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INTERNATIONAL NEWS

Is the Fashion Industry Falling Apart?

One thread at a time, the fashion industry seems to be unravelling like a snagged sweater that can't free itself from the source of its damage.

The bankruptcies come weekly, as do the store closures. Once sought-after real estate on New York City's 5th Avenue is falling out of favor. Consumers are shopping, but they only want what they want—and most of what they want isn't sitting in drab retail stores that were struggling for attention before they had a pandemic to blame. Inventory has piled up and not even 70 percent off deals or flash sales will be enough to clear it all.

By many accounts, it would seem the fashion industry is facing some of its darkest ever days.

And there's still little in the way of immediate positives for the sector.

"Overall, 2020 is a disaster year and '21 will not be a full recovery of 2020," McKinsey & Company senior partner Achim Berg, said.

In April, McKinsey had pegged revenues for the apparel and footwear sector to contract between 27 percent and 30 percent year over year. For luxury, the projection was an even more dismal 35 percent to 39 percent contraction. These estimates came before the industry had really felt the effects of three months of shuttered stores and, according to Berg, fashion hasn't seen the worst of it yet. McKinsey has revised forecasts for the industry's fate on deck for September.

"I think the big shakeout is still to come," he said. "Let autumn come and the 20 to 30 percent we had expected as a shakeout along the whole value chain will really come. I think that we'll see many more Chapter 11s."
From bad to worse?

Fashion's reckoning will bring with it a wave of consolidation that may be years in the making. But as Phyllis Shapiro, founder and president of Innovative Consulting Solutions and assistant professor at Parsons, points out: "Fashion has been in a slump for 10 years. Certainly, in my opinion, there's nothing new and exciting to go out there and buy."

Brands and retailers alike have been struggling for relevance in recent years, and chasing cheap and measuring margins has squeezed design creativity out of the conversation and often rendered product uninteresting. Or at least not compelling enough to convince consumers to pay full price. Fashion's present problems are hardly wholly owed to the pandemic.

"The handwriting was already on the wall. We had a lot of issues, we were overstored, we had stores that invested nothing into their omnichannels and they're paying the price right now," Shapiro said. "We were due for this. We were due for what they call it on the stock market, a contraction. We had too much of everything and it was unsustainable."

The count for shuttered stores, or those set to walk the plank in 2020, has already stretch beyond 13,000.

And the store closures will continue. Profitability is down and companies are currently crippled by a lack of cash—which has reverberated throughout the supply chain, drying up funds at the factory level, too.

"Everything, to me, comes down to retail, because if retail isn't working, then wholesale's not working. If wholesale's not working, supply chains aren't working. If supply chains aren't working, Third World countries are suffering," Shapiro said. "So, if retail isn't fixed and right, then it sort of has this effect globally and down the whole supply chain."

For now, at least, retail isn't right and the bankruptcies are lurking. Which means there'll be consolidation further upstream, too.

"I do expect further bankruptcies, I do expect more companies to go out of business," said Walter Loeb, former retail executive and now consultant.

Already, whether COVID-19 can be considered the sole culprit or not, the list of filings is long: Brooks Brothers, J.C. Penney, J. Crew, Stein Mart, Stage Stores, Debenhams, Tailored Brands, Lord & Taylor, Victoria's Secret UK, Chico's Canada, Ann Taylor parent Ascena Retail Group, Zac Posen owner Centric Brands, Lucky Brand, G-Star Raw—and there are more yet unlisted and more yet unfiled.

The culling, however painful, may be critical to fashion's more sustainable future.

"We see the consolidation happening, and even if you believe we're then going to have recessionary effects in '21 and '22, we're still going to have market share redistribution," Berg explained. "If you take out 20 percent of the players in the market in terms of value and volume, and even if the market is still 5, 10 percent below 2019, you still have another 10 percent that needs to be reduced."

Retailers are wading through the muddiest of waters, between bailing on staff, suppliers and stores, trying not to be the other 10 percent that needs to be reduced.

"I think some companies are looking at their stores and reviewing what's going to be viable and what will not be profitable for them in the future," Loeb said. The lack of demand coupled with an oversupply of unsold stock has made matters untenable for many. And, the reality is, he said, "Most customers are still staying away."

Offering Dillard's—which reported its second quarter earnings last week—as evidence of that reality, Loeb pointed to the retailer's note that sales performance since it reopened stores was just 72 percent of what it was last year. It may seem somewhat positive, all things considered, but the level of loss is palpable.

"That's not a good number because that means roughly 30 percent of their business just disappeared," Loeb said.

As earnings reports roll out in the coming weeks, it's a saga that will play out similarly for most in the industry: loss of sales, loss of stores—another loss for the sector.

In one of McKinsey's scenarios for fashion's potentially new reality, Berg says the tunnel with the light at the end of it may stretch to 2023.

"In '23 we will reach 2019 levels again and that's the new reality," he said. "The new reality is there is no top line growth, we used to have it between 2005 and 15—we had 5.5 percent growth every year that's gone.

It was gone since 2015 already and we will see lots of negative growth in '20. I think we're going to see some positive growth from a much lower base in '21 and '22, but it may take until '23 to reach 2019 levels, and I think that's where we are."

Breaking (down) bad

As with any shakeout, there'll be winners and losers. There will be categories that succeed while others struggle and cities that rebound while others dribble.

The winners, Berg said, will be "strong brands with a strong balance sheet" and luxury, as McKinsey's early predictions suggested, may see a slower bounce back.

"While online will do very well, the luxury players have a much tougher time," Berg said.

China, where a large portion of luxury purchasing happens, may be doing OK, but with tourists grounded, airport business deserted and occasions for luxury wear largely cancelled, the markets in Europe and North America may not fare as well. In July, LVMH reported revenue for its first half down 28 percent. Kering's fell 30 percent in the same period.

"Online cannot cover for all of that, the sentiment is also not there to support it," Berg said. "We've seen a bit of revenge purchases in Asia, but we cannot see too much of that happening in Europe these days, and I think you can't even dream of it in North America."

While the economic recovery in China may be V-shaped, meaning conditions bounce back quickly from their lowest point, Berg likened Europe's recovery curve to a "Nike swoosh." In the U.S., there may still be too much ongoing uncertainty to determine just which letter of the alphabet a stateside recovery might resemble.

Luxury aside, it's fashion's middle market that may finally meet its maker. But this shouldn't come as news to the industry.

"The middle tier, which is what we're seeing fall apart right now first at the retail level, was in trouble already," Shapiro said. "We were already losing in the middle, we already had J.Crews with problems and things like that. So that's where we're seeing the downfall now…and we're also seeing it with stores that were over leveraged and had big debt. They can't survive these few months."

Fashion, may be among the laggards in the recovery as consumers dedicate their dollars to new bedding and bread makers or road trips to dodge lockdown. Digging further into fashion's categories, Loeb says men's wear may be the last place demand bounces back.

"One of the hardest hit [categories] is men's wear, which is the most postpone-able spending category in a family's budget…children, wife, dog, cat and then men," he said. "Most people will postpone men's purchases, and right now we're seeing that in all the reports that we've seen."

Men's wear, and business attire in particular will continue to suffer as work from home becomes more prevalent.

"A lot of retail that focused on business attire, they're not coming back," Shapiro said. "What's the future for Brooks Brothers? It's as sad as can be but that product is going to be limited in its desire probably forever."
From worse to better?

Doom and gloom has set the tone for 2020 and the present realities for fashion are bleak, but there are glimmers of hope for those that can stomach the blows. And things will get worse before they get better.

"There are some brands that will get out of this stronger because they were strong before the crisis. They are really close to their consumer groups, they use social media to stay in touch, they use this to strengthen their direct to consumer business, they use this to reorganize and get leaner, they use this to cut off some of the old stuff they wanted to cut off anyway," Berg said. "Those who can should not try to muddle through, but they should try to rethink what the industry will look like, how the consumer will behave and how they want to position themselves.

Regardless, COVID-19 hasn't ushered in the end of fashion, but it is reshaping it.

"Once they get some stability and less uncertainty, I'm pretty sure people will also express themselves through fashion and they will also purchase fashion again, but it will be different," Berg said. "It will be a different online-offline play, it will be a different consumer demand, it will be a different way how we develop and source product, and the industry, on average, will be less profitable. We will clearly have a growth issue not only for 2020, but definitely for '21 and '22."

Source: sourcingjournal.com– Aug 18, 2020

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Automation, sustainability to fuel Europe's textile and apparel recovery by 2021

A report by analyst Euler Hermes Global says, the European textile and apparel (T&A) is expected to recover from its current gloom and grow by 15 per cent in 2021. The report attributes this optimism to the liquidity provided by central banks and governments to ailing companies. Also, new job-retention schemes will provide a substantial relief to the labor-intensive industry.

The report asserts even though the share of European textile and apparel industry has declined to less than 34 per cent from 40 per cent in 2009; it has acquired a more solid and competitive base focusing on higher-end items.

As Eurostat reveals, between 2009 and 2017, the gross value added by each European employee increased by 25 per cent in apparel, 30 per cent in textile and 48 per cent for leather goods, footwear and accessories

However, aggregate turnover from the European textile and apparel industry will remain 7 per cent below its 2019 levels due to its dependence on international tourist flows.

Making polluters pay

The textile and apparel industry is a major consumer of water resources with estimated 73 per cent of all textile production is either incinerated or landfilled.

The rise of fast fashion has contributed to the growing preference for quantity over quality among consumers. Between 2000 and 2015, average clothing utilization declined by about 35 per cent, while global volumes sold doubled to reach more than 100 billion items per year.

Apparel consumption has grown by more than 25 per cent in Europe, with France and the UK seeing the strongest increases since 2000. Adding online retail sales of clothing, which are not captured in Eurostat's dataset, makes the trend even more apparent.

To align environmental concerns with business interests, European manufacturers need to substitute primary resources with recycled materials. They can tackle the financing issues of separate collection, sorting and treatment of waste by introducing taxes based on the 'polluter-pays' principle. This also encourages producers to find ways to reduce their environmental impact.

Additional public support can be sought to accelerate R&D projects focusing on improving textile waste collection, treatment, re-use and recycling – technologies are much less mature than in the glass or paper industries. The industry should also create demand for recycled materials by assigning targets to companies.

E-commerce to rescue manufacturers from crisis

As Europe has comparatively stricter labor regulation, higher labor costs and a narrower labor force, European manufacturers cannot compete with foreign manufacturers. Since long, NGOs and trade associations have addressed the need to change the European consumers' buying behavior and align it with environmental targets with the interests of local manufacturers. Even a 10 per cent reduction in apparel imports by Germany and France to boost local European production by 8 per cent.

Researchers Carl Benedict Frey and Michael Osborne say, most garment industry jobs will be computerized by 2023, with tailors standing at 83 per cent and hand sewers at 99 per cent. Automation can help reduce Europe's comparatively high-cost structure, support funds to increase the competitiveness of European manufacturers and stimulate the robot industries of Germany and Italy.

European apparel manufacturers should also accelerate their efforts to develop e-commerce capabilities. Though e-commerce may not fully compensate for store closures, it can provide large retailers with some relief amidst the COVID-19 crisis.

Source: fashionatingworld.com– Aug 18, 2020

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From January To July, Xinjiang Exported 12.079 Billion Yuan Of Textiles And Clothing

According to statistics, from January to July 2020, the export value of textile yarn, fabric and products at Xinjiang port was 2.628 billion yuan, a year-on-year decrease of 0.72%; the export value of clothing and accessories was 9.451 billion yuan, with a year-on-year decrease of 14.39%.

From January to July 2020, the import value of textile yarn, fabric and products at Xinjiang port was 169 million yuan, with a year-on-year increase of 11.98%; the import amount of clothing and accessories was 57 million yuan, with a year-on-year increase of 1594.41%.

Source: sjfzxm.com– Aug 18, 2020

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USA: Brands mean more than ever in the pandemic market

Even as the home textiles business reaps some benefits from people spending more time at home and focusing their spending on home furnishings, certain patterns are emerging in the marketplace for products.

Clearly, the need for quality brands and recognizable names has become a touchstone for shoppers and it was the subject of a new online webinar hosted by Home Textiles Today and sponsored by Supima. (Note: To view the recorded session, click here.)

"What's Ahead for Quality Brands" featured a panel across the industry spectrum looking at how quality brands tell their stories and be successful in what is certainly the most challenging environment in modern business history.

"Consumers today want to buy something they can trust," said Rich Roman, CEO and president of Revman International, considered the premier brand resource in home textiles with such names as Tommy Bahama, Laura Ashley, Ellen DeGeneres and many more.

"Brands are more important than ever," he said. "They are a reflection of someone's personality, their taste and their lifestyle." Roman said traditional brands, such as Laura Ashley, have been performing very well during the pandemic because they are reassuring and known names to shoppers looking for a reassurances about quality.

"Post-Covid, consumers want the products they buy to wear well and wash well," said a second panelist, Janee Ries, a retail veteran who spent much of her career helping to lead the Macy's Home Store as well as time at specialty retailers, e-commerce and brand start-ups specializing in home categories. "It's why quality has become that much more important now."

But it's not just the brand name itself that shoppers are looking for when they seek out quality products, said Buxton Midyette, vice president of marketing and promotions for Supima, the premium cotton fiber resource that has a significant market positioning with the home textiles sector. The component elements, such as fiber, fabric and construction play a big role in that buying process, he said, adding "of course, it's more challenging on product attributes.

"But it all contributes to creating an identity that builds equity with the customers," he said. "They signal a level of quality and standards that the customer trusts."

Nevertheless, purchasing a home textiles product is a multi-level buying decision and as important as brand is, it's not all there is. "You can have the best brand in the world but if the design isn't right, you can lose the sale," said Roman. "The product has to have intrinsic value and we have to keep current with the designs if we want that customer back."

So, the factors that drive business during the pandemic era are often similar to the elements that have defined the sector for years. But the panel agreed that they think brands and the familiar are going to be ever more important in consumer preferences as consumers deal with the pandemic and its after-effects.

Source: hometextilestoday.com– Aug 18, 2020

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Marks & Spencer to Cut 7,000 Jobs Over Next Three Months

Marks & Spencer said on Tuesday that it expects to cut 7,000 jobs over the next three months, impacting its central support center, regional management and its U.K. stores.

"As part of our Never The Same Again program to embed the positive changes in ways of working through the crisis, we are today announcing proposals to further streamline store operations and management structures. These proposals are an important step in becoming a leaner, faster business set up to serve changing customer needs and we are committed to supporting colleagues through this time," Steve Rowe, CEO, said.

The Never The Same Again program was disclosed in May, where the company outlined plans to learn from the crisis and become a stronger and more agile business.

The retailer said it expects a "significant proportion" of the job cuts will be through "voluntary departures and early retirement." The latest culling comes on top of the 950 jobs that were cut back in July as the company compressed what was a three-year turnaround plan into just 12 months following the impact from the coronavirus.

"We have also learnt that we can work more flexibly and productively with more colleagues multi-tasking and transitioning between Food and Clothing & Home. The deployment of our leading store technology package developed in partnership with Microsoft has also enabled us to reduce layers of management and overheads in the support office," Marks & Spencer said.

While jobs will be cut, the company said it expects to create some new ones as it invests in online fulfillment and reshapes its store portfolio over the course of the year.

The headcount reduction was disclosed as Marks & Spencer provided an update on current performance. The company said apparel and home categories in stores remains well below last year, while online and home delivery were strong.

In the last eight weeks, online sales have represented 41 percent of the company's total clothing and home sales, with the retailer noting that 68 percent of orders have been delivered to homes, versus 29 percent for the same period a year ago.

In general, total revenue was down 38.5 percent in the second quarter, and in the last eight weeks since store re-openings, total sales were down 29.9 percent, although trends have been "steadily improving," the company said. And not unexpectedly, the apparel sales mix has "seen a substantial shift from office dressing and formal wear into casual clothing and leisure wear."

"Through upweighted promotional activity we have made good progress in clearing surplus stock," Marks & Spencer said. "As announced at the year-end we have booked additional storage space to hibernate surplus good stock for next year."

The headcount reduction is the latest to hit U.K. companies in the retail sector. Bankrupt Debenhams said earlier this month it would slash 2,500 jobs at its department store operations. Others cutting jobs include John Lewis, Harrods, Topshop owner Arcadia Group and Selfridges, to name a few.

Source: sourcingjournal.com– Aug 18, 2020

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Walmart's US E-Commerce Sales Rose 97% in Q2

Walmart Inc.'s e-commerce sales nearly doubled in the second quarter, powering overall revenue gains that saw a U.S. comparable sales growth of 9.3 percent.

In a Nutshell: "The company's net sales and operating results were significantly affected by a continuation of the global health crisis. Increased demand for products across multiple categories led to strong top-line and gross margin results," Walmart said. "Spending associated with stimulus payments in the U.S. positively affected sales of general merchandise."

During the morning conference call to Wall Street analysts, Walmart CEO Doug McMillon said the company has hired more than 500,000 new associates, globally. And he said the discounter remains committed to its

Everyday Low Prices strategy, giving customers the best pricing possible without having to wait for a sale or promotion.

With restaurants closed in hot spots or open with restrictions, families continued to prepare more meals at home, he said, which has buoyed Walmart's business. Sales of pantry staples like cleaning supplies and paper goods surged in hot spots .

"While volatility in the supply chain has leveled, we see some categories return to in-stock," he said. Walmart has continued rolling out its pickup and delivery services, "including Express Delivery where customers receive their orders in well under two hours."

"Back-to-school is having a slower start than usual," Brett Biggs, executive vice president and chief financial officer, said during the call, noting the company expects sales to be "choppy and come later than normal." Much of that is due to lingering uncertainty over what the upcoming school year will look like. While Walmart is seeing robust activity in computer and electronic sales thus far, "basic school supplies, backpacks and apparel are [off to a] slow to start."

Net Sales: For the quarter ended July 31, total revenue rose 5.6 percent to $137.7 billion, which includes a 5.7 percent increase in net sales to $136.8 billion. On a constant currency basis, net sales rose 7.6 percent to $139.3 billion.

Net sales in its U.S. operations rose 9.5 percent to $93.3 billion. Results were helped by a U.S. comparable sales increase of 9.3 percent that was led by strong sales in general merchandise and food. Walmart also said e-commerce sales in the U.S. rose 97 percent, with strong results across all channels. In general merchandise sales, "[a]pparel was particularly strong with mid single-digit percentage growth across ladies, men's and children's," the company said.

Walmart International sales fell 6.8 percent to $27.2 billion. Excluding foreign exchange, sales on the international front would have been up 1.6 percent to $29.6 billion.

Sales at Sam's Club saw comp gains of 13.3 percent, while e-commerce sales rose 39 percent. The company said growth in membership income was the highest in more than five years, with new member count up more than 60 percent.

Walmart’s consolidated gross profit rose 63 basis points, mostly due to a shift in the mix of sales to higher-margin general merchandise categories, fewer markdowns and better margins on fuel. Operating cash flow for the quarter rose $7.8 percent to $19.0 billion.

Walmart said inventories were down 6.9 percent to $41.1 billion at the quarter’s end.

“Walmart’s Q2 performance, with an almost doubling of online sales, among a litany of expectations-exceeding results, continues to raise the bar for multi-channel retail as the company continues to leverage its massive store base to support its e-commerce initiatives,” said Charlie O’Shea, Moody’s vice president and senior credit officer.

“A recent proactive top-down restructuring with changes at the management and store levels has helped to further a strong omni-channel strategy, contributing to Walmart’s success,” added Sanjeev Sularia, CEO of Intelligence Node, a real-time retail intelligence platform.

Earnings: The company didn’t disclose net income in its early report of second-quarter earnings, but said diluted earnings per share were $2.27, an 80 percent increase from the same year-ago quarter. On an adjusted basis, EPS was $1.56.

Adjusted diluted EPS bested Wall Street’s consensus estimate of $1.25 on revenue of $135.5 billion.

CEO’s Take: “We remain focused on serving [our customers] well now and expanding our set of global capabilities to serve them well in the future,” McMillon said.

Source: sourcingjournal.com– Aug 18, 2020

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US fashion brands to increase sourcing from Bangladesh: USFIA

A new study highlights around 55 per cent of US fashion brands plan to increase sourcing from Bangladesh in next two years. The '2020 Fashion Industry Benchmarking Study' jointly conducted by the United States Fashion Industry Association (USFIA) and the University of Delaware reveals though Bangladesh faced work order cancellation or postponement during the COVID-19 pandemic, it managed to become the third largest sourcing destination for the US with 85.7 per cent respondents opting for US, while China and Vietnam secured 100 per cent and 95.2 per cent respectively followed by India 81 per cent, Indonesia 71.4 per cent, Cambodia 66.7 per cent, Philippines 57.1 per cent and Sri Lanka 52.4 per cent.

In the first five months of 2020, Bangladesh accounted for 9.4 per cent of total US imports. Its exports to the country increased despite COVID-19 and the US-China trade war.

The country's strong ability to produce yarn and fabric locally without relying on imports despite labor cost contributed to a significant price advantage for 'made in Bangladesh', products.

Moreover, US fashion companies' eagerness to diversify sourcing from China especially for MMF apparel also boosted Bangladesh's position as a preferred sourcing destination.

However, respondents consider sourcing from Bangladesh involves higher compliance risk with 2.0 rating score, same as last year. The study surveyed some of the country's largest brands and retailers, including the top 25 US-based fashion brands, retailers, importers and wholesalers.

Source: fashionatingworld.com– Aug 18, 2020

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'Sri Lanka will benefit from shift away from China'

One of the upsides of covid-19 is that there will be a shift away from China and Sri Lanka will benefit from this, according to Sri Lanka Apparel Exporters Association (SLAEA). The SLAEA is working with the authorities to attract investment in fabric mills and other backward linkages to strengthen the offer that Sri Lanka can make to international buyers.

"The key drivers in the supply of apparel are quality, speed and pricing. Sri Lankan apparel has always prided itself on our product quality, our ethical and sustainable manufacturing practices, speed to market and value for money.

Sri Lanka offers its customers a total solutions service which includes dedicated innovation and product development working spaces, local design houses, etc right through to warehousing and dispatch to individual outlets, etc. We believe that these all add up to a fairly unique and attractive proposition to our customers," SLAEA chairman Rehan Lakhany tells Richa Bansal in August 2020 edition of Fibre2Fashion.

"The apparel industry has always worked closely with our stakeholders to balance these issues. The government continues to support the industry through a number of initiatives, and we are appreciative of the efforts taken in this regard," Lakhany tells Bansal in the article '**The Pandemeconomics of Manufacturing**'.

Source: fibre2fashion.com– Aug 19, 2020

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Share of Cambodian industrial sector in GDP to increase by 30 per cent

The 2025 Industrial Policy (IDP) policy report states the share of industrial sector in Cambodia's GDP is expected to increase by 30 percent by 2025, of which the manufacturing sector will increase to 20 per cent. The country's export of non-textile products will reach 15 per cent of the total export volume by 2025, boosting the export of agricultural processed goods to 12 per cent of total exports.

The report shows that the industrial sector ratio in terms of GDP has increased from 27.7per cent in 2015 to 32.6 per cent in 2018, beyond the target set in 2025. However, the share of garment and footwear exports has declined steadily from 71.6 percent of total exports in 2015 to 69.2 per cent in 2018 as the country diversifies export products as set out in its 2015-2025 industrial development policy (IDP).

Approved by the Office of the Council of Ministers, the IDP draft last report said, during three year of its implementation, the three main goals of the policy were fully implemented by relevant ministries, institutions and sub-national administrations.

Though the European Union (EU) partially suspended the Kingdom's annual $7 billion garment and textile sector from 12 August, the new law will help Cambodian government to diversify its production line beyond the garment sector.

Source: fashionatingworld.com– Aug 18, 2020

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Effectuation of Vietnam-EU FTA to Benefit Korean Firms Based in Vietnam

The exports of Korean companies based in Vietnam to the European Union are expected to benefit from EVFTA, the free trade agreement (FTA) between the European Union and Vietnam, which went into effect on Aug. 1.

In a recent report on the EU-Vietnam FTA, the Institute for International Trade, which is affiliated with the Korea International Trade Association

(KITA), anticipated that Vietnam would take on a greater role and status in the global value chain with the effectuation of EVFTA, following the entry into force of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in January 2019.

The report stated, “A high level of market opening is expected as the EU and Vietnam agreed to eliminate around 99 percent to 100 percent of tariffs based on import bill within seven years and 10 years, respectively,” and added, “As Vietnam's institutional reform, mitigation of non-tariff barriers, protection of intellectual property rights, and strengthening of labor rights and environmental protection obligations are included in the agreement, it will play a major role in advancing Vietnam's economy as well as expanding overseas investment.”

In particular, Korean textile and fashion firms based in Vietnam are expected to benefit from this free trade agreement. Under the agreement, Korean clothes manufactures based in Vietnam exporting to the EU can enjoy a preferential duty for goods made with Korean materials that satisfy the Korea-EU FTA pact as they are considered as Vietnamese products. In contrast, clothes produced with Chinese materials cannot enjoy the benefits of the Vietnam-EU trade deal, as China does not have an agreement with the EU.

Currently, the EU depends on China for 30 percent of its clothes imports, but it imposes tariffs of up to 12 percent. Therefore, it is likely to be replaced with Vietnamese clothes when the EU-Vietnam tariffs are removed. In addition, the EU-Vietnam agreement is expected to increase demand for high quality Korean materials. Since the tariffs for consumer goods such as Vietnamese shoes and bags are significantly lowered, Korean producers based in Vietnam are expected to expand exports to the EU.

Kim Jung-kyun, a senior KITA researcher, said, “Vietnam has been making aggressive moves to open up its markets. It currently holds free trade agreements with 52 countries and has emerged as the trade hub of ASEAN region,” and added, “Korean companies based in Vietnam need to actively utilize the FTA networks that are built by Vietnam and set up the mid-to long-term strategies for expanding trade and investment in Vietnam and restructuring the supply chain in the mid-to long-term.”

Source: businesskorea.co.kr– Aug 18, 2020

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Vietnam: Textile, footwear companies feel confident

Armed with experience from coping with the first wave of the COVID-19 epidemic, many textile and footwear enterprises are quietly confident they can alter their plans as required and find new markets to cope with the second.

Armed with experience from coping with the first wave of the COVID-19 epidemic, many textile and footwear enterprises are quietly confident they can alter their plans as required and find new markets to cope with the second.

The situation is worsening, according to most companies in the two sectors as the epidemic returns to Vietnam and continues to rage in many countries around the world.

Le Tien Truong, general director of the Vietnam National Textile and Garment Group, said that in the first six months of the year, though affected a great deal by the COVID-19 pandemic, his company sustained its operations and cash flows thanks to its decision to produce face masks and personal protective equipment (PPE).

But the situation would be very different in the second half since the demand for those products is shrinking rapidly, he said.

The fact that many manufacturers switched to producing PPE has seen supply shoot past demand, he added.

Since the global outbreak began in April, many Vietnamese garment and textile businesses have been told by their US and EU partners that they would temporarily stop taking delivery of goods.

Pham Xuan Hong, chairman of the HCM City Association of Garment Textile Embroidery and Knitting, said this was because governments in the US and EU have declared a state of emergency and tightened border controls due to the rapid spread of COVID-19.

“They have asked Vietnamese businesses to suspend delivery, including of those en route, until borders are reopened.”

He said the US and EU are two important textile export markets for the country, while half of all exports from HCM City go to the US and 15-18 percent to the EU.

"Partners in these markets have announced the suspension of deliveries, meaning the market for textiles and garments has narrowed by nearly two-thirds."

Truong said developing the domestic market is the most feasible way to survive the pandemic.

Though the domestic market accounts for only 10 percent of the industry's capacity and cannot fully mitigate the unemployment problem, it is still a solution, he said.

Support from the Government in the form of access to cheap credit and deferred tax payment is also imperative, he said.

Phan Thi Thanh Xuan, general secretary of the Vietnam Leather, Footwear and Handbag Association (LEFASO), too said though the domestic market is very small, developing it would be a key solution amid the difficulties in exporting.

Nguyen Van Mieng, general director of the Nam Dinh Textile and Garment Corporation, said companies have restructured their markets to sustain jobs. In the past, his company produced 1,100 tonnes of yarn and exported 65 percent of it, but has now cut it to 45 percent.

It produces around 1.2 million metres of fabric per month, but this is likely to decrease to 23,000-300,000 metres in the last two quarters of the year, he said.

The company is seeking to expand its market for new products in the north and taking advantage of dyed fabrics to sell finished products and supply to garment companies, he said.

It also wants to strengthen the yarn-weaving-dyeing links so that all companies in the chain could benefit, he added.

The EU-Vietnam Free Trade Agreement (EVFTA) that took effect on August 1 will reduce import taxes on Vietnam's garment exports by more than 70 percentage points.

Vietnamese footwear and textile and apparel enterprises will benefit significantly from the EVFTA because of the tariff cuts, according to Bao Viet Securities Joint Stock Company.

With most other countries that export textile and garments to the EU not having a trade deal with the bloc, the EVFTA would open a great opportunity for Vietnam's footwear, textile and garment exports if companies enterprises meet origin requirements, it added.

Source: en.vietnamplus.vn– Aug 18, 2020

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Bangladesh: Textile sector breathing a sigh of relief with the rebound of apparel export orders

The sale of yarn and fabrics of export-oriented spinning and weaving mills is on the rise thanks to a higher inflow of work orders from international clothing retailers.

This has put the country's primary textile sector, which incurred losses of more than Tk 20,000 crore for the economic whiplash by the coronavirus pandemic, on the path of a quick recovery although prices remain below expectations, said millers.

Both textile millers and garment exporters say more and more of the production capacity of their factories was coming to use for the higher inflow of work orders from retailers.

On the other hand, normalcy has returned to the supply chain with China, the main sourcing destination for Bangladesh's textile and garment-related raw materials. As a result, the business of textile production and garment exports are witnessing improvements fast, according to industry insiders.

"We have just completed our marketing for next seasons," said Faisal Samad, vice-president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), adding that the inflow of work orders is also better than that of the previous three months.

A good number of buyers have been reissuing work orders they had previously cancelled and placing new ones as the retailers in the EU and US have opened up their stores.

The shipment of the new work orders will start from November, Samad said.

His views were echoed by A Matin Chowdhury, managing director of Malek Spinning Mills, a leading spinner and garment exporter. Sales from his spinning mills had increased compared to what was in the last few months but the prices are not what he was expecting.

This is because of cheaper yarn from other countries that have been flooding the domestic markets of late, although there was no such smuggling of yarn over the last few months because of the coronavirus pandemic.

As a result, the sale of fabrics from local mills for the domestic markets had witnessed a surge. But as normalcy is being restored in business, cheap yarn from neighbouring countries has started pouring in, he said.

American buyers are increasingly placing more work orders, presumably because their sales have increased with the reopening of stores, he said. A $600 payment to American citizens under an unemployment scheme by the US government has helped to create new demand for goods in their markets.

This is why the sales of clothing items in the US markets have improved a lot. So the shipment of clothing items to the American markets is also increasing a lot from the country, Chowdhury added.

A Narayanganj-based yarn merchant, seeking anonymity, also blamed the invasion of cheap yarn from neighbouring countries for giving rise to challenges at his factory. Moreover, some unscrupulous traders were selling yarn imported under the bonded warehouse facility in the domestic markets.

"We received better prices from the sales of yarn in January, February and March of this year," the yarn merchant told The Daily Star over the phone.

He went on to urge the National Board of Revenue to monitor the use of bond facilities such that they were not abused.

"The government should also improve patrolling at the bordering areas so that the invasion of cheap yarn is stopped for the sake of the domestic textile industry."

The local entrepreneurs have already invested more than $8 billion in the primary textile sector and have been acting as the main player in supplying raw materials for the export-oriented garment industry by reducing lead time substantially.

Sometimes, the prices of even smuggled clothing items are less than that of the local yarn, which is absurd in business. The Bangladesh Trade and Tariff Commission should also set out a proper valuation of local and imported clothing items to discourage the smuggling, he added.

Demand has been increasing a lot from the buyers for yarn and fabrics but the prices are not at the satisfactory level, said Mohammad Ali Khokon, president of Bangladesh Textile Mills Association (BTMA), the platform for spinners and weavers.

Some of the mills are now running at 70 per cent capacity, while the others are operating at 65 per cent and some less than 60 per cent as the demand for yarn and fabrics has been increasing.

Before the pandemic, he used to sell yarn worth $55 lakh on an average every month but during the pandemic, the sales from his mill were negligible.

However, with the reopening of the economy, he sold yarn worth $23 lakh last month and another $12 lakh this month. "Maybe this month's sale will be low, but I am hopeful that the sales will grow from next month as I am receiving a lot of response from my buyers," Khokon added.

The widely consumed 30 carded yarn sold between $2.50 to $2.53 per kilogram in the local markets in July and August, said Monsoor Ahmed, secretary to the BTMA.

Before the pandemic, the same 30 carded yarn had sold between $2.80 to $2.90 per kg in February and March, he said.

Although prices of cotton, the raw material of yarn, has declined in the international markets, local spinners cannot take advantage of this as the cotton they had was imported before the pandemic at 75 cents to 80 cents per pound, Ahmed said.

Currently cotton is selling between 64 cents and 65 cents in the futures markets in New York.

Source: thedailystar.net– Aug 19, 2020

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Stronger Prospects for Trade and Economic Cooperation Uzbekistan-Bangladesh

An incumbent Additional Secretary at Ministry of Foreign Affairs, Mr Zahangir Alam is appointed recently as the Ambassador to Uzbekistan, to be based in Tashkent with accreditation to Tajikistan, Kyrgyzstan and Afghanistan.

On his personal behalf as well as on behalf of Uztextileprom Chairman Mr Ilkhom Khaydarov and Uzbekistan's Ambassador to Bangladesh and India, H.E. Dilshod Akhatov, Mehdi Mahbub congratulated H.E. Zahangir Alam and assured all sort of cooperation to strengthen relationship between two brotherly and friendly Muslim countries.

Bangladesh is world's 2nd largest Readymade Garment (RMG) exporter, even though it has negligible amount of cotton production. On the other hand, Uzbekistan is world's 5th largest cotton producing country with a nominal apparel export. 44% of Uzbek export is directed to Russia which has great potentials for Bangladesh but still couldn't be explored as per its possibilities. CIS (former Soviet Republics) also have good potentials for Bangladesh. It is underscored that if Bangladesh and Uzbekistan work together, assist each other's industries & services, both countries' economy would be benefitted immensely.

Bangladesh has the potentials to contribute development of Uzbekistan's Human Resources, specially in the fields of Garment, Textile, Agriculture, Education, Leather, Food & Fruit Processing, Management Training etc. Mehdi Mahbub who himself is a renowned business professional with more than 25 years' experience and closely observed Uzbekistan's growth potentials, have emphasized that Govt2Govt as well as both countries' private sectors should explore these opportunities by setting up Joint Ventures as well as FDIs both in Uzbekistan and Bangladesh. Zahangir Alam kindly assured to consider exploring these opportunities by utilizing government channels. Both Bangladesh and Uzbekistan have common religious, culinary and historical bondage, thanks to Islam and Mughal Empire. Art and Culture also have strong relationship, bridging between Uzbekistan and Bangladesh.

Imam Bukhari, Ibne Sina, Babur do have special impact on Bangladeshis mindsets. Great Warrior Timur has a very special place in every Uzbek's mind, the way Bangladesh's Father of The Nation, Bangabandhu won the highest position in Bangladesh society. Uzbek's national cuisine pilaf is also a very popular cuisine in Bangladesh, being called as polao! It is discussed that if appropriate initiatives are taken, both countries' relationships would be strengthened further which would help both Uzbekistan and Bangladesh, economically and socially. Uzbekistan is located at the centre of central Asia, with convenient connections to Middle East, Russia and Europe.

Both countries' national airlines could explore opportunity to connect each other's capitals and thus help a large number of passengers and cargo to be connected, transported globally. Bangladesh Biman can touch down Tashkent on the way to its flight to London, Manchester; even Biman's flights to Middle East can be re-routed little to accommodate stoppage in Tashkent.

Mehdi Mahbub who has created www.uzbangla.com as a bridge between Uzbekistan and Bangladesh, pointed out that requested Ambassador Zahangir to discuss with Uzbekistan government and explore this opportunity which would strengthen people to people connectivity. Collaboration in Tourism between Uzbekistan and Bangladesh is imperative considering the fact that Tashkent, Samarkand, Bukhara do have great touristic attractions and Bangladeshis are becoming one of the fastest growing global tourists.

Uzbek tourists also might visit Bangladesh to experience world's longest sea beach, largest mangrove forest and natural attractions of "Beautiful Bangladesh". Bangladesh has received world's accolade and appreciation because of its success in GDP growth as well as improvements in HDI, thanks to immunization, literacy & nutrition campaign, child mortality etc in addition to tremendous growth in food & fish production, digitalization/ IT, technical skill development, SME & service sector growth etc.

Uzbekistan can learn these success stories working with government as well as private sectors/ NGOs from Bangladesh. It is also underscored that Bangladesh has potentials to export medicine, leather products, tea, jute products, garments etc to Uzbekistan and its neighboring countries. Uzbek industries also can explore Bangladesh, specially in the areas of textile products.

Using Uzbek raw materials (cotton, yarn, fruits etc), Uzbek companies can establish factories in Bangladesh's EPZs (Export Processing Zones) and SEZs (Special Economic Zones) which can be exported to world markets. The meeting was concluded with a understanding that both would work together in their respective capacities to explore untapped opportunities as well as strengthen trade and economic relationship between Uzbekistan and Bangladesh.

Source: dailyindustry.news– Aug 18, 2020

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Vietnam surpassed Bangladesh in garment and textile exports in the first 6 months of 2020

According to the General Statistics Office of Vietnam, Vietnam made $ 13.18 billion in the first six months of the year thanks to exports of textile and garment products.

Meanwhile, data provided by the Bangladesh Export Promotion Bureau shows that Bangladesh earned $ 11.92 billion from exporting ready-to-wear products during the same period. However, both countries suffered a decline in exports of this commodity because of the pandemic.

Bangladeshi garment exporters explain to a Bangladeshi daily newspaper – that the Covid-19 pandemic has left them lagging behind Vietnam. Mohammad Hatem, Vice President of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) told : "Bangladesh's garment industry has plummeted during March, April and May due to activity. production and supply chain are interrupted by the ban being enforced to stop the spread of coronavirus ".

"Vietnam's production activities are not too disrupted because it has better control the spread of Covid-19" – Mr. Hatem said. Bangladesh, the second largest garment exporter after China, fell 20.14% to $ 2.25 billion in March and 85.25% to $ 375 million in April, the biggest drop in history. Exporter of this country.

In May, apparel export earnings improved and stood at $ 1.23 billion but still suffered a 62% decline. In June, exports showed signs of recovery, to $ 2.24 billion.

Source: textilefocus.com– Aug 18, 2020

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Pakistan: Has LSM left the worst behind?

Last month's coverage of Pakistan's Large-Scale Manufacturing (LSM) reported that the worst seemed to be over for large scale manufacturing. Latest data release by Pakistan Bureau of Statistics confirms that view.

According to PBS data released for June 2020, most LSM index heavy weight items - cotton yarn and cloth, cigarettes, iron & steel, cement, POL products and automotive sector that have a combined weight of about 37 percent – reported significant year-on-year recovery in June.

While in some cases (such as cotton yarn and cloth) June 2020 production was still lower than last year, in other cases (such as cigarettes, motorcycles and cement) it reported positive growth over last year.

The LSM index for June landed at 119.10 points as against last month's forecast of 110 points which was construed to be optimistic given Covid-19 conditions. However, some items such as cigarettes boasted an unprecedented year-on-year growth of 334 percent in June alone, which helped pump up overall LSM values.

As a result of higher-than-expected growth in select sectors, full-year FY20 LSM has contracted by 10.2 percent as against BR Research's forecast of negative 10.4 percent, and the government's provisional estimates of negative 7.78 percent. (See LSM: FY20 was clearly worse than govt forecast, July 29, 2020)

While the post-lockdown recovery has been phenomenal, it is early to say if this recovery will continue in FY21. As a matter of record, FY20 wasn't faring well even before Covid-19 struck Pakistan. The 9MFY20 reported a fall of 5.29 percent. which was the worst nine-month numbers since at least FY11. Yet if Covid-19 struck hard on the economy, a few silver linings have emerged from the eye of the storm.

Interest rates have been slashed at an unprecedented speed, which would have otherwise taken at least 18 months. Low interest rates can be expected to stir up demand in the months to come.

Housing and construction plans have finally been kicked off with some of the taxation issues also sorted out in tandem with the emergence of stories that contribute to positive sentiments. The latter includes the inauguration of a new chapter at Naya Nazimabad by Finance Minister Hafeez Shaikh and the announcement by Waves – an electronic appliances maker – that they would venture into real estate, amid launch of steel business by Naveena Group. Meanwhile, rains that havocked Karachi have forced PPP, PTI and MQM-P to work jointly towards resolving Karachi's issues, which could be a boon for the country's economy as well.

Add to these the likelihood that the low base affect will also kick in, expected to be sharply visible in the second half of FY21, and there are enough reasons to believe that the worst may be over for LSM.

Source: brecorder.com– Aug 18, 2020

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Pakistan: Importance of compliance with WTO rules highlighted

Sheikh Sultan Rehman, vice president of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), has said, "We should watch the ongoing advisory and other guiding role of the WTO" which should be under our observation in the COVID-19 situation to remain compliant with the obligations of the world trade rules.

During an interactive webinar on "COVID-19: Trade and Trade-Related Measures" via Zoom video link organized by the FPCCI, he said, "We should also take benefit of the relaxations ... agreed to under an arrangement of special and emergency clauses allowed by the world trading system under the WTO."

He further said that trade and trade-facilitated allowances should also be capitalized for bringing appropriate pressure on the public sector to structure temporary policies for the benefit of trade and economy in the current economic crisis triggered by declining world trade due to COVID-19. He said that successful temporary policies may eventually be converted into permanent policies. Engr. M. A. Jabbar, convener of the FPCCI Standing Committee on WTO Affairs, said that Pakistan functioned in accordance with the requirements of the WTO in the past, and the same spirit needed to be continued.

Once the situation became normal, the rules of world trade application would generate complaints at the WTO against those countries which had not been following the rules.

He said that Ministry of Commerce, Ministry of Industries & Production, Ministry of Agriculture, Ministry of IT & Telecom and bodies like the PSQCA and the IPO had been extending knowledge-based contributions for policy formulation by our WTO mission in Geneva.

Due to weak interest and deactivation of the United States in WTO affairs, the WTO system became less relevant, but "we should always prepare ourselves for facing the normal working system of the WTO for conducting trade". He further said that the WTO was presently guiding member countries to help their economies through trade-related supporting measures which included alignments of fiscal, monetary, trade policy reviews as well as other regulatory functions in such a way that the concessions extended should suit domestic trade.

The participants also included those from the Ministry of Finance, the Ministry of Commerce, the Trade Development Authority of Pakistan (TDAP), the Applied Economic Research Centre (AERC) and from trade bodies.

Sohail Hanif, joint economic adviser at the Ministry of Finance, said, "We are continuously endeavoring to make fiscal adjustments through FBR as well as providing budget lines for tax refunds and have been fully engaged in convincing the SBP to take appropriate measures for reducing the cost of exports and domestic commerce beside providing other refinance facilities to offload the pressure from the manufacturing and trade units to reduce the cost push generated by the CoVID-19 situation."

Shahid Sattar, secretary-general of the All Pakistan Textile Mills Association (APTMA), said, "Our main concern is the fiscal-related ease which is to have in-time settlement of refunds of taxes, which also appears to be in alignment with the guidance of WTO for member countries to make all the fiscal adjustments to mitigate the effects of CoVID-19."

Representative from the Faisalabad CCI said that the promised automation system on refunds on time had still not been put in place and asked for the same to be installed on an urgent basis to help the manufacturers manage their cash flows.

Zaka-ur-Rehman, chairman of the Pakistan Pharmaceutical Manufacturers Association (PPMA), said that they looked forward for ease in regulatory framework in respect of imports of raw materials from the traditional destinations so that the present exports of $300-million pharma products can be enhanced to $2 billion in the near future.

He also requested a new round of meetings at the MoC to help reduce the regulatory burden in the way of access to raw materials in manufacturing of pharmaceutical products.

Dr. Amir Hussain Siddiqui from the academia said, "We have opportunities and threats in the present situation."

He also suggested studying of Vietnam's free trade agreement with the EU and China as it would replace our share for various reasons, which he deliberated upon exhaustively.

Jamil A. Naz, a prominent member of the FPCCI, said that he had always been looking forward towards a better and well thought out, research-based outcome for trade benefits to Pakistan during signing of the MoUs and FTAs as well as PTAs.

Source: brecorder.com– Aug 19, 2020

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Pakistan: Waiver of 37pc tax on yarn urged

Federation of Pakistan Chambers of Commerce and Industry's (FPCCI) Standing Committee on Imports, has asked the government to waive 37 percent tax on the partially-oriented yarn (POY 5402.4600), which is the basic raw material of the textile industry and small and medium units, a statement said on Monday.

FPCCI Standing Committee on Imports Chairman and Yarn Trade Committee Convener Khawar Noorani said that this would encourage the investors to set up Draw Textured Yarn (DTY) manufacturing plants and local production will be able to meet the demand for raw materials of domestic industries.

Noorani expressed concern over the equal tax rate on imported POY and DTY, and termed it unfair even though the duty on POY is less across the world. "Only two plants in the country directly produce 20 percent DTY from PTA and MEG, while DTY can also be produced from POY, and that is why industries have 80 percent dependence on imported DTY," he said, adding that these two local producers get advance payments from factories and not in a position to provide DTY yarn due to capacity issue.

Source: thenews.com.pk– Aug 18, 2020

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NATIONAL NEWS

India Cotton Production Increases, but Demand Enhancement Needed

The Cotton Association of India has revised its estimate of the country's cotton crop upward by 1.9 million bales (170 Kgs each) to 35.45 million bales for the current season (October 1, 2019-September 30, 2020).

While Indian production is expected to increase, total domestic consumption is projected to decrease by 3 million bales from the earlier estimate and is now pegged at 25 million bales. The total supply will be about 40.25 million bales. Total domestic consumption last year (2018-19) was about 31.15 million bales (170 Kgs). This trend highlights the need to enhance consumption by exploring new and value-added applications for cotton.

A discussion with a Mumbai-based commodity analyst with over 25 years in the commodity field provided firsthand information on the Indian market. COVID-19 has certainly played a major role in the decline in demand, but the COVID-19 scenario offers opportunities for the cotton supply chain to take stock of the situation. It is time to think about unexplored markets and industrial applications such as medical textiles.

Indian cotton prices are trading at a lower level compared to international value. Yet, in spite of this situation, demand is not high. "Creating demand for cotton will help the entire supply chain such as farmers and end-users," stated the trade analyst.

The complete lockdown in April and May has negatively influenced manufacturing and, hence, lack of demand. Even during the lockdown period, cotton has been arriving to markets and the Cotton Corporation of India (CCI) has been purchasing. After the lockdown was lifted in June, CCI has been procuring aggressively. To boost the demand, CCI has been offering a bulk discount to mills to procure cotton. As the spinning mills are working at about 75% capacity, demand has not yet picked up speed.

Kharif season's cotton may start arriving in late September/early October. The cotton supply chain eagerly awaits the demand increase, hoping for improved consumer spending in the forthcoming festival period.

Next year's cotton crop may be higher than this year, as sowing has increased by 3.20%. Until August 14, cotton sowing had been at 125.48 lakh hectares, compared to 121.58 lakh hectares around this time last year. This increase in acreage adds pressure to find new opportunities. End-users are trying their best to push the products to consumers.

"Readymade goods (RMG) demand in Europe, Middle East and United States needs to pick up," stated a Mumbai-based commodity expert. "Wholesale trades in markets like Surat are selling shirts at 50% value. Shirts normally selling at Rupees 500 are being sold at Rupees 200 in some Indian markets."

While COVID-19 has impacted manufacturing and consumer spending, it is time to look for nontraditional applications for cotton. The public mood is behind enhanced manufacturing such as sustainable and additive manufacturing. Surely, cotton will fit well in the new manufacturing equation.

New product development and effective communication are valuable in these testing times. Programs like "Cotton & Coffee," being organized by The Cotton Board in the United States, are the need of the hour to engage with producers, end-users and consumers.

Source: cottongrower.com– Aug 18, 2020

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India plans to sell cotton to Bangladesh to trim record reserves

India plans to sell cotton to Bangladesh to trim its bulging reserves following a slump in demand from textile mills in the top grower.

State-owned Cotton Corp. of India may export 1.5 million to 2 million bales of the fiber to the neighboring nation to help reduce India's record surplus before the new crop begins arriving in October, said Pradeep Kumar Agarwal, chairman of the company.

It generally sells cotton to local mills and traders at market prices, after buying from farmers at government-set minimum rates.

Higher sales from India may potentially increase reserves in top exporters like the US and Brazil and further lower global prices that have fallen about 8% this year as the coronavirus erodes demand for clothing. Global cotton consumption is set to drop about 15% from a year earlier to 22.29 million tons in 2019-20, according to the USDA estimates.

Export prices will be decided by the two governments using the Cotlook index, Agarwal said. Industry researcher Cotlook Ltd.'s benchmark is a daily average of the five cheapest cash prices in the world.

"In any case, I can assure that it won't be lower than domestic prices," which have fallen about 20% since the outbreak of the coronavirus, he said.

Huge stockpiles

Cotton Corp. plans to sell 500,000 bales to 700,000 bales of 170 kilograms each to Trading Corp. of Bangladesh in the marketing year ending on Sept. 30. The rest of the quantity will be shipped in 2020-21, Agarwal said in a phone interview. Bangladesh vies with China as the world's biggest buyer of cotton.

India is likely to have a record closing stockpile of 10.25 million bales by Sept. 30, according to the Cotton Association of India, as domestic consumption may drop more than 20% from a year earlier to 25 million bales in 2019-20, it said.

Cotton Corp. bought 10.5 million bales this year, the highest-ever procurement. It included 2 million bales purchased during a nationwide lockdown to prevent distress selling by local growers, Agarwal said. The company is carrying about 8.4 million bales at present and its ending reserves may not exceed 3 million bales on Sept. 30, he said.

Cotton Corp. spent about ₹5,500 ($74) per 100 kilograms to purchase cotton from farmers, compared with the market rate of ₹4,800 to ₹5,000, he said. Indian farmers have planted cotton in 12.55 million hectares (31 million acres) as of Aug. 14, compared with 12.16 million hectares a year earlier, according to the farm ministry. The crop will be harvested from October.

Source: livemint.com– Aug 18, 2020

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How Chinese imports are destroying our traditional textiles, writes Ritu Kumar

To preserve its traditions and jobs, India must stop textile-related imports from China

With Covid-19 causing a dramatic rupture, and with Chinese aggression at the border, India must reassess its approach to trade, especially the import of textiles and other artefacts of religious use from China. This is essential to preserve India's traditional strengths and ensure it doesn't fall into the same trap as other countries, which have lost their livelihoods and indigenous traditions.

In India, textiles comprise the second-largest sector after agriculture. Its potential for creating wealth is enormous. India has a living tradition of handicrafts, practised on an everyday basis. All India's crafts are inherited through guilds which have a long history, and this is their inherent intellectual property. This specialisation offers employment to an estimated 16 million people in the country.

When the pandemic hit Europe, Italy, Spain and France were among the countries affected. But think of another element they had in common. The relentless growth of fashion empires, and their diversification into billion-dollar licensing arrangements made fashion in Europe very powerful, early on in the game. They began to dictate the terms of the luxury goods trade through very effective marketing, and new products.

These companies dominated global markets. They soon started producing their prime goods elsewhere, and to better their margins, began hiring Chinese tailors, off the books, and gave them licence to manufacture copies of their garments, cheaper and faster.

In the process, they were willing to teach them the secrets of family-owned businesses and enhance their capability to produce couture garments — sometimes giving them the patterns to do so to buy them at a fraction of the cost of European manufactured goods.

The Chinese learned the craft swiftly and, very soon, they were a force to be recognised, as they used "Made in France" labels on much cheaper copies. In Italy, the hub of luxury good manufacturers, too, their numbers proliferated and they displaced traditional Italian family enterprises. One of the major production areas, incidentally, is in and around the city of Wuhan, a textile hub of low-end garments for the world. The Western world, in its pursuit for cheap merchandise, has still not recognised that selling their know-how created adverse long-term consequences, and perhaps not just in fashion.

This story has repeated itself elsewhere. Uzbekistan is at the heart of a complex nomadic and oasis culture in Central Asia and is a significant stretch of the famous Silk Road route. The cities down the historic road were the most prolific in their textile language and produce, as caravans, traded their textile ikats and embroideries with the world down the ages. A few years ago, I went there on a trip to study their traditional ikats.

The Fergana valley, the birth place of Babar, was supposed to be the richest in terms of traditional crafts. But, barring a few exceptions, the genius of textiles that I was looking for was elusive. The women, unfortunately, were clad in velvet and synthetic kaftans, looking quite alien from their surroundings. They were all wearing kaftans, manufactured and printed in China, using copies of patterns from traditional ikats. The only place today where genuine textiles still exist is India.

India is as prone to losing its textile crafts to another country as the others. It only needs to look at its past. The British brought down India's share in textile exports to the world from 25% to 2%, taking over the production of Indian-inspired cloth from the 18th to the 20th century. By a miracle, Indian textiles have survived through the efforts of revivalists in the post-Independence era, such as Kamala Devi Chattopdhyaya and Pupul Jayakar.

We are already seeing Chinese inroads in the Benaras sari markets, where there are jacquard copies of the Benaras-bordered tanchoi saris selling in the market for a song.

China is predatory. It has always been known for its sericulture, as India has been for its unusual silk yarns, which were hand twisted and woven with a great deal of expertise to keep the saris pliable, soft and easy to pleat. I have done wardrobes for the Miss Universe and Miss World pageants for many years. I always would propose they wear the Benaras sari to a function, but gave up as I could not find a sari which draped softly and looked the way the Ravi Verma saris looked in his paintings.

I then studied Benaras silk saris for a few years in an effort to find out what had changed the saris radically from exotic, sexily-contoured unstitched garments to the present, stiff totally unwearable, saris which balloon out. It was incredible to discover that the reason was that the original yarns from Bhagalpur which were hand-spun, with no twist, called paat-baana, without which the beautiful masterpieces of Benaras could not have been woven, had been substituted by Chinese yarns. This changed the structure totally and made them unattractive to wear. The tragedy of the silence of the looms of Varanasi is that people continue to weave this imported yarn because it is cheap.

Benaras can survive and sustain itself adequately if we revert to the original yarns. We have indigenous mulberry silks from Karnataka, which are softer, finer, lighter and allow for more pliability when woven and have a wonderful texture. Organic ahimsa silks from the terai regions, India's tussars and mogas, are an intrinsic part of our heritage. If even one family in India owns one good Benaras sari in their wardrobe, which a young bride would like to possess, the city will have no problem keeping its weavers employed.

China dumped silk yarn in India at prices a fraction of their costs initially, and then slowly raised the prices to set up a lucrative business. The business, unfortunately, is run by middlemen, ignorant of the fact that they are producing goods which are unwearable and at the same time enhancing dependence on Chinese silk yarn.

A ban on imports of this yarn will perhaps affect production for a while, but we have the resilience in our textile techniques and as a country that taught the world the beauty of producing textiles, can easily find alternatives.

Covid-19 is a wake-up call. India must preserve its textiles. The beauty of the peacock must not succumb to the fire of the dragon.

Source: hindustantimes.com– Aug 18, 2020

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Garment exports begin to move northwards

After witnessing a sharp decline in April, readymade garment exports have started picking up. Though statistics are yet to match previous year's levels, the exporters have heaved a sigh of relief, especially in Ludhiana, which contributes 15-20% to the country's exports.

GROWTH STILL IN NEGATIVE ZONE

Month	FY 2019-20	FY 2020-21	MoM growth (%)
April	9,786.03	962.92	-90.16
May	10,661.45	3,908.80	-63.34
June	8,560.93	6,083.70	-28.94
July	9,390.06	7,973.06	-15.09

(ALL FIGURES IN CRORE)

In April, garments worth Rs 962.92 crore were exported as compared to Rs 9,786.03 crore in April last year. As industrial activity gathered steam, the exports rose to Rs 3,908.80 crore in May, Rs 6,083.70 crore in June and Rs 7,973.06 crore in July.

The country has been witnessing a fall in exports since January but normally it is less than 5% on a month-on-month (MoM) basis. However, it has taken the worst-ever hit amid the coronavirus pandemic and declined by 30% (in rupee terms) in March. In the current fiscal, April saw the biggest decline of 90%, followed by May (63%), June (29%) and July (15%).

Exporters said it would be difficult to register a positive growth this year as shipments in the first four months of the current fiscal have already declined by 51% as compared to the corresponding period last year.

Besides decline in exports and working capital crunch, labour shortage is haunting the industry and the exporters are unable to execute the orders in a time-bound manner.

"We are facing an acute labour shortage, especially tailors on which the industry is heavily dependent on migrant labourers," said Harush Dua, managing director of Ludhiana-based KG Exports.

Source: tribuneindia.com– Aug 18, 2020

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India extends AD duty on caustic soda from China & S Korea

The Government of India has extended the imposition of anti-dumping (AD) duty by another three months on caustic soda imported from China and South Korea. The request for extension of the existing AD duty was made by directorate general of trade remedies (DGTR), the investigation arm of the ministry of commerce, to protect domestic manufacturers.

"...the anti-dumping duty imposed under this notification, with respect to China and Korea, shall remain in force up to and inclusive of the 17th November, 2020, unless revoked, superseded or amended earlier," the department of revenue said in a notification.

The anti-dumping duty on caustic soda imports from China and South Korea was first imposed on August 18, 2015. It was to end on August 17, 2020 after a period of five years. Now, it has been extended till November 17, 2020.
AD duty is aimed at creating a level-playing field for domestic producers vis-à-vis manufacturers and exporters from other countries.

Caustic soda, otherwise known as sodium hydroxide, is a chemical that is widely used in the textile industry for scouring, mercerisation and dyeing, which are integral parts of the textile manufacturing process.

Source: fibre2fashion.com– Aug 18, 2020

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Haryana draft industrial policy aims to attract ₹1 lakh cr

The draft industrial policy of Haryana state aims to attract ₹1 lakh crore investment, generate 5 lakh jobs and establish the state as a favoured investment destination, achieve export diversification and provide livelihood opportunities to its people through resilient economic development. It also seeks to double the exports to Rs 2 lakh crore.

The policy plans to revalidate at least 100 State statutes (acts, rules and guidelines) and make them more suitable to investors, build supply chain facilities and infrastructure across 22 districts.

To boost investment, the state has identified seven thrust sectors -- auto, auto components and light engineering; agro-based, food processing and allied industry; textiles and apparels; electronics system design & manufacturing; defence and aerospace manufacturing; pharmaceutical and medical devices; as well as chemical and petrochemicals.

The policy is currently being given final touches and is scheduled to be released later this month, according to a news agency report. It is expected to propose regulatory reforms in land, labour and institutional mechanism.

"The policy emphasises the need for a balanced regional growth across the state. This would be strategised through fiscal and non-fiscal interventions that assist dispersal of the industry to the industrially backward areas of the state and infrastructure-led geographical dispersal driven by mega projects and industrial corridors," according to the draft policy.

It seeks to provide critical support to micro, small and medium enterprises (MSMEs) for enhancing productivity, quality and market access and promoting the entrepreneurial spirit.

The draft policy aims at promoting cluster development, regulatory easing and provision of attractive fiscal incentives for the future growth of the MSME sector.

Further, it lays emphasis on district level investment promotion and facilitation and three-tier grievances redressal committees to address industrial disputes and grievances.

Key infrastructure projects in the pipeline include Integrated Hisar Aviation Hub, KMP Economic Corridor, IMT Sohna, Global City Gurugram and a Multi-Modal Logistics Hub at Narnaul.

Source: fibre2fashion.com– Aug 18, 2020

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Input tax credit: GSTN enables taxpayers to know eligibility at invoice level while filing annual return

Goods & Services Tax Network (GSTN) on Tuesday announced switching on a new functionality to assist 14 lakh assessees in better compliance.

With the help of new functionality, the assessees will know their exact eligibility of input tax credit (ITC) flowing in their annual return and thereby filing the annual return, i.e. GSTR-9 more conveniently. This will help taxpayers download of invoices which account for ITC in Table 8A of Form GSTR-9, annual return. Also, it will give reasons for non-inclusion of an invoice in ITC value can be found out.

As on June 30, there are around 1.24 crore registered assessees under GST, out of which around 14 lakh taxpayers are mandated to file Annual Return GSTR-9 as their annual aggregate turnover was more than ₹2 crore.

Till now, the system used to compute eligible ITC based on suppliers' GSTR-1 and due to the governing rules like those filed till last date etc, the break-up at invoice level was not provided. Taxpayers used to raise query on computation of ITC. To bring the entire computation to taxpayers by way of showing each and every invoice filed by the suppliers and showing eligibility against each, this functionality has been developed.

For this, a new tab 'Download Table-8A details' has been introduced on the GSTR-9 dashboard of the GST portal from financial year 2018-19 onwards.

A major relief

Now, the new functionality is a major relief for annual return filers who used to report that figures of ITC, as pre-populated in Table-8A of Form GSTR-9, do not match with the figures as appearing in their Form GSTR-2A (Form GSTR-2A is a dynamic form which shows saved as well as filed invoices of suppliers.

Even those invoices filed after the last day for inclusion in annual returns, are also shown in GSTR-2A. Such invoices are not eligible for being counted for ITC. The taxpayers will now be able to know their ITC at the invoice level and reconcile the values appearing in Table-8A of Form GSTR-9 while filing their annual return. It will facilitate taxpayers to download document-wise details of Table-8A of Form GSTR-9, from the GST portal in excel format and view the entire Table-8A to know eligibility against each invoice.

In case the invoice is not found eligible for ITC, reasons will be given against the same. For example, it could be reverse charge document or taxpayer has opted composition scheme.

Apart from this, there could be one more scenario wherein the taxpayer will not be able to avail ITC while filing of Annual Return GSTR-9. If the supplier has filed GSTR-1 or GSTR-5 after the cut-off date, it will not be considered for availability of ITC, though the ITC details might be shown in his GSTR-2A. The cut-off date, for FY-2018-19, is October 31, 2019.

Source: thehindubusinessline.com– Aug 18, 2020

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Rains pose threat to cotton, red gram crop in Telangana

Farmers advised to prevent prolonged waterlogging

With heavy rains lashing Telangana over the last two weeks, farmers growing cotton and red gram face threats from parawilt and phytophthora, respectively.

Cotton, which has been sown on over 60 lakh acres in the State, is vulnerable to parawilt, a physiological disorder, due to prolonged waterlogging of the fields.

This is not caused by any fungi or bacterial attack, explains R Jagadeeshwar, Director (Research) at the Prof Jayashankar Telangana State Agricultural University (PJTSAU).

Pointing out that the present weather conditions are conducive for parawilt, he advises farmers to drain the water out of the fields as early as possible as prolonged waterlogging could deny the plant vital nutrients since it damages the root system.

Blight attack

He says there is a possibility of phytophthora blight attack on red gram, which is sown on over 10 lakh acres. Farmers have gone for additional acreage after the State government advised them to grow more of it and not to grow maize this kharif.

The State grows red gram on about 7.5 lakh acres in the rainy season. The phytophtora blight too is caused by excessive water and absence of sunlight.

Farmers should ensure there is no waterlogging in the fields to let the plant protect its root system. Left unattended, this problem could cause severe damage to the crop.

Source: thehindubusinessline.com– Aug 18, 2020

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Jobless: India's unemployment rate rises to nine-week high of 9.1%

India's unemployment rate spiked to a nine-week high of 9.1% for the week ended August 16.

Compared with a week earlier, the employment rate and labour participating rate (LPR) also increased to 38.4% and 42.2% from 37.09% and 40.62%, respectively, the Centre for Monitoring Indian Economy (CMIE) said.

"There is a big increase in rural India in both employment and unemployment rates. This reflects increased agricultural activities," CMIE's managing director and CEO Mahesh Vyas said.

Buoyed by hectic sowing activity and jobs offered under rural employment guarantee scheme, MG-NREGS, the unemployment rate in rural India steadily plummeted to 6.34% for the week ended July 12 from 17.92% for the week ended May 31, but it again headed north to 7.10% for the week ended July 19 and further to 7.66% in the very next week; but fell to 6.47% in the week ended August 2.

However, since then the rural unemployment rate has been on the rise to stand at 8.37% for the week ended August 9 and further to 8.86% in the week ended August 16.

In urban India, the unemployment rate has been steadily decelerating from 25.14% for the week ended May 31 to 8.73% for the week ended August 2; but since then the graph is on the rise to 9.31% for the week ended August 9 and further to 9.61% for the week ended August 16.

XLRI professor and labour economist KR Shyam Sundar said both urban and rural employment rates are likely to rise in the next few months since the sowing of khariff crop is almost nearing its end and the provision of jobs under MGNREGS has also declined after picking in April, May and June; migrant workers are returning to their host states. Also, sudden micro lockdowns have affected the normal functioning of firms in the supply chain and also the small and medium enterprises. As a result, the demand for labour has declined.

After clocking 23.5% in April and May, the overall pan-India unemployment rate first dropped to 17.51% in the first week of June and then it took a steeper fall to 11.6% in the second week. It further came down to 7.4% in July, lower than the average unemployment rate of 7.6% during the entire 2019-20.

For the week ended August 2, it stood at 7.19%; but since then it has been on the rise again to 8.67% for the week ended August 9 and further to 9.1% for the week ended August 16. Unemployment rate in February and March 2020 was 7.8% and 8.8%, respectively.

Overall, India's employment was 37.6% in July. In June, the employment rate was 35.9%, 29.2% in May and 27.2% in April. In March, India's employment rate was 38.2% and in January, it was 39.8%.

According to CMIE, the LPR for the week ended August 16 was 42.2% from 40.62% a week earlier. The LPR was at 40.7% in July compared with 42.7% for the whole of 2019-20. It fell to 40.5% in the last week of July 2020.

Source: financialexpress.com– Aug 18, 2020

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