towns and cities where they had worked.

Similar trends were observed across surveys conducted by the Rapid Community Response to Covid-19 and by Action Aid. Thereby ensuring that this mammoth workforce returning back will be a major task for the government as well as the MSME sector that is looking towards recovery in the coming months.

Signs of Return

The construction sector, which is dependent on migrants, is seeing signs of the labor force returning with the help of local governments providing facilities for transport as well as allowing work to resume in most states. This renewed activity is also showing up in indicators of remittances to pre-pandemic levels of 80-85 per cent, as per an official by Fino Payments Bank. Passenger traffic is also giving another indication that there is movement in the workforce. The railways transported 1.6 crore non-suburban passengers in September compared to 0.6 crore in July and 1 crore in August.

Universal Safety Nets

But this return would raise questions on livability as well as the safety of the workforce. As per a survey conducted by Action Aid, it was found out that 79 per cent of migrant workers had not received any cash assistance, 44 per cent had received no food assistance and 85 per cent did not receive any shelter assistance. This issue gets aggravated even further as 95 per cent of the workers said that their savings were barely sufficient in the same survey.

Thus both the government as well as the organizations need to ensure safety measures, as well as employee support mechanism, are in place to not only ensure that the worker feels safe to come back to their jobs but also be able to live comfortably. This includes using social dialogue between the government, workers, and employers to find solutions as stated by the ILO.

The government needs to also continue its efforts in providing universal access to healthcare, maternity, disability, and pension benefits to all workers. This includes the expansion of the Ayushman Bharat eligibility for the program to include socially and economically backward classes under the scheme. These benefits will also help improve consumption during times of distress and demand shocks.

Financial stimulus

With the government extending the Emergency Credit Line Guarantee Scheme for the MSME sector by March 31, there is enough time for the sector to rebuild its momentum to pre-Covid levels. But the government should also ensure that provisions are made for working capital to be provided at low-interest rates to the MSME sector.

The government can also look towards supporting businesses by providing wage subsidies directly to workers through digital payments. This in turn will lead to the workforce to be recorded and registered thus enabling future outreach and support to them.

Importance of Reskilling

Despite the many hurdles and challenges, the government needs to continue its efforts in reskilling and upskilling the workforce in the coming months. While online education has been given an impetus during this lockdown, efforts need to continue towards providing reskilling and upskilling facilities to workers across all sectors. While the current skill training scheme, Pradhan Mantri Kaushal Vikas Yojana (PMKVY) has trained close to 73 lakh youth in the country, its current phase is about to conclude this year.

For the next phase, the government needs to focus more on demand-driven skill development, digital technology, and skills pertaining to Industry 4.0, in order to bring down the unemployment rate and reduce the demand gap for skilled workers.

A recent survey conducted by the NSSO found that in India there is a lack of training facilities in as many as 20 high-growth industries such as logistics, healthcare, construction, hospitality, and automobiles. Thereby, it is important to focus on reskilling the youth and involve the private as well as the MSME sector in these efforts by incentivizing such programs and amplify its reach in the rural sector.

Source: financialexpress.com– Nov 17, 2020

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Cotton prices decline by 5% Y-o-Y in October 2020

While cotton prices continued to gain by 2-4 per cent month on month (MoM) in October on account of the resumption in demand from the casual wear, knitted and home textile segments, they were lower by about 5 per cent year on year (YoY), according to the October edition of India Ratings and Research's (Ind-Ra) credit news digest on India's textile sector.

With the United States Department of Agriculture's Foreign Agricultural Service (USDA-FAS) estimating a steady cotton production for the current season, it would lead to an oversupply in the Indian market, affecting prices further. However, the Cotton Corporation of India had taken steps to liquidate its inventory during July-September 2020 which would lead to a substantial lower inventory, Ind-Ra said.

Cotton yarn prices continued their recovery in October and remained stronger than blended yarn prices, on due to a higher demand from export markets. Large cotton spinners using the inventories purchased prior to COVID-19 have written-down/inventory losses during the second quarter (Q2) of this fiscal, which is likely to have affected the first half operating margins.

The smaller spinners, having lower cotton inventory and exposure into knitted casual wear, have reported a stellar performance for the second quarter over woven and blended segments.

Yarn exporters continued to witness an uptick in demand during August, with production resuming to pre-COVID levels and flattish on YoY levels. Yarn exports in tonnage terms grew by 38 per cent YoY during August.

Ind-Ra expects it to have improved further during September-October. The recovery in yarn demand with unlocking and resumption of production by mills in neighbouring countries would lead to a rise in shipments.

Source: fashionatingworld.com– Nov 17, 2020

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'Truck rentals up 7-8% in October-November'

Truck rentals in October and November have been higher by 7-8 per cent as compared with the same period last year, according to Indian Foundation of Transport Research and Training (IFTRT), a research firm that tracks the sector.

"This was because inputs such as diesel and tyre, that account for 90 per cent of the variable operational cost, have become pricier this year as compared to last year," said SP Singh, Senior Fellow, IFTRT. He added that pent-up demand post-lockdown has also contributed to this. Sequentially, truck rates have gone up. In October, they were up by 12 per cent as against the previous month and rates were higher by 3 per cent in November as compared with October.

The sequential increase in truck rentals is expected to continue till November-end in the medium- and long-distance segment. Truck rentals are expected to be at the same level throughout November this year, according to IFTRT. Almost one-third of truck drivers have gone on leave to their native places for festivities in the second and third week of November this year.

Harvesting season

The truck rentals in mid-November, 2020 were higher by 3 per cent also due to higher arrival of winter fruits and vegetables in the agriculture mandis and continuing kharif crop procurement by government and private trading houses, stated IFTRT. "This was due to bumper kharif crop harvesting, peaking of pent up demand in festival season and a spike in spending in tier - 1, 2 and 3 cities," stated IFTRT.

The rise in truck rates are expected to start lowering in December.

The sequential growth witnessed in September and preceding months this year has reflected in the performance of logistics companies. In a research note on Mahindra Logistics for the quarter ended September, Yes Securities noted that the company has seen pick-up in logistics activity and normalcy on a monthly basis. However this must be seen against the low-base effects resulting from partial lockdowns that began in March this year.

Commenting on sectors driving growth, Alok Deora of Yes Securities, said: "Auto segment has seen good demand from smaller cities and rural sector. Two-wheeler has picked up while medium and heavy vehicles have remained weak and expect such trend for several quarters. The second half fiscal 2021 will be better than first half especially for the automotive sector."

Similarly, for the quarter-ended September for TCI Express, Sayan Das Sharma of Bank of Baroda Capital Markets Limited, said in a research note released this month, "The demand continues to improve sequentially, with September nearing pre-Covid levels of activity and October surpassing year-ago revenue levels. Economic recovery has been broad-based across client segments."

Source: thehindubusinessline.com– Nov 17, 2020

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Italian brand Carpisa enters Indian market with first retail store in New Delhi

Italian brand Carpisa has entered the Indian market with the opening of its first physical store at DLF Mall of India in the national capital New Delhi.

The brand plans to expand rapidly across North India in the coming months despite the economic disruptions caused by the Covid-19 pandemic. It is known for ts bags, small leather goods, luggage, briefcases, and accessories both for men and women. Established in 2001, Caprisa has a network of over 600 stores spread across over 40 countries.

Caprisa was launched in 2001 by a young and enterprising management team that bases its success on values such as close attention to the customer, team spirit, dynamism, research and development and competitiveness, showcasing Italian style and creativity.

The brand's collections, large and rich in ideas, created with Italian design, present an excellent value for money combination. They are aimed mainly at women between 20/45 years old, particularly attentive to new trends, but also at men, who are influenced by the most varied requirements.

Source: fashionatingworld.com– Nov 17, 2020

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