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# IBTEX No. 108 of 2020 May 20, 2020

US 75.62| EUR 82.75 | GBP 92.74| JPY 0.70

## NEWS CLIPPINGS

# INTERNATIONAL NEWS

## Covid-19 adds new dimensions to US-China trade war

*The Trump regime is ratcheting up its protectionist rhetoric vis-à-vis China. If this leads to new sanctions, it would worsen the Covid-induced trade crisis rather than help the US*

While everyone was busy looking at the Covid-19 numbers across the world, other "stuff was happening" in international trade: the US-China trade war, which started as far back July 2018, just got significantly worse. This on-again off-again war has been a feature of the Donald Trump presidency, with the man at the helm since January 2017 vowing to prevent the US from being "exploited" by other countries, notably China, that had benefited from the US market by running bilateral trade surpluses.

Trump focussed on the US aggregate surplus as well as certain bilateral surpluses, missing the basic point that aggregate trade and current account surpluses in an economy are the result of internal macroeconomic imbalances (between aggregate domestic savings and investment) that are unlikely to be affected by trade measures alone.

Protectionist measures against Chinese imports only lead to imports from alternative sources being substituted. Indeed, as Chart 1 shows, the period of Trump's presidency has seen very little "improvement" in the trade balance. The very recent reductions in the US' overall trade deficit reflect changes in global trade, specifically affected by the Covid-19 outbreak.

### Trade tensions

China was identified as the biggest villain of the piece, and not just because it had the largest trade surplus with the US of all trade partners. The trade war officially started on July 6, 2018, when the US imposed a 25 per cent tariff on Chinese imports wirth $34 billion. This was just the first in a series of increases in tariffs over the subsequent year, and China also retaliated with tariffs on some US goods (albeit on lower values of imports).

Over this period, the global economy was heavily preoccupied with these trade tensions, which affected investment decisions and impacted supply chains, including in countries supplying raw materials and intermediates to China for final processing and export to the US.

Eventually, an agreement in principle on a Phase-1 trade deal was reached in mid-December 2019, signed on January 15, 2020, to take effect from February 15. Under this agreement, China would buy $200 billion more of US goods and services over the following two years and remove barriers to various US exports.

The US agreed to suspend an additional 15 per cent tariff to be imposed on around $162-billion worth of imports from China and reduce some newly imposed duties.

However, the Covid-19 outbreak in Wuhan from January 2020 affected some of these equations. Chinese officials have maintained that they would definitely honour the commitments for agricultural imports from the US (worth around $32 billion) but additional purchases of manufacturing and energy goods could be affected, if China had to invoke the force majeure clause because of the pandemic.

However, since then, China has continued to make positive overtures to the US on the trade front. As recently as May 12, it announced tariff exemptions on 79 American products, including ores, chemicals and certain medical products, and allowed imports of barley and blueberries on May 14.

**Present scenario**

But as Chart 2 indicates, the US bilateral deficit with China had been falling from mid-2019, well before the trade deal was signed, and by January 2020 it was one-third lower than the monthly peak achieved in September 2018.

Since then, of course, the pandemic affected Chinese exports to the US, and subsequent lockdowns across the world affected trade drastically, and so the bilateral deficit fell even further to less than $12 billion in February 2020.

Essentially, the share of China in US trade has fallen sharply from 2018. Chart 3 provides some of the most recent data, suggesting that by March 2020, only 10 per cent of US merchandise imports came from China, which accounted for less than one-fifth of the US merchandise trade deficit

Incidentally, the US continues to maintain a healthy surplus on trade in services: in 2019 this amounted to nearly $250 billion in the aggregate and was also significant for trade with China.

**Root cause**

Despite all this, Trump has only ratcheted up the rhetoric against China in recent months, accusing the country of suppressing vital information about the virus that allowed the subsequent spread, and even allowing discredited rumours about its origins in a Wuhan lab. This reveals the real purpose of the conflict: it was never really about trade per se, but about technology, and the US fears that China is emerging as a technological superpower in its own right, with the possibility of challenging US dominance in the near future.

This also explains the unfortunate bipartisan support for anti-China positions in the US government. The opening of the latest front in the "trade war" makes this very explicit.

On May 15, the Trump administration announced that it would ban Chinese company Huawei from using US software and hardware in strategic semiconductor processes. This followed a one-year extension of the export ban on Huawei and ZTE. Trump has also been pressurising European governments to refrain from collaborating with Huawei in particular.

These moves are designed to prevent the Chinese chip, software and telecom companies from expanding their markets and increasing their technological capabilities, in what is increasingly seen as the most promising new frontier for a world economy in decline.

All the signs are that the US-China trade deal will have to be renegotiated, with uncertain outcomes. As global trade collapses because of the impact of the pandemic and associated containment measures, this is one more negative impetus that will prevent recovery any time soon.

Source: thehindubusinessline.com- May 19, 2020

HOME

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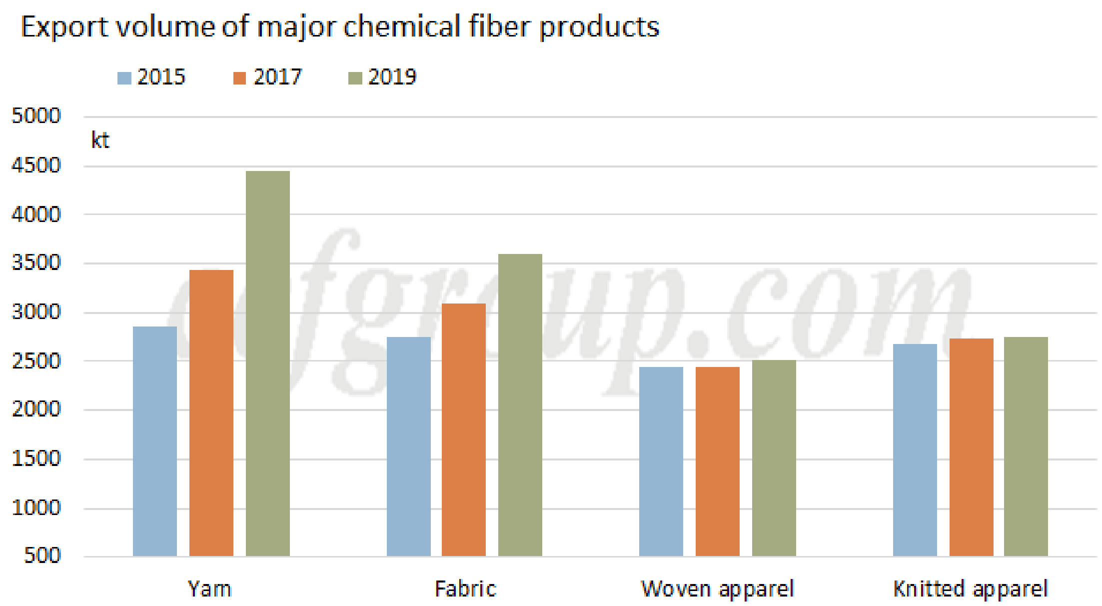
# China: With accelerating textile industrial transfer, downstream market losing market share

For China's textile and apparel industry, exports have always been a very important demand market, and the scale of the foreign trade market, as well as changes in structure, have also received much attention.

The export data, because the units of each category are different, they are often calculated by the value, but because the unit price of each category is obviously different, it can not fully correspond to the relationship between the quantities; In addition, it also involves exchange rate issues, and the results obtained also vary greatly calculated under US dollars and RMB basis.

However, in order to actually feed back to the demand, a quantitative assessment is still required. **In order to simplify the calculation, the following is temporarily calculated according to the below relationship: 1 piece (set) of apparel is converted into 2 meters of fabric, and the weight of 1 meter of fabric is 150 grams. The actual results are still different, but the magnitude and trend can be viewed roughly.**

According to the statistics, the export volume of major chemical fiber products (converted to 10,000 tons) is obtained, and the corresponding categories are: chemical fiber yarn, chemical fiber woven fabric, chemical fiber woven apparel, chemical fiber knitted apparel.
(Note: Only a few important categories are selected here.)



**Although the absolute value does not rule out deviations due to the problem of unit conversion, it can be clearly seen from the comparison of like products that the export of yarn is growing fastest and the export of fabric is also growing steadily, but the increment of apparel is extremely limited.**

The textile industry in Southeast Asian countries is developing, and the supporting system is not perfect. For example, the Cambodian apparel industry is worth US$ 7 billion, of which 60% of the raw materials depend on China, mainly textile fabrics.

As a result, apparel exports have been stagnant, and the rapid growth of yarn and fabric export may not necessarily reflect the increase in end-user demand, **but may only be the transfer of division of labor. Southeast Asian countries have obviously eroded China's market share, which partially reflected in yarn and fabric export in China.**

In the same way, the export volume of the main cotton varieties (converted to 10,000 tons) is obtained, and the corresponding categories are: cotton yarn, cotton fabric, cotton woven fabric and cotton knitted clothing.


**The situation of cotton products is even less optimistic, and the export of yarn and fabric is not as good as apparel, not competitive in the international market.**

Of course, the above are simplified treatment and analysis. In fact, whether it is fabric or apparel, it may actually be made of a variety of raw materials, but it is simply classified according to the main ingredients, but the conclusion is basically not affected.

The continued growth of chemical fiber exports reflects China's competitiveness in chemical fiber yarns and fabrics, but emerging textile countries are also gradually developing their own capacity. How long this advantage can be maintained requires careful consideration.

The yarn and fabric sectors which are seemed to be superior are actually not of high added value. Taking polyester filament yarn as an example, industrial yarn producers pay much attention to overseas market, but the textile filament factories still present limited concern on exports. On the one hand, the export ratio of textile filament is less than 10%, and on the other hand, the export efficiency is not as good as domestic sales. In terms of fabric market, there are differences between grey fabric and finished products, and fabrics with different processes also differ, which cannot be generalized. However, the benefits of conventional products exported may not be better than those of domestic sales, but the order cycle will be relatively more stable.

The most terminal part of the textile industry is apparel, and the apparel part is the most inactive sector of the industrial chain in recent years. Even during the industry recovery beginning at the end of 2016, it was also the calmest. Regarding the reasons, there are various views, such as the problems of the apparel industry model, including the decline of apparel stores, the trend of customization, high turnover, and the impact of online sales, as well as the changes in residents' consumption habits and consumption structure etc. **Seen from the export alone, apparel companies that lack brand competitiveness and product added value are losing market share.**

**As for the industrial transfer, it has actually been discussed for many years, but from the data of recent years, this process has been actually reflected, especially in the context of the trade war, which may accelerate.** The COVID-19 outbreak has hindered the export of textile-related industries in China, so companies are more concerned about the resumption of work in overseas markets such as Europe and the United States, waiting for the recovery of demand and the improvement of orders. Although the pandemic is still not controlled well in Southeast Asia, the companies there have made great effort to resume work as quickly as possible to avoid market share being seized.

**In fact, industrial transfer is originally a trend of historical development.** China's polyester and upstream industries were also transferred from Japan and South Korea, and Japan and South Korea were also derived from Europe and the United States. But the problem is that at the beginning of the self-sufficiency of China's polyester industry, raw materials needed to rely heavily on imports. At that time, the raw materials was very lucrative. In the 1980s and 1990s, the PET fiber chip was extremely profitable; Polyester industry has been developing, and PTA and PX once highly relied on import. All these products experienced a huge profitable period and started stepping into stable era after domestic capacity substantially expanded.

Source: ccfgroup.com- May 19, 2020

HOME

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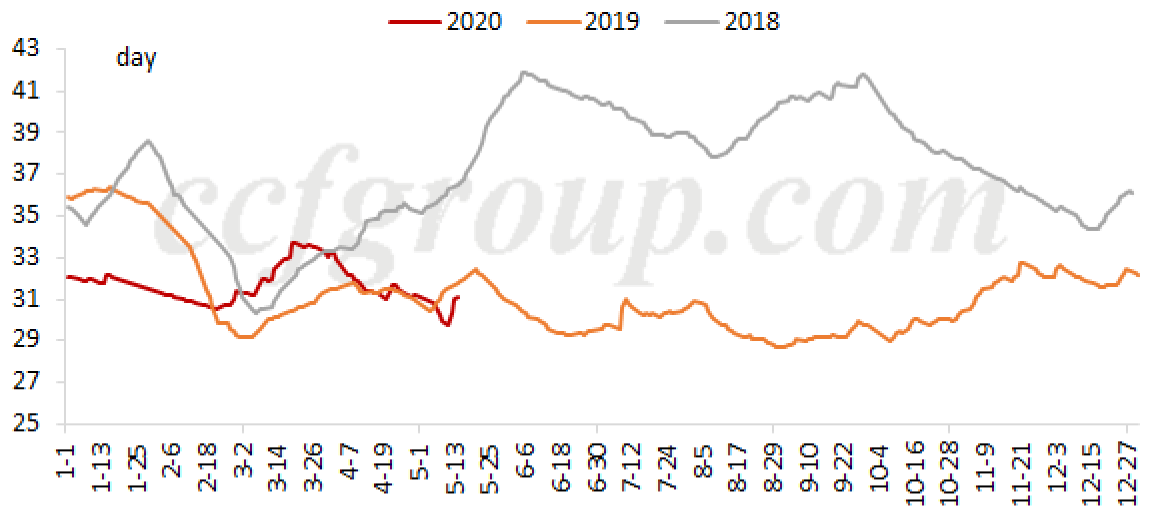
## Bullish and bearish factors on Chinese cotton market

After May Day holiday (May 1-5), downstream product sales improve somewhat, and according to the conversation with our clients and spot cotton sales, downstream mindset indeed improves. Then, how about the status quo of the industry? What are the major influencing factors on cotton prices?

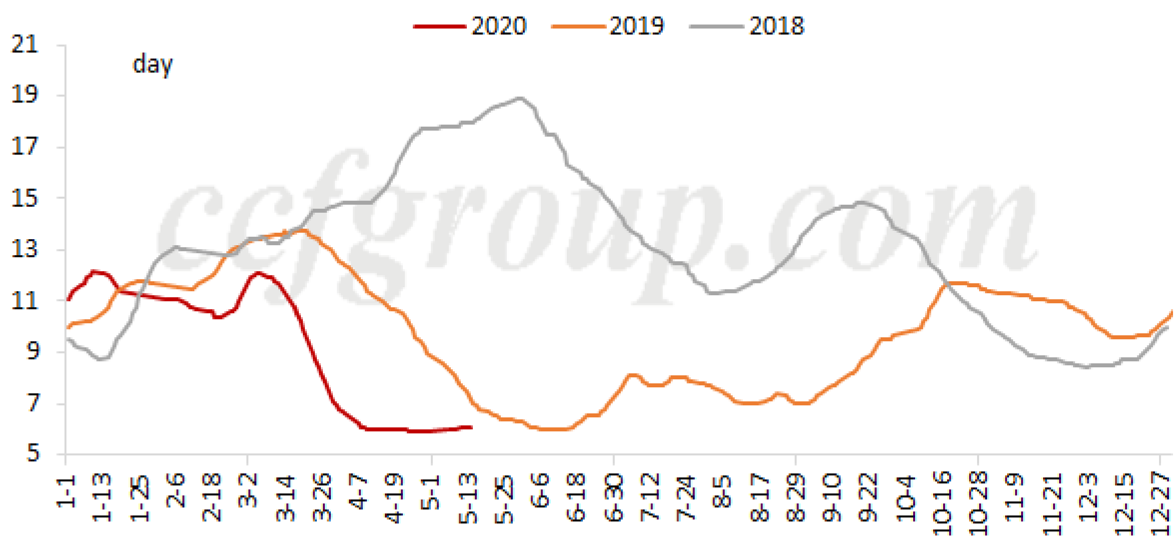
### 1. Industrial situation

Downstream product sales turn slightly better after May Day holiday, with slight improvement of domestic end-user demand, modest replenishment from traders and some small export orders. In view of spot cotton market, when ZCE cotton futures market only declined slightly on May 12-14, trading sentiment was obviously better than that in Apr. Most mills replenished feedstock after digestion during the holiday, and a few mills replenished half a month or one month more feedstock. In grey fabric market sector, some weaving plants with large orders intend to increase the cotton yarn inventory. Currently, the cotton yarn inventory in weaving plants remains low, and if grey fabric plants replenish more cotton yarn inventory, mills may intend to purchase more cotton later, then, the overall industrial chain will have a good cycle.

Cotton inventory in spinning mills




Cotton yarn inventory in weaving plants




But this improvement needs the general improvement in grey fabric sector. Currently, the demand from end-user remains not large, and only a few weavers have large orders.

Most weavers are still in face of tight capital and weak demand. If cotton yarn prices are hard to rise, mills still show low buying interests when ZCE Sep contract rises above 11,600yuan/mt.

## 2. Major influencing factors on cotton market and market views

The major influencing factors and market views are showed below, to state the bullish and bearish factors at present.

| Major influencing factors | Logic of bullish factors | Logic of bearish factors |
|---|---|---|
| Sino-US relations | The possibility to break the first phase trade agreement is limited, and China will be active to purchase agricultural products from the United States. | Large uncertainties cover on the Sino-US trade relations, and trade conflict may return after the Covid-19 pandemic improves, then it may have impact on purchase from China. |
| Domestic sales | 1. If the replenishment is large, cotton prices will push up. 2. Demand may come back in Jun-Aug, and the traditional slack season may be not dull. | 1. Domestic sales are not stable, and the traditional slack season will come in Jun-Aug, so demand may turn weaker further, and consumption may be poor overall. 2. Currently, the downstream recovery is still limited. Under the impact of trade conflict and the pandemic, downstream plants still face tight capital and feedstock depreciation risks, and they are not able to increase the inventory. |
| Export sales | The intensive export order cancellation period has passed, and export orders may return somewhat after the lift of lock-down in EU and US. | Large apparel brands have applied for bankruptcy successively, and even there are export orders, the overall consumption recovery is limited worldwide. |
| New cotton supply in China | Uncertainty on weather | Extreme weather appears every year in Xinjiang, and growers will not make the cotton output reduce much. |
| Locust in India and Pakistan | Locust may appear in Jun again, and the scale is larger. | The locust influence has been paid attention earlier, and measures have been taken, so the influences may be limited. |

## 3. Conclusion

Market mindset improves somewhat currently, and mills show buying interests when ZCE Sep cotton contract is at 11,500yuan/mt and below, but mills mainly purchase on need-to-basis at present. Under the anticipation of oversupplied situation on global new cotton market, the driving force of cotton prices is still restrained by downstream demand. Currently, the demand from end-user market remains limited, and the replenishment on feedstock is restricted by tight capital. Cotton prices are hard to go up.

Source: ccfgroup.com- May 19, 2020

HOME

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## Global denim industry to be more creative and sustainable post- COVID-19

As businesses remain shut and balance sheets get stressed, the pace at which the denim industry is trying to develop a sustainable supply chain is slowing down. This is mainly because the crisis has generated extreme contraction in product consumption which has led to a decline in investments in sustainability, says Lucia Rosin, Head of Design, Meidea.

### Focus on affordability to survive

Though it is desirable to produce high-quality, sustainable denim, some brands and retailers are likely to prioritize on producing more affordable products as they rebuild their businesses, feels Tilmann Wrobel, Creative Director, Monsieur. For others like Denim History, there is no better option than to sell fast and cheap clothing. The goal for these mills or factory owners is to make things cheaper and pay less.

### New ways to incorporate sustainability

Yet, sustainable manufacturing is in a better place than it was during the Great Recession, as both demand and awareness for better products from both the industry and consumers—is higher, and the supply chain has more sustainable solutions to adopt. Many brands and retailers are opting for either sustainable fabric at a lower price or at least at an equal cost to denim without this property. Therefore, now is not the time for mills to retreat to old habits and undo the progress they’ve made.

And as Wröbel point out, on the contrary, mills now need to find new ways to incorporate protective performance qualities to their fabrics. The need to adapt to the next big thing should be the focus.

## Boosting sustainable investments

As the pandemic is teeing up a correction in how consumers buy and how brands manufacture, it is more important to invest in sustainable practices and take care of the workers and the environments where denim jeans are being produced.

Bluezone curato Panos Sofianos believes after the current crisis ends, the industry must support more investments and innovations in the denim industry

## An opportunity to get creative

Taking a more pragmatic view of the situation, Wröbel likens this pause in business to halftime during a football game. Wröbel believes the pandemic will offer designers a chance to flex their creative and strategic-thinking muscles. Monsieur-T is focusing on ideas about what could be done with the inventory that is in the warehouses around the world, and which can probably not be used before the next season.

The pandemic is also forcing companies to be creative with their messaging. Mohsin Sajid, Founder, Denim History is working with clients across the supply chain to develop video content as well as co-hosting digital events with Kingpins ED and Fashion Revolution.
Revamping event schedules

Many industry events are also going digital compelling some to reconsider their old schedules. Though it will be an ongoing process, Wröbel feels, it's time to give the calendar a second thought. Sajid too agrees the seasonal calendar and buying cycles have to change though it may result in seasonless collections. Fashion shows and splashy exhibitions which were on the downturn prior to the pandemic is likely to suffer further as companies will restrict non-essential travel for employees.

## New brands to new values to emerge

One thing that is clear, when economies open up, it will not be the same denim market that exists prior to the pandemic. While headlines about rebounding luxury sales in China offer a dash of optimism, not all players will return. BLDWN (formerly Baldwin) was among the first brand to shut down because of the economic downturn forced by the pandemic. Three weeks later True Religion filed for Chapter 11 bankruptcy court protection, an unfortunate reversal of fortunes brought on by stores forced to close.

Experts anticipate consolidation across the market as there will be opportunities for buying brands—and their market position—for little money. Rosin also expects to see new brands rise to the top. Brands that have worked well to consolidate and many new ones will emerge with values suited to the new times and the metamorphosis we are experiencing.

Source: fashionatingworld.com- May 19, 2020

HOME

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## Here's what global economies are fearing most, other than recession; WEF study reveals top worries

A prolonged global recession due to COVID-19 pandemic, high unemployment, another outbreak of an infectious disease and increased protectionism are among the biggest near-term worries for companies around the world, a new study showed on Tuesday.

The study conducted by the World Economic Forum (WEF) also flagged that the world is not ready for the knock-on effect of far-reaching environmental, societal and technological risks, but a "green recovery" and more resilient, cohesive, inclusive and equal societies can emerge if leaders act now.

"Economic distress and social discontent will rise over the next 18 months unless world leaders, businesses and policy-makers work together to manage the fallout of the pandemic," according to the report.

As economies restart, there is an opportunity to embed greater societal equality and sustainability into the recovery, which would unleash a new era of prosperity, said Geneva-based WEF, which describes itself as an international organisation for public-private cooperation.

The study, titled 'COVID-19 Risks Outlook: A Preliminary Mapping and Its Implications', has been conducted in partnership with Marsh & McLennan and Zurich Insurance Group. It taps into views of nearly 350 senior risk professionals who were asked to look at the next 18 months and rank their biggest concerns in terms of likelihood and impact for the world and for business.

The immediate economic fallout from COVID-19 dominates companies' risks perceptions and these range from a prolonged recession to the weakening fiscal position of major economies, tighter restrictions on the cross-border movement of goods and people, and the collapse of a major emerging market.

The report also calls on leaders to act now against an avalanche of future systemic shocks such as the climate crisis, geopolitical turbulence, rising inequality, strains on people's mental health, gaps in technology governance and health systems under continued pressure.

"These longer-term risks will have serious and far-reaching implications for societies, the environment and the governance of breakthrough technologies," the WEF said.

As per the study, two-thirds of respondents identified a "prolonged global recession" as a top concern for business. Besides, one-half identified bankruptcies and industry consolidation, failure of industries to recover and a disruption of supply chains as crucial worries.

With the accelerated digitisation of the economy in the midst of the pandemic, cyber attacks and data fraud are also major threats, according to one-half of the respondents, while breakdown of IT infrastructure and networks is also a top concern.

Geopolitical disruptions and tighter restrictions on the movement of people and goods are also high on the worry list.

A second report from WEF, 'Challenges and Opportunities in the Post-COVID-19 World', which was also published on Tuesday, draws on experiences and insights of thought leaders, scientists and researchers to outline emerging opportunities to build a more prosperous, equitable and sustainable world.

WEF's Managing Director Saadia Zahidi said the COVID-19 crisis has devastated lives and livelihoods while triggering an economic crisis with far-reaching implications and revealing the inadequacies of the past.

"As well as managing the immediate impact of the pandemic, leaders must work with each other and with all sectors of society to tackle emerging known risks and build resilience against the unknown. We now have a unique opportunity to use this crisis to do things differently and build back better economies that are more sustainable, resilient and inclusive," she said.

Source: financialexpress.com- May 19, 2020

HOME

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## COVID-19: The impact of the coronavirus pandemic on global fashion retail

The global textile and fashion industry was one of the worst hit sector by the ongoing coronavirus pandemic. Since its outbreak in December 2019 in China, we have seen retailers progressively closing doors as the global spread of the virus continues to increase with by the day. While most brands and retailers have been urging consumers to shop online – the response has been anything but warm. Consumers around the world have been compelled to restrict themselves in homes and amidst pressing concerns of economic uncertainty and rising financial burdens, it can be safely assumed grocery, medicines and staples purchase will precedence over fashion. Eventually, even digital retail is reeling under the effects of the pandemic with increasingly falling consumer spending, transport issues and supply chain hurdles.

At the time of writing this article, the spread of the virus has crossed a staggering 1.8 million cases across 210 countries and has claimed 114,980 lives as of yet. The spread is accelerating across the world, despite relentless containment efforts. Although epidemics and virus outbreaks aren't uncommon, countries around the world were not prepared for something of this scale and intensity. As such, the coronavirus pandemic has had severe repercussions on the global economy with experts even touting it as the most severe economic contraction since the World War II.

McKinsey & Company's Global Health and Crisis Response report, April 2020, outlines that most countries are expected to experience sharp GDP declines in Q2. 'China will undergo a sharp but brief slowdown and relatively quick rebound to pre-crisis levels of activity. China's annual GDP growth for 2020 would end up roughly flat. In the European Union and the US, monetary and fiscal policy would mitigate some of the economic damage with some delay in transmission, so that a strong re-bound could begin after the virus was contained at the end of Q2 2020,' the report documents.

The report also highlights how the fashion industry is set to witness pronounced effects of this calamity due to the discretionary nature of the industry. The average market capitalisation of apparel, fashion and luxury players dropped almost 40 percent between the start of January and March 24, 2020 – a much steeper decline than that of the overall stock market.

For the fashion industry, the effects of the coronavirus pandemic were crippling as it hit on both the supply and demand side. 'We estimate that revenues for the global fashion industry (apparel and footwear sectors) will contract by 27 to 30 percent in 2020 year-on-year, although the industry could regain positive growth of 2 to 4 percent in 2021.4 For the personal luxury goods industry (luxury fashion, luxury accessories, luxury watches, fine jewellery and high-end beauty), we estimate a global revenue contraction of 35 to 39 percent in 2020 year-on-year, but positive growth of 1 to 4 percent in 2021,' the report outlines.

Even after this is over, the industry is expected to go through a rocky path, with consequences across the value chain – from fiber farmers, textile mills to retail store assistants. Manufacturing hubs in developing countries like India, Bangladesh, Cambodia, Honduras and Ethiopia, will be the worst hit, because extended periods of unemployment might also trigger indigence and disease outbreak.

**China's Absence Leaves a Void**

China is among the top exporters of textiles and apparel, with US$118.5 billion and US$157.8 billion exports respectively in the year 2018. This accounted for about two-thirds of the textiles used by manufacturers across Southeast Asia in the same year. Thus, the China's economic disruption and production-setback itself were enough to had the global fashion retail industry seriously worried about supply chain problems.

On the other hand, we are all aware of how the power of the Chinese consumer has exploded in the last decade. According to the BBC, Chinese shoppers now single-handedly account for 38 percent of the global fashion industry. In an interview with Bloomberg, Casper Rorsted, CEO, Adidas, highlighted that although the group has registered a slight return of consumers into the stores of late, Adidas AG has registered a dip in consumption in greater China by a staggering 85 percent in the weeks since 25th January 2020.

Carlo Capasa, President, Italian Chamber of Fashion revealed to Time in early March, how China's coronavirus outbreak is likely to be a nightmare for Italy's US$100 billion-plus fashion industry. Although the Italian fashion retail industry was optimistic about 2020, they are now facing immense issues including supply chain issues and weak demand, especially in China.

Also, with about 50 million Chinese people in quarantine and growing travel regulations to other countries, Chinese buyers were also missed in fairs and high streets around the world. This decline in footfall has impacted the global luxury fashion market the worst, as 'Chinese customers accounted for 90 percent of the global market growth in 2019, reaching 35 percent of the value of luxury goods sold in the world,' as stated the 18th edition of the Bain & Company Luxury Study.

## The Lowest Paid are The Worst Affected

The fashion industry has always been under the radar for its inclination towards low-cost labors in developing countries. With low wages, flexible or no contracts at all and poor working conditions, informal garment and textile workers have been the most adversely impacted sections during this pandemic.

As a result of raw material shortage from China and major brands and retailers bailing out on orders, production hubs across Bangladesh, Vietnam, Cambodia have been forced to shut down, forcing estimated 60 million garment workers into destitution. In certain nations where manufacturing units stay in activity, laborers are compelled to work even when businesses are reluctant to ensure satisfactory precautions, leaving laborers and their families and networks vulnerable to infection.

As per a Bloomberg report, as many as 1,089 apparel production units in Bangladesh have had orders cancelled, worth roughly $2.8 billion due to the escalating coronavirus outbreak. The Bangladeshi humanitarian crisis has made headlines globally, raising serious concerns about ethical sourcing in fashion and textiles.

Rubana Huq, President, Bangladesh Garment Manufacturers and Exporters Association, has taken to social networking to urge brands to 'just do the right thing by honoring their contracts'.

"So far it's been $1.5 billion lost, impacting the lives of 1.2 million workers. While the Covid19 wreaks havoc globally, the fate of our industry and our workers has ended up being uncertain. With brands handing out cancellations and deferments, we have no idea what tomorrow holds. Brands who were partners last month have all turned into strangers, unable to fathom our exposure to an existential crisis of handling the wages of 4.1 million workers.

Without orders and with empty production spaces, all the workers run a risk of being totally unemployed for a long time to come. For us it comes down to a level of bare minimum survival mode, while the western world still has the privilege of having bailouts from their privileged governments On that consideration, we call upon the international community to surface with a renewed pledge to support the workers of Bangladesh, if not just the businesses," she shared on Linkedin.

Brands working with factories in Bangladesh include H&M, Bestseller, Adidas, C&A, Marks and Spencer, Target and PVH Corp (which owns Tommy Hilfiger and Calvin Klein), among others.

**Fashion Fairs and Events are Cancelled Worldwide**

As the coronavirus crisis escalates, an increasing number of organizers around the world are compelled to scrap fashion fairs and other industry events. While Chic Shanghai was postponed, Ispo Beijing was had to be called off altogether. The past few weeks has witnessed a long list of events that have been postponed. Messe Frankfurt's textile fairs Intertextile Shanghai Apparel Fabrics, Yarn Expo and Intertextile Shanghai Home Textiles; The Materials Shows in Boston and Portland, Berlin's sourcing fair Asia Apparel Expo, are all adding up to the list.

As the list of cancelled and shelved events continue to grow, several others have decided to go virtual. The Mercedes-Benz Fashion Week in Russia, Zero Waste Summit, and Girlboss Rally in Los Angeles are some of the events that have decided to go virtual out of safety concerns. Even as Giorgio Armani made a last-minute decision to stream his latest collection at the last big day of Milan Fashion Week.

**Change in Consumer Behavior**

Consumers' moral is at an all-time low and this has compelled the global fashion industry to struggle to cope with consumer demand. Plagued by the sudden state of affairs and exposed to the vulnerability of economic uncertainty, the spreading rapidly coronavirus pandemic is expected to take a toll on consumer behavior for good. McKinsey & Company's Global Health and Crisis Response report highlights that in Europe and the US, more than 65 percent of consumers expect to decrease their spending on apparel, while only 40 percent expect to decrease total household spending.

This has resulted in warehouses overflowing with unsold stock in the USA and as per reports in the internet, an increasing number of brands and retailers are facing this as both the virus and lockdowns spread rapidly across the world. Even online retailers have revealed about the increasing dip in online traffic, conversions and consumer sentiment. Even after the dust settles, financial turmoil stemming from the crisis is expected to continue. According to McKinsey & Company's Global Health and Crisis Response report, this will force a new discount culture to liquidate stock for the rest of the year.

The report also expounds how different market categories to be impacted by the discounting wave to varying degrees. Categories like intimate wear, that are season-less, are less exposed and can be repurposed later in the year. 'Mid-market brands and retailers will be hit hardest, as cash-strapped shoppers trade down to the value segment for essentials and middleclass consumers turn more to heavily discounted affordable luxury and premium goods. For luxury brands, however, the discounting challenge is exacerbated by the need to preserve reputation and image, making it crucial to avoid steep discounting, or at least discount in a more controlled way through off-price channels,' the report states.

Reportedly, even fashion behemoths like Gap, Hummel, Adidas, Aeropostale and Asics, among others have announced discounts of 30-60 percent on various products. Indian footwear stalwart Liberty Shoes in a bid to clear inventory has recently announced an end-of-season sale with discounts upto 70 percent.

## Expected Impact on Consumption

Retail and business management consultant Wazir Advisors have released a repost that outlines a sharp fall in apparel consumption in the USA and European countries. Globally, new COVID-19 cases are projected to reach the acme between the time frame of end-April to mid-May. In line with this, the Boston Consulting Group, in its Epidemic Projection released on March 26, 2020, has revealed that lockdown in most parts of the USA and EU will last at least till mid-July. This means that stores across these countries will have to remain shut for a total of 3-4 months.

Wazir Advisors have outlined that this will result in a drop of apparel consumption in the otherwise largest fashion markets of the world, the USA and EU by 40 and 45 percent, accounting to about US$ 300 billion. “US as a society is more consumerist compared to Europe.

Younger population with a habit of regular spending will cause US to maintain a tad higher consumption than EU during the lockdown period; and more importantly, faster return to normal consumption levels,” the report states. It estimates 37 per cent less consumption due to store closures in the US market, and the country’s GDP shrinking by 3 to 4 per cent. Expected net impact would be 40 per cent lower apparel consumption in 2020.

**Conclusion**

The escalating coronavirus calamity has had devastating effect on the fashion and textile industry – much more than experts expected at the onset of the pandemic. Smart retailers were quick in shifting their focus on digital retail in the beginning of the crisis, but this is expected to have adverse effects on departmental stores, specialty retail stores and new and small players who not equipped to adapt to the digital first mentality.

McKinsey & Company’s Global Health and Crisis Response report outlines the high chances of this crisis being the harbinger of the end of “extreme consumerism”. The responsibility to tackle this crisis rests on the shoulders of brands and retailers who will have to come up with indigenous and innovative ways of reducing stock and reinfusing value into their brand as well as products.

The report emphasizes on the fact that although it might prove to be an uphill task, gaining back the trust and enthusiasm of cash-strapped consumers post this crisis should be at the top of the priority list for brands and retailers across the globe.

Source: indiaretailing.com- May 19, 2020

HOME

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# UKGT: 203 fashion & textile tariff lines drop to zero

In all 203 fashion and textile tariff lines will drop to zero under the new UK Global Tariff (UKGT) regime announced by the government today. The new tariffs will be applied to products imported into the UK from January 1, 2021, i.e. at the end of the Transition Period. The tariffs will apply to imports from countries where the UK does not have a trade deal.

In the vast majority of the 203 fashion and textile products where tariff will be decreased to zero, UK has little or no UK manufacturing e.g. the import duty on silk yarn will fall from 4 per cent to 0 per cent and that on terry towelling fabric will drop from 8 per cent to 0 per cent, the UK Fashion and Textile Association (UKFT) said.

Of the nearly 1,200 tariff lines for the fashion and textile sector, 67 per cent will remain unchanged. "Virtually every single fashion line will remain at 12 per cent and the vast majority of yarns and fabrics will continue to attract an import duty of between 4-8 per cent," UKFT said based on the announcement made by the department of international trade.

A further 15 per cent of fashion and textile tariff lines have been simplified with, for instance, the import duty on silk ties has been reduced from 6.3 per cent to 6 per cent and the rate on bras has been lowered from 6.5 per cent to 6 per cent.

"UKFT campaigned vigorously against the last proposed UK tariff regime as it failed to provide UK manufacturers with a level playing field and at the same time threatened to increase the amount of very cheap, disposable fashion imported from overseas.

"We welcome the new UK Global Tariff regime precisely as it addresses our two fundamental concerns. Our UK manufacturing base has received assurance that it can continue to trade on an equal footing and while consumers will still be able to benefit from the duty free arrangements with countries such as Bangladesh, there is not going to be a huge influx of super cheap fashion with all the environmental damage that could entail," UKFT CEO Adam Mansell said.

UKFT has, however, urged the government to reach a positive conclusion to the negotiations with the EU – a market that accounts for 76 per cent of the UK's exports and 35 per cent of its imports.

[**Click here**] to see the existing and UKGT tariff lines for various HS codes.

Source: fibre2fashion.com- May 19, 2020

HOME

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## Japan's growth drops amid pandemic, worse times likely ahead

Japan plunged into recession in the first quarter as the coronavirus pandemic battered manufacturing, exports and spending, and economists expect worse damage lies ahead.

The world's third-largest economy contracted at a 3.4% annual, seasonally adjusted rate in January-March, the Cabinet Office reported Monday. It shrank 0.9% from the previous quarter.

Analysts say things are expected to get worse as Japan endures its biggest challenge since World War II.

The latest data put Japan squarely into a technical recession, defined as two straight quarters of contraction. The economy contracted at a 1.9% annual pace in October-December.

Japan is extremely vulnerable to repercussions from the pandemic given its dependence on trade with both China and the U.S., the country where the pandemic began and the country where it has been hit hardest.

But trouble was brewing even before the virus began disrupting trade and travel, and more recently, domestic business activity and consumer spending.

After years of strenuous efforts to keep growth on track despite a shrinking and fast-aging population, growth was flat in July-September and a mere 0.5% in April-June, according to the latest numbers.

Among other things, that longer-term weakness reflects disruptions from a trade war between the U.S. and China, Japan's two biggest single trading partners, slowing global growth and a slowdown in China.

Then came the outbreaks.

Manufacturers that are pillars of Japan's economy, such as Toyota Motor Corp., have reported dismal financial results. Some companies have been unable to provide forecasts for this fiscal year. Profitability is nose-diving as people economize and stay home. Production at some plants has halted.

The government has come up with a rescue package of nearly 108 trillion yen ($1 trillion), and plans more, including aid to small businesses and cash handouts.

The Bank of Japan, already years into an unprecedented effort to flood the economy with cash through asset purchases and a negative interest rate policy, has doubled down on its promises to support growth.

More than 16,000 people in Japan have been infected with the virus and more than 700 have died, but those numbers are relatively low given it has the world's oldest population and its cities are densely populated.

Japan eased its state of emergency last week for most of the country, though hot spots like Tokyo are maintaining restrictions. Many places are starting to reopen, but a return to normal operations and a recovery in consumption are not expected anytime soon.

Robert Carnell, regional head of research Asia-Pacific at ING, said the damage to the private sector will continue, even as public demand picks up, helped by government aid.

"So even though the state of emergency has been criticized as being a halfhearted response to the pandemic, compared with many other nations, it has still resulted in a substantial reduction in economic activity, and will weigh on growth," he said.

Source: ktxs.com - May 18, 2020

HOME

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## 'All my dreams are shattered' - Coronavirus crushes Asia's garment industry

*Since the 1960s, Asia has grown into the world's garment factory, sending about $670 billion worth of clothes, shoes and bags a year to Europe, the United States and richer Asian countries*

Zarchi Lwin pawned her only two gold bangles for $140 when the owner of the Myanmar factory where she sewed winter coats for British retailer Next Plc shut it down after orders dried up due to the coronavirus.

She is one of hundreds of thousands of garment workers across Asia who have been laid off, according to the Workers Rights Consortium, a labour rights campaign group, and are now struggling to survive with little welfare support, mired in debt and in many cases reliant on food handouts.

"If I have a job and an income, I can pay for medical treatment for my mother," Zarchi Lwin, 29, told Reuters from the home she shares with her 56-year-old mother, who has lung disease, in a shanty town on the outskirts of Yangon. "Now no income, no job," she said, fighting back tears. "We don't know what to do."

Next temporarily closed all its stores in Britain in March due to the coronavirus. The company said in a statement it had only cancelled some orders and "endeavoured to be fair" to its suppliers. KGG, the factory where Zarchi Lwin worked, did not respond to requests for comment.

Since the 1960s, Asia has grown into the world's garment factory, sending about $670 billion worth of clothes, shoes and bags a year to Europe, the United States and richer Asian countries, according to the International Labour Organization, a United Nations agency.

After non-essential stores were closed in many countries and people were told to stay at home to prevent further spread of the disease, international retailers from ASOS Plc to New Look said they cancelled orders with garment makers. Factory owners in Myanmar, Bangladesh and Cambodia immediately shut down thousands of factories and sent home workers with little or no pay.

Retailers generally place orders at least three months ahead of delivery and pay for the finished product when it is delivered. Initially most retailers cancelled all outstanding orders, but many adjusted their position in March and April after a public outcry, agreeing to pay for goods that had already been manufactured or were mid-production.

To finish pending orders, about half of Bangladesh's 4,000 garment factories have reopened, according to garment manufacturer associations. About 150 of Myanmar's 600 or so factories have shut down, while 200 out of 600 or so are closed in Cambodia.

Many factories that have reopened are struggling to enforce social distancing and good hygiene practices in often cramped conditions, two union officials told Reuters. "Most of the factories are not complying with the safety guidelines," said Babul Akter, president of the Bangladesh Garment and Industrial Workers Federation, adding that dozens of garment workers had been infected with the virus. "Just placing hand-washing systems and checking temperatures at the entrances will not help. Inside the factories, when the workers work so closely, how will they maintain safe distancing?"

Some orders have been trickling back. Swedish fashion retailer H&M said it only paused orders for two weeks at the height of the virus outbreak. U.S.-based Walmart Inc , the world's largest retailer, said it placed new orders with Asian manufacturers last month.

**Stay or go back home?**

Despite the new orders, several garment manufacturers said the low volume of work on the books means many factories in Myanmar, Bangladesh, and Cambodia will not be viable, which means many of the young women who make up the majority of the workforce will no longer have jobs. That leaves them torn between returning to families in the countryside, where there are few employment opportunities, or enduring life in the city in the hope that factories will reopen at full capacity.

The European Union has created a wage fund for workers in Myanmar worth 5 million euros ($5.3 million) to pay a portion of the salaries of the most vulnerable for three months. Myanmar has promised to cover 40% of the salaries of laid off workers. More than 58,000 have been laid off, according to the country's garment manufacturer association.

In Bangladesh, one million workers were furloughed or laid off by late March, according to the Penn State Center for Global Workers' Rights, although some have since returned to work. About 75,000 have not been paid for March, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), which estimates tens of thousands more will not be paid wages owed to them.

The government has announced a $588 million aid package for its export sector to help pay employees. Garment manufacturers, which estimate they have lost almost $3 billion in exports since the start of April, said the funds are not enough. Foreign-owned firms and joint ventures are not eligible for payments.

In Cambodia, where about 60,000 garment workers have been "suspended," according to the country's manufacturer association, workers have been promised $70 per month - $40 from the government and $30 from the employer - but that amounts to just over a third of the current minimum wage.

In that country's capital, Phnom Penh, 39-year-old Rom Phary said she and her husband had racked up $550 of debt and interest since she lost her factory job in early March, several times her monthly salary. She said she and her family are living off rice donated by an NGO, the Center for Alliance of Labor and Human Rights, which is working in Cambodia. Phary said she persuaded her landlord to let her stay rent-free rather than forcing the family to return to relatives in the provinces.

"If we go back, it would be shameful. We don't know what we would do," she said.

'If he died, it would be a relief'

In Myanmar the garment industry was the fastest-growing sector of the economy, accounting for about 10% of the country's exports and offering an escape route from extreme poverty for hundreds of thousands of people, many of them migrants from rural areas.

In Dagon Seikkan, an industrial zone on the outskirts of Yangon that is home for many migrant workers, local officials have been giving out rations of free rice to those who have been without jobs for some time. But Zarchi Lwin said she did not qualify as she was employed up until recently.

She and her parents left their small village in the central Magwe region six years ago after selling their house to pay for treatment for her brother, who eventually died from kidney disease. At first, they worked as cleaners and lived in a dormitory. Then Zarchi Lwin trained herself to sew clothes and secured a sought-after job at one of the nearby factories, earning $146 per month: enough for food, rent of a small wooden shack, and medical treatment. She saved up for a year to buy the bangles she pawned, she said.

Sobbing, she recounted how her mother told her she wants to die in order to lessen the financial burden on the family. "Sometimes I want to kill myself because of this situation," she said. Her father, a guard at a furniture factory, has also lost his income.

Before the new coronavirus, garment workers in Yangon and the neighbouring province of Bago were sending more than 40 million euros ($43 million) in remittances to their hometowns and villages across the country each month, said Jacob Clere of SMART Textile and Garments, a European Union-funded project.

"Education for children who would otherwise not have it. Medicine for grandmothers who would otherwise go without. Healthy food. Better shelter," said Clere, describing how that money helped rural communities. Many are now at risk of being forced into early marriage or taking on debt from loan sharks at very high rates, said Mike Slingsby, a regional urban poverty specialist.

### High-interest debts

In Bangladesh, the world's second-largest garment maker behind China, 4.1 million workers or 2.5% of the population worked in garment factories, many of which are now closed. About 70% of Dhaka's garment industry workers left the city to return to their villages, said Tuomo Poutiainen of the International Labour Organization, although he said some have since returned after some factories reopened to finish work on existing contracts.

Orders for June are down 45% from a year ago, according to Rubana Huq, president of the BGMEA.

Banesa Begum, a 21-year-old worker laid off from a Dhaka factory making clothes for Zara, among other brands, said she had nothing to send to her parents, subsistence farmers in the northern district of Rangpur. "I know they are starving," she said.

Inditex, the owner of Zara, told Reuters it will pay for orders from garment makers, whether finished or in production, according to the original payment schedule.

Begum's salary also paid for her two young brothers to go to school. "I don't know how I'll manage money to continue their study," she said. "All my dreams are shattered."

Source: business-standard.com - May 19, 2020

HOME

*****************

## Nigeria forms private partnership to revive garment units

The Nigerian government is targeting N 5.089 billion from the partnership with the private sector to revive the garment and leather industries. Director general of the Infrastructure Concession Regulatory Commission (ICRC) Chidi Izuwah recently said the amount would be made up of 80 per cent debt and 20 per cent equity with zero contribution by the government.

Hewas speaking at an event to present the full business case (FBC) compliance certificate to the Nigeria Correctional Service (NCS) in respect of the proposed NCS shoe and garment factories in Aba in Abia state and the Janguza Tannery Factory in Kano state under public-private partnership (PPP) mode.

He said the PPP would lead to the creation of 1,290 direct jobs, several indirect jobs locally and savings on foreign exchange, according to Nigerian media reports.

The arrangement between NCS and local company Erojim Investments Limited and its technical partner, China's Poly Technologies Inc., is aimed at establishing a world-class factory using the most modern technology and quality inputs to produce high quality shoes, garments and leather products.

Source: fibre2fashion.com - May 19, 2020

HOME

*****************

# Cotton contamination level up from 2016: ITMF survey

The level of contamination of raw cotton by foreign matters and the appearance of seed-coat fragments have increased compared with 2016, according to ITMF's Cotton Contamination Survey 2019. Also, the level of stickiness has fallen slightly to the lowest level. There are also differences between cotton varieties when it comes to the level of contamination.

These are the main conclusions to be drawn from the Cotton Contamination Survey 2019 which has just been released by the International Textile Manufacturers Federation (ITMF).

The 15th edition covers 128 spinning mills located in 25 countries which evaluated 81 different cotton growths, according to a press release by ITMF.

The level of cottons moderately or seriously contaminated as perceived by the spinning mills from around the world grew from 23 per cent in 2016 to 26 per cent in 2019. A closer look at the extent of the contamination shows that 7 per cent (2016: 7 per cent) of all cotton evaluated were seriously contaminated by some sort of foreign matter whereas 18 per cent (2016: 18 per cent) were only moderately contaminated.

As the summary data are arithmetic averages of the different contaminants, the extent of contamination is fully illustrated by the results for the individual contaminants. They range from 6 per cent all cottons processed being moderately or seriously contaminated by tar to 55 per cent of them being moderately or seriously contaminated by organic matter, that is leaves, feathers, paper, leather, etc.

Other serious contaminants are strings made of plastic film (39 per cent), fabrics made of plastic film (39 per cent), strings made of woven plastic (36 per cent) as well as fabrics made of woven plastic (31 per cent).

The most contaminated cotton descriptions considered for the survey originated in India (MCU-5, J-34, India- Others, DCH), Pakistan (NAIB, Pakistan Others, MNH93), Tajikistan (Medium Staples) and Mozambique. In contrast, very clean raw cottons were produced in Australia, the USA, (Memphis Territory, California, Pima, South Eastern, Texas H. Plains and Arizona), Argentina, Brazil, and Spain.

The presence of sticky cotton as perceived by the spinning mills is close to constant (that is, 16 per cent in 2016 versus 15.7 per cent in 2019) and remains at the lowest level since 1989. Descriptions that were affected most by stickiness were those from Sudan, the USA (Pima, USA-Others, Memphis Territory, Texas H. Plains, California, South Eastern), Mexico (Juarez) and Turkey (Turkey – Others). On the other end of the range, cottons from South Africa, Tanzania (Mwanza, Coastal), China (Shandong, Xinjiang), Mozambique, Chad, and Pakistan (MNH93, Pakistan – Others, NAIB) were not or hardly affected by stickiness.

With regard to seed-coat fragments, the Cotton Contamination Survey 2019 shows that their appearance in cotton growths remains an issue for spinners around the world. 34 per cent of all cotton growths consumed contained moderate or significant amounts of seed-coat fragments, a slight increase since 2016 (32 per cent). The origins affected most by seed-coat fragments are those from Turkey (Turkey – Others, Cukurova / S.E.), India (India-Others, J-34, MCU-5), Sudan (Sudan – Others), and Pakistan (MNH93, Pakistan - Others). Countries for which the existence of seed- coat fragments were negligible included those from Tanzania (Coastal, Mwanza), India (Shankar-4/6), Australia, the USA (California, Pima, Memphis Territory, USA – Others, Texas H. Plains).

Source: fibre2fashion.com- May 19, 2020

HOME

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## Vietnam's textile and garment industry hit hard by COVID-19

With a supply chain that over relies on only a few key partners, Vietnam's textile and garment industry is among the country's hardest hit by the COVID-19 pandemic.

Vietnam has traditionally focussed on garment production with little capacity for fabrics manufacturing. It is estimated that Vietnam imports up to 89 per cent of fabrics — 55 per cent from China, 16 per cent from South Korea, 12 per cent from Taiwan and 6 per cent from Japan. US and EU markets account for more than 60 per cent of Vietnam's garment exports.

Vietnamese garment manufacturers predominantly focus on the simplest cut-make-trim (CMT) model where buyers control and own all the pre- and post-production processes. CMT production contributes 65 per cent of Vietnam's total exports, while the more advanced business models, like Original Equipment Manufacturer (OEM) and Original Design Manufacturer (ODM), that allow for higher profit margins account for only 35 per cent.

When the coronavirus pandemic struck in January, Chinese fabric manufacturers suspended production, disrupting fabrics supply to Vietnam. As the pandemic centre shifted west from China in March, many orders from the European Union and the United States were cancelled, causing significant damage to Vietnam's garment manufacturers.

Vietnam's Textile Association reported that 70 per cent of garment manufacturers started reducing shifts and rotating workers in March, with an additional 10 per cent following in April or May. By June 2020, the estimated loss to the industry could reach US$508 million.

Data from Vietnam's Customs Agency suggests that imports and exports of all textile and garment products fell massively in the first quarter of 2020. Exports of garments totalled US$7.03 billion, a 1.4 per cent year-on-year reduction compared to 2019 and 34 per cent lower than the expected growth of 50 per cent prior to the pandemic.

Despite the devastating impact of COVID-19, the pandemic provides some valuable lessons for the industry on recovery and ways to move forward.

First, it is essential to establish a resilient supply chain of fabrics and other raw materials, which relies on the development of domestic fabric production. Having a reliable domestic supply of fabrics will mitigate disruptions and help capitalise on free trade agreements (FTAs) that impose rules of origin. For example, in order to enjoy preferential tariffs under the recently signed European Union–Vietnam FTA (EVFTA), Vietnamese garment manufacturers must satisfy the fabric-forward rule that requires the use of domestically produced fabrics (with the exception of fabrics imported from South Korea).

Second, it is important to diversify the demand base to reduce over reliance on a few key customers. Vietnam should leverage FTAs, especially the newly signed Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), to explore new export markets. This could also help drive industry growth.

Manufacturers should also pay more attention to Vietnam's promising domestic market and explore new product offerings. Domestic and international demand for antibacterial masks and protective gear has proven an effective and important relief measure during the crisis.

Third, Vietnamese garment manufacturers should consider making the necessary investments to advance from the labour-intensive CMT model towards more capital-intensive models that allow for higher profit margins and more control and resilience to external shocks. OEM and ODM capable firms have proven to be more resilient and better equipped to quickly respond to the pandemic.

TNG, an OEM company based in Thai Nguyen, has stockpiled enough fabric for production until the second quarter of 2020. TNG has also arranged alternate sourcing from Pakistan and other domestic suppliers. This, together with agile management, enabled TNG to start producing antibacterial masks in just three days, helping the company record a 65 per cent increase in revenue compared to 2019, despite cancelled overseas orders.

Despite this severe yet temporary setback, Vietnam's textile and garment industry should be optimistic about the future. In 2019, more than 80 per cent of Foreign Direct Investment (FDI) in the textile and garment industry shifted towards manufacturing fabrics and other raw materials.

TAL, a Hong Kong-based company, was approved to build a US$350 million fabric plant in Thai Nguyen province in early 2019. In February 2020, Texhong, another Hong Kong-based company, committed another US$500 million (in addition to an existing US$500 million investment) to expand yarn and fabric production capacity in Quang Ninh province. These FDI firms are expected to provide competition pressure and spill-over benefits that could stimulate innovation and growth of domestic and state-owned fabric producers.

The government is also supporting Vietnam's textile sector with the construction of dedicated textile industrial parks. Rang Dong Textile Industrial Park in Nam Dinh province, the largest of its kind, is expected to be operational from 2022.

Despite the economic shock of COVID-19, all signs are pointing in the right direction for Vietnam to take its place as the world's third-largest textile and garment exporter after China and India.

Source: eastasiaforum.org - May 19, 2020

HOME

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## Pakistan: Textile gloom looms ahead

Textiles are our main exports and numerous international buyers have suspended all orders that were ready for shipment. Moreover, many foreign brands have filed for bankruptcy putting at risk the payment of orders that have been delivered.

The gloom in textiles has spread all over the world. The real picture of global textiles is depicted in Bangladesh where confirmed orders worth over $5 billion have been put on hold.

The suspended orders are equivalent to our total apparel exports. A renowned brand JC Penny has filed for bankruptcy and apparel payments worth $230 million to Bangladeshi exporters are at stake.

JC Penny also outsources some exports from Pakistan. Under the bankruptcy laws in the developed economies, the priority of payment to the suppliers from assets of bankrupted company takes the back seat. The employees, directors, and banks get preference.

Our major exports come from textile value chain. We need to concentrate on high value-added textiles. The readymade garments and knitwear exporters are at highest risk in the current scenario.

They are sitting on completed orders worth hundreds of millions of dollars that have been put indefinitely on hold. Moreover, they are sitting on inputs of equivalent amount that they were to produce regularly for their suppliers.

On top of that, they are hoping that their suppliers do not file for bankruptcy because in that case the payment of even the delivered goods would be jeopardised. The vale-added apparel exporters are small companies.

Thousands of these small exporters cumulatively make up over 75 percent of the entire apparel exports. These exporters need handholding from the government.

On the contrary, the government functionaries give more time to All Pakistan Textile Mills Association (APTMA) than the value-added sector. The APTMA leadership argues that its members also include many companies that are in high value-addition so it could plead their case as well.

The point that gets missed here is that all those APTMA members, who are in the high value-added sector, are members of the respective trade bodies of those sectors. Those trade bodies comprising exclusively of value-added exporters are better placed to highlight their problems.

Commercial councillors in the developed economies should be asked to keep an eye on the status of companies or brands that import from Pakistan (the list of buyers should be handed over to them). In case they see weakness in any of the buyer, they should immediately inform the relevant trade association of the country and the commerce ministry. The value-added exporters should be facilitated with soft loans to ease their financial crunch.

It is worth noting that yarn is the lowest value product of textiles. It is in fact the basic raw material of all subsequent higher value-added products exported or locally consumed in Pakistan.

Unfortunately, our spinners are not producing many high qualities of blended yarns (manmade fibre mixed with cotton). It may be due to the past flawed textile policies, but the ground reality is that our exporters cannot produce numerous apparel because of the absence of this yarn that could be converted to fabric in our weaving mills.

Value-added apparel sector employs almost 80 percent of the total textile workforce. They can expand their exports if raw material rules are eased for them.

They should be allowed to import high quality yarn and fabric free of duty on the simple bank guarantee that these inputs would be consumed in making apparel for exports. The bank guarantee should be immediately released after the exports are made and the consumption of inputs proved on the basis of formula already applied by the Federal Board of Revenue.

The government should do away with the DTRE regime for apparel exporters, as it is too cumbersome and expensive (because of speed money involved in approvals). The state should give priority in immediate release of refunds to apparel exporters.

There is no need to reintroduce zero-rating for five exporting sectors. Experience has proved that there was huge pilferage of sales tax at domestic level because of this scheme.

We never chalked out a viable and long-term economic policy. Every government that assumes power pursues different policies during its tenure being more confused than consistent.

This government for instance vowed to document the economy, reduce imports, bring fiscal discipline, revive industry, and increase exports. Its measures on documentation drew strong protests and the state gradually back tracked from almost all the measures it took for documentation.

The absence of a dedicated and strict approach on documentation encouraged those benefitting from it to continue exerting pressure on the regime culminating in further increase in grey economy. In the same way, the government policies lacked consistency in other spheres of economy.

Source: thenews.com.pk- May 20, 2020

**HOME**

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## Pakistan: Pakistan to exploit post-Covid opportunities to boost exports: Dawood

Prime Minister's Adviser on Commerce and Investment Abdul Razak Dawood on Tuesday said that the post-coronavirus world will be a perfect opportunity to increase the local exports to the international markets under the "Make in Pakistan Policy".

"We are fully prepared to exploit the economic and trade opportunities expected in the wake of the post-COVID-19 pandemic to increase local production for promoting Pakistan made products in global potential markets," the adviser told APP here.

"We perceive and expect more opportunities to promote bilateral trade and strengthen linkage with potential markets. including the European Union, China, Central Asian States, Middle East, and African region besides promoting regional trade in the post-pandemic environment," he said.

He said that business processes would be completely different in the post-COVID-19 situation and such difficult times always bring out new opportunities, new products, and new ways of thinking. Razak Dawood said that in the current emergence of new realities and paradigm shifts in international trade and the economic side, this was a golden opportunity for Pakistan to pursue the Make in Pakistan Policy.

He said that Pakistan must move towards making products on its own rather than importing items. Talking about the tariff structure, he said that the Ministry of Commerce was pursuing to bring changes in the tariff structure for the upcoming fiscal year, aiming at facilitating local production and thereby moving towards local manufacturing.

He said the government wanted to decrease customs' duties on raw material and also wanted to document the non-tax businesses to bring them in the tax net. He said exports to different regions had increased as the exports to the Middle East went up 36 per cent, African regions 10 per cent, while the exports to Central Asian Countries especially Uzbekistan were also on the rise.

The adviser emphasized the need for exploiting the huge opportunities of increasing exports in the health and safety products like personal protective equipment (PPE), including protective masks, gloves, sanitizers, clothing, helmets, goggles and other garments or equipment designed for protection from COVID -19.

He said a summary in that regard would be presented to the cabinet, while the ministry was also negotiating the future strategy for increasing the exports to help export-led economic growth. "We should conclude our strategy and start manufacturing in different sectors to achieve our export targets," he added.

Replying to a question, he said the government was equally focusing on all sectors of the economy, including textile, non-textile, and agriculture and engineering sectors, to build the export potential of the country in the coming months.

Talking about the external trade situation, he said that in the last 10 months (July-April) of the current fiscal year 2019-20, the overall exports were declined by four percent as compared to the corresponding period of last year.

He said the exports increased by 13 percent in February, however, they started reducing from March which had declined the exports by 6.5 per cent as compared to the last year. However, he said even during the current lockdown situation, at the beginning of COVID- 19 pandemic, Pakistan exported textile and non-textile products increased. Likewise, exports in steel articles also increased in the last three months.

Source: profit.pakistantoday.com.pk - May 19, 2020

HOME

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## Pakistan: Faisalabad's power looms resume work amid labour shortage

The power loom industry only partially restored its operations on Monday due to the unavailability of skilled workforce, as almost half of the workers have gone to their hometowns due to the Covid-19 pandemic and the lockdown imposed to prevent its spread.

The Faisalabad Yarn Market also reopened, but the power loom owners, cloth merchants, and brokers witnessed a shortage of some types of the product. The buyers were also waiting for the prices of yarn to settle as they kept fluctuating during the trading.

All Pakistan Cotton Power Looms Association (APCPA) Chairperson Chaudhry Muhammad Nawaz appreciated the restoration of the industry but pointed out that it had been facing a crisis before the lockdown. He recalled that about 35 per cent of small-scale, 56-inch power looms were running in loss so their owners had sold them as scrap for Rs40 per kilogramme. Now the coronavirus had added to the problems, he added.

He said about 150,000 looms had resumed functioning in the country, including 50,000 air-jet and shuttle-less looms, with labour colonies and financing from the State Bank of Pakistan.

Faisalabad Chamber of Commerce and Industry (FCCI) President Rana Muhammad Sikandar-e-Azam Khan said new jobs should be created by encouraging labour-intensive industries. “Zero-rated schemes should also be revived for the five major export sectors,” he said and added that the present sales tax rate is very high and it must be rationalised with a maximum of only five per cent. He said other taxes should also be reduced.

He said power looms were the biggest domestic industry, which had suffered due to the lockdown. "Around 100,000 families, directly and indirectly, depend on it," he said, adding that the workers of the sector belonged to the lowest strata of the economy and were facing the worst ever crisis in history.

The FCCI leader demanded that the government announce a relief package for various sectors, including the power looms. He said petrol prices had plunged to the lowest level in history but no relief had been announced in the form of lowering of the electricity tariff. "The electricity rates should also be reduced by 30 per cent," he opined.

He said the government had announced that it would pay three months' electricity bills of the small and medium enterprises (SME) sector. "No practical development has so far been witnessed in this respect." Rather than helping those affected by the lockdown, the Faisalabad Electric Supply Company has not only added late payment surcharge in their bills but also severed their connections, he said.

He alleged that banks were not properly guiding their clients, but were fomenting confusion by stating that the loans would be allowed only to the units that were paying salaries to their staff through cheques. He said the State Bank should issue clear directives that no bank should unnecessarily refuse to give the subsidised loan. He said that as business activities had remained halted during the lockdown, the concessional loans should be given at zero markups. He said charging markup would be tantamount to adding financial burden on the closed businesses and industries.

Khan said that in order to revive the economy in the post-coronavirus period, the focus should be on traditional as well as non-traditional markets. "South America is an important but ignored market," he said, adding that Pakistani exporters already working with the countries in the region should be appointed as honorary commercial counselors to maximise exports. "Similarly, we should also try to enter the untapped African markets," he added. He said the adviser to the prime minister on commerce had agreed to appoint honorary commercial counselors in more countries.

Source: tribune.com.pk - May 19, 2020

**HOME**

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# NATIONAL NEWS

## Govt to further revise criteria for classifying ‘medium’ enterprises under MSME definition, says Nitin Gadkari

Days after changing the definition of MSMEs, the government has decided to further revise the criteria for medium units by enhancing the investment and turnover limits to up to ₹50 crore and ₹200 crore respectively, Union Minister Nitin Gadkari said on Tuesday.

Unveiling the contours of the ₹20 lakh crore stimulus package, Finance Minister Nirmala Sitharaman had last last week announced a change in the definition of micro, small and medium enterprises (MSMEs).

**Redefining MSMEs**

As per the revised definition, any firm with investment up to ₹1 crore and turnover under ₹5 crore will be classified as “micro”.

A company with investment up to ₹10 crore and turnover up to ₹50 crore will be classified as “small” and a firm with investment up to ₹20 crore and turnover under ₹100 crore will be classified as “medium”.

The previous criteria for classifying enterprises in the “medium” category was investment up to ₹10 crore and turnover of up to ₹5 crore.

“We have taken a decision to raise the up to ₹20 crore investment (criteria) to up to ₹50 crore and turnover (limit) to up to ₹200 crore. So we will issue an order for that,” Gadkari said.

The MSME and Road Transport and Highways Minister said that he feels the criteria should be based on investment “or” turnover instead of investment and turnover both as announced, adding that the government “will rectify the same”.

He also added that open to considering suggestions regarding enhancing the turnover limit to up to ₹250 crore for medium enterprises, and will take up the matter with the MSME secretary.

### Boosting Indian MSMEs

Gadkari said the government plans to raise MSMEs contribution to India's exports to 60 per cent from 48 per cent at present and also boost the sector's contribution to the country's GDP from 29 per cent currently to 50 per cent.

"We are planning to create 5 crore new jobs. Until now, we have created 11 crore jobs," said the Minister, adding that he was keen on developing Indian MSMEs of international standards.

Interacting with representatives from an exporters' body, he urged exporters to take advantage of the "blessing in disguise" posed by the global "hatred against China" through cost reduction and encouraging import substitution.

Besides, Gadkari said the government wants to make bus ports and is also planning to build logistics parks.

Source: thehindubusinessline.com– May 19, 2020

HOME

*****************

## How COVID-19 Lockdown is impacting Indian Apparel and Textile Industry ?

For the past two months, what India and the world have seen is beyond unimaginable. Since the outbreak of the coronavirus began in china at the end of 2019, the virus is taking its toll on the global economy. The outbreak has affected the Apparel and Textile Industry globally as well as in India.

The demands for textile products in the global and domestic markets have come down due to the panic situation created by the COVID-19 outbreak.

The governments directed to close all the malls and retail outlets to challenge the outbreak; almost all buyers are canceling and postponing their orders, results in disruption of supply chain and declining exports.

At present, textile processors have been facing severe liquidity due to uncertainty in orders.

## Retail Stores closing and future demand uncertain

The United States and the Europe are two largest India export destinations, now becomes the worst affected countries by this pandemic, thus there has been a major fall in demand. The pandemic has killed more than 2.5 lakh people worldwide, with nearly three-quarters of the deaths being reported in Europe. The US has reported over 86,000 death cases.

Many retailers across the globe have declared the temporary closing of their stores to stop the spread of viruses. Large number of buyers have canceled their running orders. Since the onset of the virus, the apparel stores in the US have dropped by 10% in sales in Feb-march.

Usually, buyers start delivering the goods for the holiday season from Asia early as June. However, due to the health crisis and uncertainty in the situation, the COVID-19 induced economic slowdown could end up hitting holiday sales. The EU textile and apparel industry are expecting more than 50 % drop in sales and production this year.

## China gradually coming back in the market

Chinese textiles and apparel manufactures are gradually starting operations after two months of lockdown. China has started exporting medical protective gear including surgical masks and other personal protecting equipment to other countries.

Generally, the fashion brands sourcing from china for the autumn season place their orders during April with delivery in May or June. Due to the lock down period ahead and uncertainty situation, buyers are hesitating to place new orders and canceling the existing orders.

Delayed in making sourcing decisions

A lot of fashion shows, trade fairs, textile expo, and exhibitions have been either canceled or postponed in the past two months, which may lead to delays in making sourcing decisions.

The delivery of fashion brands of the upcoming spring season and Autumn-winter has been already delayed due to disruption and travel restriction.

## Raw material prices fall down

According to the Cotton Textiles Export Promotion Council (Texprocil), eleven countries buy 41 percent of India's cotton yarn exports and these countries have reported COVID-19 cases.

Many garment and textile factories in China have suspended operations, adversely affecting exports of fabric, yarn, and other raw materials from India. The disruption leads to a decline in the prices of cotton yarn by three to four per cent in the domestic market.

India is the second-largest exporter of polyester after china. With the reduced demand and falling of oil prices, there has been an effect on polyester prices as well. The prices of polyester have reduced by more than 20% due to reduced demand and resulted in significant losses for the fiber players. Gujarat is the largest polyester exporter in India and now is worst affected by this pandemic.

## Dyes and chemical prices increases

On average, over 470 textile units in Tirupur require 500 tonnes of synthetic dyes every month and China supplies the raw materials to them. During the past two months, the prices of dyes and chemicals have gone up by about 30 per cent because the imports of synthetic dyes from China are not options, thus affecting production rates.

Now the traders started looking for alternatives as natural dyes. However, it is not possible to procure them in large quantities, considering their limited sources.

## Issues in imports of trims

India imports over USD 140 million worth of accessories like buttons, zippers, hangers, Velcro, and needles from China annually. India does not have the domestic supply base to provide such a huge demand for these raw materials.

## The Livelihood of Apparel workers affected

The India Textile sectors are second employment generators after agriculture in the country, predominately employs 105 million peoples, the majority of them are migrants from Bihar, Uttar Pradesh, Orissa, and other states. At present, the daily wage workers are on roads or returned to their native places.

According to Clothing Manufacturers Association of India (CMAI), there could be as many as one crore job cuts in the textile sectors if there is no support and revival package from the government. CMAI surveyed among its members and analyzed around 1,500 responses. Almost 20 percent of them were thinking of closing down the business after lockdown if they didn't receive any financial assistance from the government.

**Lessons learned by industrialists' from this pandemic**

**Shift toward localization and automation**

From these lockdown periods, there is another lesson to learn for all industrialists, i.e. not to depend on a single source for raw material supplies and shift towards localization. In manufacturing sectors, it is not possible for workers to work from home. During this turbulent time, industrialist should replace the workforce with automation.

**Focus more on E-Commerce Sales and Digitalization of Supply Chain**

In order to maintain social distancing, the malls and retail stores were close but some of the e-commerce channels of these stores had start operating in some of the areas. During the initial phase of coronavirus, the consumers prefer online purchase rather than visiting physical stores.

In the past few days, the Hon'ble Prime Minister has announced 20 lakh crore COVID relief package. The package will provide to various sectors such as cottage industry, MSMEs, and industries, so there is still hope for this industry.

Source: e-pao.net– May 19, 2020

HOME

*****************

# Keeping old shirt on: As buyers turn cautious & stick to past designs, sector sees dip in orders

In the last month, a Delhi NCR-based buying house connecting Indian garment makers with fashion brands in countries like the US witnessed approximately an 80 per cent drop in orders. Newer designs for upcoming seasons by this firm, not named to protect the identities of its employees, have also been scrapped as its international buyers have either shut shops for the next few months or are recycling older designs.

"Our clients in the US have been cancelling their orders, even the ones which have been produced, packed and ready to ship," said one of the employees.

**EXPORTS TUMBLE**

| CATEGORY | DROP IN EXPORTS IN APRIL 2020 |
|---|---|
| Cotton yarn, fabrics, made-ups, handloom products | 80.74% |
| Man-made yarns, fabrics, made-ups | 82.55% |
| Readymade garments of all textiles | 90.16% |
| Jute manufacturing, including floor coverings | 89.69% |
| Carpets | 90.84% |

"While some have slowly started reinstating their orders, it is less compared to what they've cancelled. On top of this, these international brands with several stores have been asking factories in India with liabilities and heavy expenses to give them discounts," the person added.

Despite this, the workload is still the same because the firm is trying to stay relevant in the face of uncertain times. "There is more pressure to stay relevant.

Everyone is paranoid and trying to put their best foot forward because we don't know whether we'll have a job tomorrow," said a designer at the firm. The pandemic has dealt a blow to India's labour-intensive textile and apparel industry across the supply chain during the pandemic, according to experts. Experts say that large brands are struggling with high inventories and are cutting back on plans for the next season.

"Large brands have around 80-90 per cent of their stores in malls which are not open. With the overall slowdown, these retailers are also sitting with a lot of inventory for the current season, and are pulling back purchases for their fall collections to help sell current stocks and also expecting demand to be soft," said Rajat Wahi, partner at Deloitte India.

Exports in the textiles sector witnessed a steep drop in April. For instance, shipments from Tirupur plummeted nearly 90 per cent to around Rs 225 crore that month due to a combination of low demand and the nationwide lockdown, according to Tirupur Exporters Association executive secretary S Sakthivel.

“The global demand, whether it is the finished product or the raw material, has taken a hit and that demand was determining, to a large extent, our textile exports also,” said Federation of Indian Export Organisations (FIEO) director general Ajay Sahai.

Despite an appeal by Textiles Minister Smriti Irani in April to buyers not to cancel “a single order that has been placed”, 60-80 percent of orders placed in textiles and apparels have been cancelled, according to Sahai.

Domestic demand, too, is nearly non-existent, according to industry executives.

Textile producers in Panipat supplying to India’s domestic market are either shut or operating at output levels of 10-15 percent, according to Federation of Industrial Associations of Panipat (FIAP) general secretary Shree Bhagwan Aggarwal.

While the impact may not drastically hurt India’s GDP–textiles contributes to a little over 2 per cent of it — the major “cause of concern” is the potential damage it may cause to livelihoods, according to Sahai. The sector has been the second-largest employer after agriculture, expected to provide jobs to around 55 million people in 2020.

However, some producers attribute this to issues with getting access to labour during the lockdown.

Textile Association of India president Ashok Juneja said availability of labour was a “big issue” as many workers had gone back to their hometowns during the lockdown. He added manufacturers were now looking to train local women to offset this shortage.

“Labour is a major issue … I expect it will take some months for the labour situation to normalise,” said Aggarwal of FIAP. “While it is too early to tell how much labour has gone, one fallout of COVID-19 will be increasing (use of) automation (for reasons like maintaining social distancing)…this is on the cards,” said FIEO’s Sahai.

Source: indianexpress.com – May 19, 2020

HOME

*****************

## Andhra Pradesh govt to release first tranche of Rs 450 crore package to MSMEs on Friday

To help reopen MSMEs amid COVID-19 crisis, the Andhra Pradesh government on Tuesday said it will clear the first tranche of pending incentives of about Rs 450 crore to micro, small and medium enterprises (MSMEs) this week.

The second tranche of Rs 454 crore will be cleared on June 29, it said in a statement.

Earlier in the month, the state government had announced it will clear 50 per cent of all pending industrial incentives of Rs 904 crore to the MSMEs to encourage them to reopen their business affected due to the lockdown, clamped to prevent the spread of the virus.

“On May 22, 1st installment of Rs 450 crore of industrial incentives will be released to MSMEs,” the statement said.

Besides this, the state government on May 26 will distribute a one-time special financial aid of Rs 5,000 to priests, imams, and pastors, who are performing daily poojas and rituals during the lockdown.

On May 30, the government said it will launch Rythu Bharosa Kendras. These units will serve as a one-stop shop to all agriculture and allied fields to benefit farmers.

Whereas in June, the state government has decided to launch Rs 10,000 crore YSR Vahana Mitra scheme on June 4 to give financial assistance to auto rickshaw and cab drivers.

Another new scheme Jaganna Chedodu programme is scheduled to be launched on June 10. The plan aims to provide Rs 10,000 per annum financial assistance to Nayi Brahmins, tailors and Rajakas operating small businesses.

On June 17, the state government said financial assistance under YSR Nethanna Nestham scheme will be provided to weavers. On the same day, all pending bills of the Andhra Pradesh State Handloom Weavers Cooperative Society (APCO) will be cleared, the statement added.

On June 24, the government is scheduled to give a sum of Rs 15,000 per annum to Kapu community women between the age of 45 and 60 years under YSR Kapu Nestham scheme.

Likewise, the YSR Congress Party (YSRCP) government in the southern state has released dates for implementation of key government schemes and measures for each month till March 2021.

Source: financialexpress.com – May 19, 2020

HOME

*****************

## Telangana's prescription for farmers: Grow cotton on 70 lakh acres, paddy on 40 lakh acres

In a paradigm shift, the Telangana Government has asked farmers to grow cotton on 70 lakh acres of land against 45-50 lakh acres that they generally do for the fibre crop every year.

The additional acreage in cotton is envisaged in the areas that are recently brought under assured irrigation resources from the new projects.

The overall arable land in the State is pegged at 1.35 crore acres for the two seasons.

"If you grow cotton under assured irrigation, you can reap yields in the range of 12-15 quintals and can earn up to ₹50,000 an acre," he said.

Telangana Chief Minister K Chandrashekar Rao has asked the farmers to grow paddy on 40 lakh acres, including fine varieties, on 25 lakh acres.

He has asked the farmers not to grow maize in the kharif season, and instead to grow red gram. "We had reaped excellent yields in maize from the recent season. The government is not going to procure this commodity if the farmers go ahead and grow it," he said.

Moreover, those who violate the cropping suggestions would be rendered ineligible for the Rythu Bandhu scheme (under which farmers get a financial assistance of ₹5,000 per acre each for the kharif and rabi seasons).

"If you grow red gram instead of maize as prescribed by the government, we will procure all of it," he said.

The traditional turmeric area (on about 1.90 lakh acres) in and around Nizambad will continue to focus on the crop undisturbed.

The vegetable acreage of about two lakh acres, chillies of 2.5 lakh acres and soya acreage of 3.50 lakh acres would be intact as the State prepares a crop map.

## State-level meet

To finalise a detailed plan for regulated agriculture, the Chief Minister will convene a conference with Ministers, District Collectors and district agricultural officials on May 21.

"It will discuss a break-up of crops for each district and relevant seeds required to support the plan. A crop map for districts will be prepared," a senior government official said.

## Godown space

With the State expecting a bountiful output next year, Telengana is getting ready with additional storage facilities, including cold storage capacities.

The State is planning to build additional godown space of 40 lakh tonnes. Besides, cold storage facilities too would be developed.

Source: thehindubusinessline.com – May 19, 2020

HOME

*****************

# COVID-19: FIEO expects 20 per cent fall in export during FY21

The Federation of Indian Export Organisations (FIEO) said on Tuesday that the export from the country is expected to fall by 20 per cent in the current fiscal in the wake of the coronavirus pandemic. The outlook is "extremely negative" at the moment, and fall in export will also be accompanied by a decline in import, an official of the apex exporters' body said.

"We expect that export during the current financial year is likely to fall by 20 per cent. In value terms, this will be around USD 50 to 60 billion," FIEO director general and chief executive officer Ajay Sahai said.

He, however, said there will be no significant pressure on the balance of trade as both export and import are expected to fall due to the COVID-19 outbreak.

"However, this (fall in export) will put a question mark on job creation and also cause loss of jobs," Sahai told .

Speaking on the stimulus package announced by the government, he said exporters need more support to improve their competitiveness in the global markets as China has started production.

Sahai said, "Personally, I feel there has been not a single word on exports in the economic stimulus announced by the government. Only favour which the government has done is by extending the interest subvention scheme of MSMEs."

He said China is also giving rebates to its exporters.

"Though the rupee has depreciated, it is not as sharp as what our competitors like South Korea, Turkey, Indonesia or Brazil have witnessed," he said, adding that this is putting pressure on Indian exports.

The apex body of exporters has requested the government to provide two per cent additional MEIS (Merchandise Exports from India Scheme) support to all exports and four per cent to labour-intensive sectors like apparel, leather, handicraft, carpets, marine, tea and processed food.

"That is what we are looking for at the moment," he said.

Merchandise exports constitute roughly 12 per cent of India's GDP, and foreign exchange earning is around USD 320 billion, he said.

Source: economictimes.com – May 19, 2020

HOME

*****************

## Garment makers default on loans to pay workers

*Opt for RBI moratorium to retain skilled workforce*

In his garment business spanning over 30 years, Ludhiana-based Prithvi Raj Jairath has never seen such a slump as he is witnessing now during the lockdown. Hit by disruption, he defaulted on loan repayment to pay his employees during the lockdown period. Like him, there are many who have borrowed from banks or opted for moratorium to retain the skilled workforce.

"Being in small scale industry, I don't have deep pockets. As my inventory was blocked, it was impossible for me to pay my workers and meet other fixed costs during the lockdown. Left with no option, I defaulted on my EMIs to pay their salary," said Jairath, proprietor, Jairath International.

His son, running a different enterprise in garments sector, also opted for moratorium to pay his workers.

Prior to the lockdown, he had around 40 workers and was mostly dependent on work outsourced from medium companies. However, amid the lockdown, cancellation of orders from domestic and overseas markets came as a huge setback for the garment makers of Ludhiana. Almost 90% of the garment units in Ludhiana manufacture apparels for big brands.

With the exodus of migrants from the state, only 20 workers are coming to his unit currently.

"I don't know when the situation will improve. As I have raw material left with me, I have asked my workers to continue operations. I am not getting my receivables but my vendors are asking for payments," he said.

Like Jairath International, there are 1,200 units in micro category in Punjab which are engaged in garment manufacturing and dependent on bigger units for outsourcing work and facing hard times.

There are around 8,000 apparel manufacturers in Ludhiana which are linked with each other across the value chain. Out of this, around 90% are MSMEs.

According to insiders, the manufacturers are having a huge pile-up of inventory because of the lockdown in domestic market and several countries. The lockdown has resulted in temporary shutdown of factories and layoff of low-income employees in the apparel and textile sector.

"Our summer inventory is stuck with buyers having already cancelled the orders. We have to start winter production but very few orders are in hand and the industry is facing liquidity issue," said Harish Dua, managing director of Ludhiana-based KG Exports.

According to the industry, the cancellation of orders would lead to serious financial implications and their accounts would become non-performing assets for banks.

Dua said the industry had demanded 25% interest-free working capital for one year from the Centre, but the government had not taken any decision in this regard.

Ludhiana contributes around 10% to total exports from the country and caters to around 30% of the domestic apparel demand.

Source: tribuneindia.com – May 19, 2020

**HOME**

*****************

# Covid-19: Tirupur expects $500 million additional revenue from mask exports

Tirupur garment\knitwear cluster is upbeat on the directorate general of foreign trade's (DGFT's) Saturday decision to allow export of non-medical, non-surgical masks. India's largest garment hub expects an additional revenue generation of anywhere between $500 million and $1 billion annually going forward as wearing mask is set to become a universal norm globally, following the Covid-19 pandemic attack.

Infusing cheer into the industry, the government has allowed the exports of non-medical and non-surgical masks of cotton, silk, wool and knitted while continuing to prohibit all other types such as N-95 and surgical masks. The Tirupur Exporters' Association (TEA) has been pressing the Union textile and commerce ministries to allow mask exports for a few months.

TEA president Raja M Shanmugham said: "We are happy to have been allowed to export the non-surgial and non-medical masks, which came at a time when the garment industry is under stress with the exports due to Covid-19 across the world.

We have been getting enquiries for masks for some time now but could not do so as the government prohibited export of such masks till Saturday. The decision to allow not only brought immense prospects to the textile industry but also will help generate additional revenue for the 1,500-odd export units."

"We (the cluster) are expecting an additional revenue generation to the tune of $500 million in the immediate future, and has the potential to generate $1 billion over the next few years as the world, particularly the US and the European Union will witness `new normal' going forward. Even countries across the world have started demanding masks for their regular usage.

Even big retail customers of Tirupur have already made enquiries for sampling masks and all the units here will start sending samples soon and then comes the order for exports," Shanmugham said.

He said: "Interestingly, majority of the buyers are expected to source masks in design and fabrics to match that of readymade garments. It's going to be a colourful and a permanent export opportunity for Tirupur cluster, at least for next few years."

According to TEA president, hundreds of MSME units, engaged in garment exports, are set to benefit immensely, which, in turn, will help the adjacencies (ancillary units).

All these units have been making masks and PPEs in lakhs for domestic purposes over the last two months and with the export opportunity, they look forward to a great future, he said adding, "A new prospect has come to the cluster in the form of exports."

Source: financialexpress.com – May 19, 2020

HOME

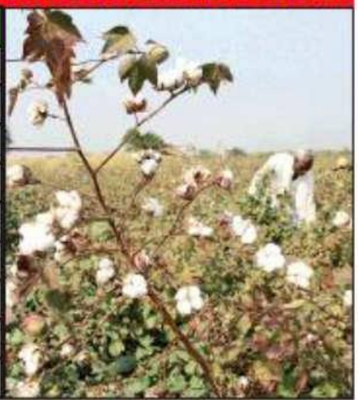
*****************

## Area under cotton nearly half of targeted 5 lakh hectares in Punjab till now

Cotton crop in Punjab has so far been sown in 60% of the targeted area of 5 lakh hectares even though the ideal time for doing so is almost over. Even though cotton is sown till May end and sometimes even till the first week of June, the crop sown after May 15 is considered prone to pest attack.

**WEAKENED SENTIMENT FOR THE WHITE GOLD**

| District | Sowing | Target |
| --- | --- | --- |
| Bathinda | 90,400 | 1.80 lakh |
| Fazilka | 72,000 | 1 lakh |
| Mansa | 69,795 | 1 lakh |
| Muktsar | 65,600 | 1 lakh |
| Sangrur | 1,790 | - |
| Faridkot | 934 | - |
| Barnala | 462 | - |
| Moga | 270 | - |
| Total | 3,01,251 | 5 lakh |



The Cotton Corporation of India offloading its stock by offering discounts and prices of raw cotton dropping to as low as Rs 4,800-5,000 and that of cotton lint to Rs 3,450-3,500 per maund in the market during this time of the year has also weakened the sentiment for the white gold. Agriculture experts say this may affect achieving the cotton sowing target.

(Figures in hectares)

In its advisory to farmers, the state agriculture department has recommened cotton sowing by May 15 as plants of late sown crop remain weak and are prone to insects. In case of delay, prefer sowing Guar instead of cotton, it adds. Officials say till May 17 evening, cotton was sown in little over 3 lakh hectares.

As the Covid-19 lockdown delayed the wheat harvest, which started from April 15 and continued till the first week of May, the canal water also reached the villages late which further pushed back cotton sowing. The state government had fixed the area under cotton crop 5 lakh hectares this year, up from 3.90 lakh in previous year.

Fazilka chief agriculture officer Manjit Singh said that even though canal water was made available to farmers only from May 5, which delayed sowing, they were hopeful of the district meeting its target. Similarly, Mansa chief agriculture officer Ram Sarup said though nearly 60% crop had been sown, the district would achieve the target. Over 95% cotton is sown in the districts of Bathinda, Mansa, Fazilka and Muktsar, and only small quantity is sown in Faridkot, Barnala, Sangrur and Moga.

Punjab agriculture secretary Kahan Singh Pannu said cotton has already been sown in over 3 lakh hectares and sowing was in full swing now. “It is hoped the target will be achieved by the end of May,” he said.

Source: timesofindia.com – May 19, 2020

**HOME**

*****************

## Govt may not heed calls to lower GST

The government may not accept industry demands to substantially reduce the Goods and Services Tax (GST) for six months to boost demand in the aftermath of the coronavirus disease (Covid-19) pandemic. The exemption would block input-tax credit that would have an adverse impact on businesses and may not result in any significant gain to consumers, two finance ministry officials said on Tuesday.

Input tax credit reduces the tax paid on inputs from taxes to be paid on output of finished goods.The proposed GST exemption will make output tax zero, blocking the input-tax credit, which will add to the cost of the finished goods, the officials with direct knowledge of the matter said, requesting anonymity.

“This will not only be injurious to the industry but also to the consumer at large and this is certainly not going to revive demand,” one of the officials said.

GST is an integrated levy of indirect taxes and the main source of revenue for both the Centre and state governments. It makes up about one-third of total tax receipts. Over 70% of the GST revenue accrues to the states as their own share of the receipts and funds devolved on them by the Centre.

Demand generation looms as a major challenge after the Covid-19 lockdown is lifted and a substantial reduction in GST rates could stimulate demand, some industry associations have argued.

Niranjan Hiranandani, president of the Associated Chambers of Commerce and Industry of India (Assocham), has proposed a cut in GST rates on almost all products by 50% for six months to boost demand.

Responding to the finance ministry officials' comments, Hiranandani said on Tuesday: "In theory, yes – lost input tax credit (ITC) on exemption from GST is an issue of concern..."

He added: "It has to be viewed from the perspective of incentivizing consumers by inducing them to make a purchase, leading to the consumption which is the need of an hour. The argument is that a cut in GST for a short term, say next six months, will reduce the amount paid for the good or service, so the consumer will buy more and thereby, revitalize the economy. It is a simple issue of reducing (not exempting) GST, so that consumers go ahead and buy – in the present, during the period of reduced GST rather than keep waiting for some other day to do so."

The logic is that demand generation needs GST cuts. he said."The aspect of ITC can be dealt with so long as the suggestion is taken in the proper perspective."

Experts counselled the government to adopt a cautious approach. "There does not appear to be any empirical evidence that any country has exempted GST/VAT [value-added tax] across the board in order to drive up the pandemic-impacted economies. There could be specific sectors/areas where there may be a need to rationalise the GST rates for a temporary period to assist the sector. This needs be done very cautiously ensuring that revenue losses are minimised, leakages are avoided and the reductions do not lead to emergence of inverted duty structure situations," said MS Mani, partner at Deloitte India.

Inverted duty structure is a situation in which inputs are taxed at a higher rate than finished goods.

Abhishek Jain, tax partner at consulting firm EY, said a GST exemption would entail breaking of the credit chain, higher input tax costs for businesses and complexities in compliances with credit transitions during taxable and exempt-tax periods.

"A specified percentage GST rate reduction could be explored vis-à-vis a NIL rate/exemption by the government specifically for the severely impacted sectors. In a scenario, where the said rate reduction entails accumulation of credits, the government should ensure full refund of the credits so accumulated with faster processing of such refunds," he said.

Pratik Jain, partner and leader of the indirect tax practice at PwC India, suggested making GST concessions an exception for industries such as airlines and hospitality that have borne the brunt of the fallout of the Covid-19 crisis.

"In addition, the government should consider providing working capital cushion to industry by deferring the payment of GST collected by few months to industry at large, without payment of any interest," Jain said.

Source: hindustantimes.com – May 20, 2020

HOME

*****************

## Road To Revival! Liquidity boost to create jobs, pep up demand: Nitin Gadkari

Minister for MSMEs and road transport and highways Nitin Gadkari on Monday said the recent steps announced by the government to boost liquidity and credit flows would also bolster "the purchasing power of the people via employment creation and help accelerate the wheels of the economy".

The minister's comments came at a time when there is a widespread notion that the economic stimulus package unveiled by the government is skewed towards supply-side steps, while measures to augment people's incomes via tax cuts or transfers of money would have been more opportune.

Given the ambitious target to award national highway projects worth Rs 15 lakh crore over the next couple of years, the minister said renewed attempts were being made to raise money from abroad to execute the massive projects. "We have decided to tap more FDI (for highway construction). Also, foreign pension funds and insurance funds are being approached, apart from multilateral bodies like ADB, World Bank and others," the minister said.

Speaking at an e-Adda, on online interaction hosted by The Indian Express, Gadkari said that he has recently asked a former senior LIC official to draw up a specific road map on accessing foreign insurance funds. "The NHAI is AAA-rated, it collected Rs 28,000 crore as toll receipts in FY20 and would likely have annual toll revenues to the tune of Rs 1 lakh crore in five years," he said.

Stating that infrastructure works halted due to the lockdown needed to be commenced immediately, the minister said: "We need maximum public private investment and foreign investment in infrastructure – roads, railway, aviation and even power sector.

There are the big projects, we need to finance them. And by increasing liquidity into the market, we will create more employment potential". "My view is that when you pump money into the economy, it is going to create demand. If 45 lakh MSMEs will get additional 20% credit (Rs 3 lakh crore collateral-free credit, jobs are indeed going to be created."

The minister added that the facility offered in the stimulus package for stressed MSME accounts was going to trigger restructuring of assets. "Already we have restructured six lakh MSMEs till March 2020. We have decided to extend the date to December 31. So, by this way our expectation is that 25 lakh MSME accounts will be restructured."

The minister reiterated that one of the problems faced by MSMEs was that they were not getting their payments in time – not just from the Central government and ministries or PSEs, but from states and their agencies, departments and from the private sector also. "Now, we have taken a decision that their payments (from the Central government and its agencies) would be made within 45 days."

As part of the economic stimulus package, the government said recently it would offer full guarantee to banks to provide Rs 3 lakh crore as automatic collateral-free loans to micro, small and medium enterprises (MSMEs) whose accounts are still standard. The idea is to bring cash-starved small businesses back from the brink of collapse in the wake of the Covid-19 outbreak. The government hopes that as many as 45 lakh units could resume business activity and safeguard jobs, thanks to the succour.

Additionally, the Centre will also facilitate an equity infusion of Rs 50,000 crore into these businesses that are viable and need some handholding, by leveraging a fund of funds with a corpus of Rs 10,000 crore. Similarly, the government will provide a separate scheme for stressed MSMEs, which will benefit 2 lakh of them. It will provide Rs 4,000 crore as its share to set up a credit guarantee trust, which will then give its guarantee to the banks. A total subordinated debt of Rs 20,000 could be extend under this to such stressed businesses.

While these measures will help ease the liquidity woes of MSMEs, some industry executives say the absence of any fiscal support to tide over the immediate, nagging issues of payment of wages and interest on existing loans comes as a disappointment.

Source: financialexpress.com– May 19, 2020

HOME

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## Telangana's rising cotton acreage could spell trouble

*Govt can do a pilot before launching it State-wide*

The Telangana government's call to farmers to grow cotton on 70 lakh acres as against the normal area of 40-45 lakh acres came in as a surprise to cotton industry watchers in the State.

Four years ago, the State launched a campaign 'Patti Vaddu, Soya Muddu' (Say no to cotton, say yes to soya), with a target to reduce the cotton production by 30 per cent when the State was growing the fibre crop on 40 lakh acres.

The government had then argued that there were no takers for cotton in the domestic and international markets. The farmers relented and cut down on cotton that year.

It, however, reached the peak levels of 45-46 lakh acres in the last few years as the crop offered the farmers decent returns.

But Monday's statement by the Chief Minister asking the farmers to increase the acreage to 70 lakh acres, or by 50-55 per cent, came as a big surprise to farmers' leaders.

**Paddy or cotton?**

After a record production of one crore tonnes of paddy this year, the government expected that the paddy area would jump to 70 lakh acres from the present 40-45 lakh acres as sumptuous availability of water from new irrigation projects coming in handy to farmers.

The shift in focus in favour of cotton may be aimed at discouraging farmers from increasing the water-guzzling paddy crop.

Excessive dependence on one crop could cause enormous problems if weather plays truant. Considering the huge investments required for the fibre crop, a failed season could leave farmers in severe distress. The prices are also linked to international demand, which is cyclical in nature, and could push them to losses if there are no takers.

Cotton, though assured minimum returns to farmers, has been a cause of concern ever since the area shot up after the introduction of GM cotton about 15 years ago. It led to acute farm distress, pushing farmers to severe financial crisis.

Farmers are not getting more than ₹3,000 a quintal, S Malla Reddy, Vice-President of All-India Kisan Sabha, felt.

**Woes aplenty**

Sudden increase in cotton acreage could also lead to severe shortage of seeds. Quality seeds are not something that can be procured in a short span of time, said Kanneganti Ravi, Convener of Rythu Swarajya Vedika.

Reddy argues that there has been no enumeration of soil health cards in the State. Without a proper assessment of the soil, there is no use bringing in a paradigm shift in the cropping pattern.

Instead of going for a huge jump in cotton acreage, the government can experiment it in a few districts as it gets ready with a crop map for different districts. It should develop a model, with a reliable credit support system and a good post-harvest support structure, helping the farmers get good returns at the markets.

In the absence of a robust marketing support system, the excessive emphasis on one crop would not give confidence to farmers. The Government should discuss with the Nabard and SLBC (State-level Banking Committee) for additional credit support to the farmers.

Also, some other issues such as no mention of dryland crops such as millets, too, need to be addressed.

Source: thehindubusinessline.com – May 19, 2020

HOME

*****************

## Gujarat: Slow revival for textile markets with 85% of them in containment zones

Even with lockdown relaxations across the state, textile markets in Surat are yet to get relief as 85 per cent of the market falls in cluster zone areas. Only 15 per cent of the markets that are not in containment zones has got green signal to resume functioning. Also, only around half of the powerloom factories in Surat and outskirts resume operations by Tuesday.

Surat city has 165 textile trading markets that houses 65,000 shops, employing lakhs of people. The Federation of Surat Textile Trading Association (FOSTTA) members had few days ago, submitted a memorandum to Surat District Collector requesting permission to open the shops.

On Tuesday, Collector Dr Dhaval Patel held a meeting with Surat Municipal Commissioner Banchhanidhi Pani and FOSTTA members in which it was decided to keep the markets in the containment zones closed.

The officials suggested modalities to open 20 per cent of markets in the containment zones to open with restrictions. FOSTTA president Manoj Agrawal said, "They have suggested opening of 20 per cent the markets in containment zones… We will hold a meeting with the presidents of different markets on Wednesday and will take a decision."

Over a lakh of migrant workers who were working with the textile industry have left Surat to their home states. On Tuesday, around 20 powerloom factories at Anjani Industries on Sayan Olpad road, started operations with limited workers. Around 30 powerloom factories started in Sachin GIDC area and 10 in the Diamond Nagar industrial estate at Laskana. All these are in non-containment zones.

Anjani Industrial Estate president Vijay Mangukiya said, "There are 1,000 small and medium units in our industrial estate. In the powerloom segment, over 70 per cent of labourers are from Odisha of which a large number has left for their home. Some of them are staying back.

With them, we started the factories. Seeing the positive atmosphere, other workers may also join work. We hope that the situation will be normal soon. We are also trying to convince the dyeing and printing mill owners to start factories."

Source: indianexpress.com – May 19, 2020

HOME

*****************

## Kutch traders in Mumbai want to set up textile park in Gujarat

With thousands of people from Mumbai returning to their native places in Kutch district amid lockdown due to outbreak of coronavirus, leaders of garment manufacturing industry of Mumbai have floated an idea of setting a textile park in Kutch to attract investment.

Anil Gami, president of Garments Manufacturer Welfare Association, an organisation of around 750 garments manufactures in Santacruz area in Mumbai launched an online demand survey for a textile and apparel park in Kutch on April 30.

Gami said that by Monday, 1,400 businessmen have filled up their forms for the survey. "The response to the idea of setting up a textile and apparel park in Kutch has received an overwhelming response. Around 90 per cent of those who have evinced interest in the idea are businessmen of Kutch settled in Mumbai while the rest are from other districts of Kutch," Gami told The Indian Express on Monday.

A native of Bhachau in Kutch, 38-year-old Gami runs Apex Garments Solutions Private Limited, a private firm manufacturing garments in Mumbai. "Our idea is to have business vertical which includes yarn manufacturing to ready-made garments in the park.

Around 20,000 businessmen from Kutch are in the business of garments manufacturing and whole-selling in Mumbai. When their families left Kutch for Mumbai, they didn't have money. Nor were facilities available in Kutch. But today, there are two major ports, two airport, national highways, railway lines, Narmada water in Kutch. Many businessmen own land here. Now, the businessmen settled in Mumbai have capacity to invest and they would like to invest in Kutch," Gami added.

Dr Nagji Rita, president of Chovishi Mahajan, a social organisation of Jain community of Kutch living in Mumbai, said the idea is feasible and practical. "Lots of people of Vagad area of Kutch are into businesses of garments manufacturing and imitation jewellery in Mumbai. Land prices in Mumbai are exorbitant. But in Kutch, it can be low... So, many would be attracted to shift their manufacturing units to Kutch," Rita said, adding the textile park can employ around 250,000 people and that businessmen would be observing what Gujarat government offers to such a project.

Rapar and Bhachau talukas in eastern part of Kutch are known as Vagad area. Rita said while sales depots and showrooms can continue to be in Mumbai, manufacturing can shift to Kutch to cut down costs. "Kutch, with two major sea ports can be an ideal location for even textile and garments units aiming overseas markets," Gami added.

Ashwin Mehta, a native of Kutch and a garment manufacturer in Mumbai, said a textile park can make the garments manufacturing industry more organised. "The garments manufacturing industry in Mumbai is not very organised. The main reason is paucity of land. It is not possible to give staff quarters on factory premises. But if manufacturing is shifted to Kutch, it can be done...," Mehta, director of Studio LEX Fashion Private Limited, a garments manufacturing firm in Mumbai, said.

Kutch MP Vinod Chavda and local BJP leaders held a meeting at the residence of Keshubhai Patel, president of Kutch unit of the BJP, on Sunday to discuss the issue. "A few days ago, media in Mumbai had reported that Kutchi businessmen want to set up industries in their native district. Therefore, the agenda of the meeting was to discuss the idea and if the idea moves forward, how government can respond to it," said Chavda.

Source: indianexpress.com – May 19, 2020

HOME

*****************

## Raymond considers raising ₹100 crore through NCDs

Raymond Limited, India's biggest woollen fabrics maker and the largest integrated fabric manufacturer in the world, is planning to raise up to ₹100 crore through the issue of non-convertible debentures (NCDs) on private placement basis. The committee of directors of the company's board of directors will consider this proposal for approval this week.

"A meeting of the Committee of Directors of the Board of Directors of the company will be held on Thursday, May 21, 2020 inter alia, to consider and approve the issue of NCDs aggregating up to an amount not exceeding ₹100 crore on private placement basis," Raymond Ltd said in a filing with the stock exchanges.

"The said NCDs are proposed to be listed on NSE's wholesale debt market (WDM) segment," the filing added.

Source: fibre2fashion.com – May 19, 2020

HOME

*****************

## 40-day full lockdown impact on Flipkart 'negatively' affects Walmart International's growth in Q1 2020

Suspension of Flipkart's services during the lockdown, which began on March 25, has reflected in the growth of its parent company Walmart's international business arm — Walmart International in the first quarter (Feb-April) of 2020.

Announcing the quarterly results, Walmart said that Flipkart's business during the first quarter had a negative impact on the international business. "Limited operations of the company's Flipkart business in India for a portion of the quarter negatively affected growth," Walmart said in its financial presentation on Tuesday.

Revenues for Walmart International, which is present in nine markets including China, Japan, Mexico, the UK apart from India, grew 3.4 per cent to $29.8 billion from Q1 2019 and had e-commerce share of only 9 per cent led by the growth in China, Canada, the UK, and Mexico. Flipkart resumed full operations in green and orange zones on May 4 after 40 days of lockdown and later expanded to cover red zones as well on May 18 following the Ministry of Home Affairs guidelines.

The company along with other e-commerce and online delivery players had reported supply chain and delivery challenges even as delivery personnel strength declined significantly amid restricted operations under which orders only essential goods and services were fulfilled.

The online retail sale was worth $33.5 billion in 2019 including movie tickets business that was likely to grow by 26 per cent this year to $42.21 billion. However, with the Covid impact, as per data from Forrester, the growth will be down to 5 per cent. This means that the sector would have to compromise with a marginal growth to just $35.1 billion this year.

“After taking in account of the lockdowns and the long term impact on spending we expect the growth rate to slow in 2020 to around 5 per cent,” Satish Meena, Senior Forecast Analyst, Forrester had told Financial Express Online.

While Flipkart primarily helped Walmart International’s gross profit rate increase by 10 basis points but it was “partially offset by an outsized change in mix towards lower margin categories and formats in response to Covid-19.”

Walmart’s net income increased to $3.99 billion for Q1 2020 from $3.84 billion for the same period last year. Its revenues grew 8.6 per cent to $134.6 billion from $123.9 billion, exceeding Wall Street’s expectations of $132.80 billion.

Source: financialexpress.com – May 19, 2020

HOME

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