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# INTERNATIONAL NEWS

## China's industrial textile industry reports drastic profit increase

China's industrial textile industry has witnessed a significant increase in production, sales, profits and exports during the first five months of the year, due to soaring demand caused by the COVID-19 epidemic, official data showed.

Profits of industrial textile companies with annual revenues of more than 20 million yuan (about 2.86 million U.S. dollars) skyrocketed 189.08 percent year on year to 12.69 billion yuan from January to May, according to data from the Ministry of Industry and Information Technology.

Their revenues jumped 13.25 percent from a year ago to 103.92 billion yuan.

During the first five months, China exported 34.29 billion dollars worth of industrial textiles, including 22.56 billion dollars of masks and 2.19 billion dollars of protective clothing.

Source: xinhuanet.com– Jul 18, 2020

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## USA: Cleveland: Does the Cotton Market Need the 2020 Crop?

Cotton prices eased up to 65 cents and, as feared, backed off and are now dog paddling as December futures attempts to hold the 62-cent level. In fact, the weekly settlement for December – 61.94 cents – reflects a bearish view moving forward.

Despite the potential production disaster developing in the U.S. Southwest, the world supply demand balance sheet continues to reflect that the world effectively has a full year's usage on hand before the 2020 harvest even begins.

That is just an ugly way to suggest that the world doesn't need the upcoming 2020 crop. Both the world supply demand ratio and the U.S. supply demand ratio scream for lower prices.

A positive view of the U.S. situation, but backhanded, is that the U.S. will need every bale it produces to meet both its domestic consumption and export needs. The negative side of that – and the realistic view – is that the U.S. crop may likely be some 3-4 million bales below an “average” crop. Thus, the current and very burdensome level of carryover stocks.

Speculators have provided all the buying power that moved the market higher the past month. The speculators have been buyers, and the world cotton trade has provided the liquidity needed to satisfy the speculator buying. Too, without the current interest by speculators, the nearby December futures contract would likely be near 57 cents – thus, speculators have added about a nickel to the market price.

Yet, other than these few speculators, the market has been relatively void of trading activity. Daily trading volume is breaking three-and four-year low volume numbers. It’s as if only a very few computers are connected to cotton exchange trading. The low volume is also reflected in both U.S. and other country export numbers.

Export sales have lagged for three months and have even become stagnant except for the occasional purchase by China. Yet, this week, sales to China were dwarfed by actual sales cancellations by China. Certainly, Vietnam and Turkey remain active customers.

Yet, only eight countries purchased upland cotton from the U.S. this week. Four of those eight countries purchased less than 1,500 bales each. Too, Turkey bought only 400 bales, and Vietnam, a primary market, came to the U.S. for only 20.5 million bales.

Last week, only nine countries purchased U.S. cotton. Typically, a minimum of at least 15 countries are in the market every week. Typically, a good export sales week would include some 18-20 countries buying U.S. cotton. Actually, this week’s net sales were a negative 17,500 bales. That is, sales cancellations exceeded new sales to the tune of 17,500 bales of upland cotton.

If not clear to all, it has become very clear from the export sales data that the demand for U.S. cotton is facing the most difficult marketplace it has in memory. Other countries have excess stocks and do not have warehouses for storage. They depend on outside storage. This means they have to sell/export their production at any price – and that price is low.

The coronavirus difficulty for the cotton world was further noted in the export sales report that El Salvador cancelled a 4,000-bale purchase. Granted, that is not a big number, except it represented a big cancellation for that country. The cancellation reflected the continued slowdown in mill activity there. Granted, El Salvador did purchase 4,000 for the next marketing year in hopes that its textile mill business will rebound.

U.S. cotton growers were very active in pricing new crop cotton this past week and taking advantage of the 62-64 cent level of New York futures. While this offered, at best, a break even price to growers, MLP payments, along with the seed cotton program, will hopefully allow growers to net a break even price.

Continue to look to any movement near 65 cents, basis December futures, to consider using put options. As noted last week, Mother Nature must take the U.S. and world crops lower if prices are to hold the 65-cent area. Demand fundamentals do not demonstrate any desire for higher prices.

Source: cottongrower.com– Jul 18, 2020

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## Report says, "Global Cotton demand to decline by 15%"

The Cotton and Wool Outlook study of the Economic Research Service indicates that, for June 2020, the global economic downturn has substantially reduced world marketing year (MY) demand for cotton 2019 (August 2019-July 2020).

While the global consumption estimate for June is at a 16-year low, the expected year-over-year decline is nearly 15 per cent.

Worldwide cotton mill use has decreased more than 5 per cent year-over-year in just 10 years since MY 1920, with much of those declines correlated with global recessions, including the Great Depression.

More recently, the uncertainty surrounding the global financial crisis significantly limited world cotton demand in MY 2008, while a dramatic upturn in cotton prices in MY 2010 to levels not experienced since the US.

In MY 2011 the civil war hampered the use of mills. Although the ultimate magnitude of the COVID-19 pandemic remains uncertain, historically the immediate shock to global use of cotton mills has been significant.

Source: textilefocus.com – Jul 19, 2020

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## A study by ITMF indicated the textile sector orders will revive in Q4 2020

To analyze COVID-19's effect on the global value chain for textiles, ITMF recently conducted its fourth Corona Survey among 600 members around the world. The study suggested that orders in the textile sector would rebound in Q4 2020.

### TEXTILE ORDERS DROPPED BY 40%

The survey showed that from 1 March 2020, when the pandemic began to 8 June 2020, textile orders around the world plummeted by more than 40 per cent. Order declines are common in all industries. Orders for fiber producers fell by 42 per cent while their turnover fell by 33 per cent.

Similarly, spinner orders have declined by 44 per cent while their turnover has declined by 33 per cent. Yet weaver yet knitter orders dropped 46 per cent, while sales fell 33 per cent. Garment manufacturers reported a 37% drop in orders while their turnover dropped 31%.

In the future too, textile companies expect orders to fall by 32 per cent. Out of this, 22 per cent companies in South East Asia expect orders to drop while 36 per cent in Asia expect the same.

### SECTOR TO REVIVE BY Q4 2020

There is nevertheless a silver lining among stakeholders and a sense of optimism. When asked when they expect companies to return to pre-crisis levels, around 23 % of respondents said they expect orders to revive by the first quarter of 2021, while 21% expect a revival by the second quarter of 2021. A third group, comprising 14% of respondents, expects revival to occur by the third quarter of the year, while 20% expect revival to occur as early as the fourth quarter of 2020.

Source: textilefocus.com– Jul 19, 2020

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## Japan exports sink again in June, raises economic risks at home and overseas

Japan's exports suffered a double-digit decline for the fourth month in a row in June as the coronavirus pandemic took a heavy toll on global demand, reinforcing expectations that the economy has sunk into its deepest recession in decades.

U.S.-bound Japanese shipments nearly halved again due to plunging demand for cars and autoparts, while exports to China remained weak, pointing to the absence of a strong growth engine in the global economy.

Global demand for cars and other durable goods has sunk since March as the pandemic prompted many countries to lockdown, forcing businesses to shut and people to stay at home.

Though more countries have now started re-opening their economies, the data could diminish hopes for a quick rebound in global demand and Japan's export-led economy, analysts say.

"Exports are likely to seesaw for the time being," said Takeshi Minami, chief economist at Norinchukin Research Institute, citing a renewed rise in virus cases in Japan and the United States.

"If domestic and external demand remain sluggish for a prolonged period, supply capacity could be slashed, triggering a jump in bankruptcies and job losses in the latter half of this fiscal year."

Ministry of Finance (MOF) data showed on Monday that Japan's exports plummeted 26.2% in June from a year earlier, bigger than a 24.9% decline seen by economists in a Reuters poll. It followed a 28.3% fall in May — the worst downturn since September 2009.

The slump was aggravated by a big annual decline in U.S.-bound car exports, Japan's main export item.

Shipments to the United States - Japan's key market - dived 46.6%, due to 63.3% decline in shipments of automobiles, 56% drop in airplane engines and 58.3% fall in car parts.

In 2018, the United States was Japan's largest export market, followed closely by China, and led by cars as well as motors, car parts and chip-making machinery.

Exports to China, Japan's largest trading partner, fell 0.2% in the year to June, as declines in shipments of chip-making machinery and chemical materials more than offset increase in nonferrous metal and car shipments.

Shipments to Asia, which account for more than half of Japanese exports, declined 15.3%, and exports to the European Union fell 28.4%.

Japan slipped into recession for the first time in 4-1/2 years in the first quarter and is on course for its deepest postwar slump as the health crisis weighs heavily on businesses and consumers.

The world's third-largest economy is forecast to contract 5.3% this fiscal year, the biggest contraction since comparable data became available in 1994, followed by a 3.3% bounce next year, a Reuters poll of over 30 economists shows.

Reflecting weak demand and declining oil prices, imports fell 14.4% in the year to June, versus the median estimate for a 16.8% decrease, leaving the trade balance in a deficit of 268.8 billion yen ($2.51 billion).

The Bank of Japan has signalled confidence the economy will emerge from the slump and has ruled out the risk of deflation, suggesting the central bank has paused monetary easing after it deployed stimulus twice so far this year.

Source: in.reuters.com– Jul 20, 2020

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# Bangladesh RMG sector needs a proper cost analysis to push up earnings

The second-largest apparel supplier to the global apparel market, Bangladesh might soon lose its coveted title to Vietnam as its apparel exports declined to just 0.44 per cent against 7.30 per cent export growth achieved by Vietnam in 2019.

Since the last few years, the Bangladesh readymade garments sector has been facing multiple challenges such as rise in production costs, labor wages and utility rates. This is making survival difficult for small and medium factories as price of their products does not match production costs. This prevents exporters from covering their operational cost leading to a drastic decline in profit margins.

For the last few years, Bangladesh RMG exporters have been focusing more on product costs to achieve desired profit margins. However, buyers recently introduced the open costing approach for price fixation. As per this approach, manufacturers in the 'A' category bargain for fair price whereas those in the 'B' category bargain for lower price targeting their unused capacity utilization. This makes the product a loss making proposition and shortens its lifecycle in the Bangladesh market.

Identify cost drivers

Every Bangladeshi RMG company has its own cost structure involving cost elements like material cost, salary and wages, utility cost, depreciation of assets, spare part and repair maintenance, other manufacturing overhead, administrative and selling expenses, finance cost, etc. incurred in different cost centers responsible for making the company cost-effective.

Hence, it is important for the owners of these cost centers to identify their cost drivers. They need to price their products through a standard costing procedure like the CPU (cost per unit) which has a basic formula that says that total cost of production plus total output is equal to cost per unit.

*Combine techno-finance knowledge*

Bangladesh RMG factories also need combine techno-finance knowledge for perfect costing of their products. For this, manufacturers need to train non-finance professionals in finance and financial professionals in technical issues. A combination of techno finance knowledge will make the price bargain with buyers.

Some buying houses have introduced open costing approach. This entails standard, buyers to have a costing team having technical and finance people. However, not just the technical people deal with open costing from the buyers' side. The query and format of these technical people is not up to the standard of company cost structure and accounting standard procedure. Hence, buying houses should have a costing team having technical and finance professionals to make the open costing procedure smooth and acceptable for garments manufacturer.

In Bangladesh, all marketing professionals should know the actual cost of their factory. Actual cost shows the actual output, wastage, actual cost structure. Every company should compare the standard cost and actual cost frequently and identify for continuous improvement through process innovation. From the principal of CPU (cost per unit) to optimize the cost, Bangladesh has to work on efficiency. Higher efficiency will help the country absorb the fixed cost resulting in lower CPU.

*Involve government and professionals institutes*

One drawback of the Bangladesh RMG sector is the lack of proper future analysis. As buyers deal with a number of manufacturers simultaneously for capacity building and future order placement, they usually opt for cheaper products. Hence, most of the RMG factories do not get the expected orders which leads to underutilization of factories. In such a situation, factories opt for low cost products to make maximum utilization of the plant.

Industry professionals in Bangladesh are aware of this costing issue. They need to engage government and professional training institutes to change this training or education system. Their target-oriented initiatives will help the industry to overcome these challenges.

Source: fashionatingworld.com– Jul 18, 2020

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## White Stuff cuts 390 jobs, shifts to online mode faster

British fashion and lifestyle retailer White Stuff recently said it will cut 390 jobs in the latest phase of a transformation programme as part of its response to the shift of sales online.

That shift is moving faster than ever since the COVID-19 lockdown, it said. Some 100 redundancies will be made at its headquarters and 290 in its UK retail team. This signalled a 'fundamental reshaping of the business', said White Stuff in a statement.

Over the last 18 months, the retailer had developed its online sales and focused on turning a more digitally-driven brand through a business transformation programme aimed at responding as customers do more online shopping, according to British media reports.

But the speed of change increased during the coronavirus-induced lockdown, when more of its existing shoppers started to buy online and others tried it for the first time. Since then, change that might have previously taken years to happen had now come about in the space of weeks, it said, and customers are not likely to go back to their old ways while social distancing persists.

White Stuff, founded in 1985, has about 100 shops in the United Kingdom.

Source: fibre2fashion.com– Jul 18, 2020

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## Pakistan: Textile mills amass cotton as normalcy returns

Textile mills accelerated cotton buying after partially easing lockdown almost across the country, instilling price stability in the local market reeling from the coronavirus shock, industry people said on Saturday.

Textile mills continued their purchasing during the week, which resulted in stability of the cotton prices. Currently, cotton is coming from lower Sindh while partial arrival started from the Punjab.

Several ginning factories started operations in Sindh, while some mills are operating in Punjab on mix cotton of Sindh and Punjab.

Cotton prices in Sindh remained between Rs8,300 and Rs8,400 per maund, while price in the Punjab remained between Rs8,550 and Rs8,650 per maund. Spot rate was down Rs100 to Rs8,400 at the Karachi cotton market.

Traders said cotton picking and its quality is suffering in Sindh due to rain in some cotton growing areas. Though current rain is not damageable, if water is stored in the lands, it would damage the crops.

Stakeholders said cotton has been sown over 4.6 million acres in the Punjab, where production of 7.5 million bales are expected in the province. However, some cotton growing areas in the Punjab are facing pest attack on crop.

Considering the cotton production trend in the Punjab, government circles expect 11 million cotton bales this year, while private sector expects 8.7 million bales. However, fixing target at this moment would be earlier, as weather conditions can affect the crop. Currently, sowing was down by 1.3 percent in the country compared with the last year.

Since 2010, cotton cultivation area has declined by 20 percent in the country, while corn and sugarcane production have increased instead of cotton.

Karachi Cotton Brokers Association Chairman Naseem Usman said mixed trend remained in the international cotton market. New York cotton futures remained mixed while cotton market in China remained stable. Prices also remained stable in Argentina and Brazil while prices decreased in India.

A delegation of cotton ginners association in Sindh met with Governor Imran Ismail this week and complained regarding power outages issues. Besides, with the support of Bahawalpur, Vehari and Rahimyar Khan chambers of commerce and industry, ginners held online video conference with State Bank and other bank officials and informed them about their issues.

On the other hand, Adviser to Prime Minister on Finance and Revenue Hafeez Shaikh advised the Federal Board of Revenue to provide Rs50 million sales tax refunds within two weeks.

Addressing National Locust Control Centre, Minister for National Food Security and Research Fakhar Imam said locust has started developing in Pakistan and India. Locust will migrate to Pakistan and India from Somalia.

The meeting was informed that locust swarms were located in Rajhistan, India while locusts have started growing in Tharparkar, Nara and Cholistan deserts.

Source: thenews.com.pk– Jul 19, 2020

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## Bangladesh: BMCCI: Situation to worsen post-pandemic for RMG order cancellations

BGMEA and BKMEA have been urged to work together with the government and support each other

The situation of RMG sector will worsen after the Covid-19 pandemic as orders worth US$3.1 billion have already been cancelled in Bangladesh.

To fight the situation, Bangladesh's garment industries are urged to work together with the government and support each other for saving the industry.

Speakers of a web talk series (session-7), titled "RMG industry pre-covid and post-covid," organized by Bangladesh-Malaysia Chamber of Commerce and Industry (BMCCI), expressed their concern over the situation, based on the current and post-pandemic circumstances, on Saturday.

Syed Moazzam Hossain, former president of BMCCI, said: "500 industries stopped working in the last two months. I do not know how many more will stop next. It is getting difficult to sustain them.

"If 50% garments run at the end of the year, 50% jobs will be lost in the garment sector only. A total of 2,000 industries have already closed down and three million people have lost their jobs. So, imagine what a disastrous situation will arrive in the post-pandemic time," he added.

"The peak time will be in November and December. However, till then we have to run our garment industry and continue our businesses, otherwise it will be a complete deadlock. The government's policy needs to be very pro-active and positive so that we can start negotiating with our buyers," said Moazzam.

He also said: “Of the three billion dollar order cancellations, we hope to get back 50%-60% of them after negotiating with the buyers as 100% of the raw material is already in house.

“We are getting back some of the old orders but no new orders are coming. As the international scenario suggests, I think we will not get the expected orders between July 2020 and March 2021, which we had in previous years.”

*BGMEA, BKMEA and government to work together*

Moazzam urged Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) to work together with the government and support each other.

“The looming crisis in the RMG industry will have a multiplied chain reaction on the whole economy and salvaging this industry will be beneficial for other sectors too,” said Faisal Samad, senior vice president of BGMEA.

If businesses close today, nothing will remain in existence including entrepreneurs and workers, he added.

Faisal said the orders, which were cancelled, did not have any replacement yet but were rescheduled. Buyers said they cannot take the products, since they have cancelled earlier, but might reinstate the order after 6-10 months.

“Technically the orders are not reinstated, but there is hope that they might,” he added.

Speakers of the session hope BGMEA will help promoting business in Malaysia.

Mohammad Khalil Ibrahim, minister counsellor, High commission of Malaysia in Bangladesh said: “Bangladesh has the opportunity to increase business in the Malaysian market. However, as mentioned by other panelists, Bangladesh needs to diversify the apparel industry -- not just rely on cotton, but go for other materials such as synthetic to beat the crisis.”

He mentioned that Malaysia and the Philippines see losses over 4.5%, which are higher in magnitude than that in China. Likewise, the RMG sector in

Bangladesh is now at the risk of losing orders for the entire Autumn and Winter buying seasons.

Mohammad Khalil expressed his best wishes for the quick recovery of Bangladesh's apparel sector.

BMCCI President Raquib Mohammad Fakhrul conducted the interactive session and facilitated the whole webinar. Nur Mohammad Amin Rasel, senior deputy secretary of BGMEA, also presented a trade analytical paper.

Source: dhakatribune.com– Jul 19, 2020

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## Pakistan's reliance on US for forex inflows

Despite a growing economic relationship with Beijing and the largesse received in the recent past from China as well as Saudi Arabia and the United Arab Emirates (UAE), Pakistan's external sector health remains tied largely with its relationship with the US. There is no secret about it.

It is important to look at how the US, the mightiest economy of the world, continues to help Pakistan shape up its economy, in general, and the external sector, in particular.

In the external sector, the US is important for Islamabad in terms of being the largest export market, the third most valuable centre for the flow of remittances, and a sizable foreign and portfolio investor.

However, in the post-Covid-19 pandemic world, each area is vulnerable to shock. That is why we see Islamabad treading so cautiously in geopolitics.

The country cannot afford to add any home-made reason to disturb the flow of foreign exchange from the US on top of the reasons beyond its control eg the US and global recession post-pandemic.

Exports have traditionally remained the biggest source of foreign exchange inflow from the US, though for some years remittances have come closer to exports. But just as Pakistan has miserably failed to boost its overall merchandise exports in the past decade, it has also failed to export more to the US.

In fact, after hitting a high of $4.1 billion back in FY11, Pakistan has never been able to come closer to that mark in the past nine years.

Pakistan's exports to the US have always grown more on trade concessions and less due to diversification of export products or deeper penetration into the US market by the exporters. That is the number one problem.

Another problem is that Pakistan's exports to the largest economy of the world mostly comprise textile items, food products, surgical and sports goods, carpets and flooring items.

Even within the broad category of textile, the exports to the US are concentrated in a few sub-categories like cotton yarn, men and women wear, bed wear and towels. In food items, major foreign exchange earners remain limited to various varieties of rice, and fish and fish preparations.

The same limitations can be seen in the list of surgical and sport goods, carpets, etc on closer scrutiny.

Obviously, there is a need to expand the scope of exports to the US market with all or most items of a broad category and to make that happen the government and exporters need to work out a sustainable strategy.

Besides, Pakistan's exports to the US go mostly to bulk buyers that offer lower prices rather than to big chains of retailers that can and do offer better prices. That requires intense marketing by the exporters with the help of government and consulates there.

*Remittances*

The US is Pakistan's third key source of workers' remittances after Saudi Arabia and the UAE. With the temporary ban on the import of manpower, the US has practically closed all doors for giving a boost to remittances by way of exporting more manpower.

We will have to contend with what Pakistanis already living and working there can send back home during these recessionary times. We should not forget that joblessness in the US continues to grow amid the spread of Covid-19 and the International Monetary Fund (IMF) has predicted a 5% recession in 2020 for the largest economy of the world.

In July-May FY20, remittances from the US stood at $3.71 billion or 18% of the total of $20.65 billion, State Bank data reveals.

How Islamabad can manage to attract this much remittances from the US in the current fiscal year is a troubling question for the economic policymakers to focus on. They must find out an out-of-the-box solution to the issue.

*Foreign investment*

The most uncertain source of foreign exchange flow from the US is foreign investment. As Islamabad and Beijing continue to achieve new milestones of economic cooperation under the China-Pakistan Economic Corridor (CPEC), Washington keeps expressing its reservations – often in public.

Whereas its reservations are addressed behind closed-door meetings, the non-political dynamics of foreign investment coming from the US always remain open for public debate and policy analysis.

Even before Covid-19 hit the world, American corporate investors were a little bit shy of investing in Pakistan, though portfolio investment continued to come in a big way – thanks to very lucrative yields on government debt securities.

However, those yields are gone after the recent 625-basis-point cut in the State Bank of Pakistan's key policy rate.

American investors have their own, new-found worries in the post-pandemic world and they would naturally make investment risk projections in line with the changing global economic dynamics.

In our case, they would also likely take into account the military conflict between China and India in which Pakistan can be dragged. So, in the area of foreign investment, Pakistan cannot expect much from the US in the new fiscal year or even in coming few years.

In July-May FY20, Pakistan managed to attract a total of $2.40 billion in foreign direct investment on a net basis. Out of that, only about $90 million came from the US.

In the same period, the country rather saw a net outflow of foreign portfolio investment of about $528 million including $117 million of the US.

Source: tribune.com.pk– Jul 20, 2020

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# Pakistan: Business on cotton market remains stable

Business on local cotton market remained stable on Saturday. Market sources told that mixed trend was seen in the trading volume. Due to the monsoon rains the quality and supply of the Phutti was also affected.

Ginners were buying Phutti according to their needs. The recent rains in Sindh and other parts of the country are good for cotton crop. The picking of cotton was affected due to rains in the different parts of the country.

Cotton Analyst Naseem Usman told that according to the report released by Intermarket Securities (IMS), Pakistan textile exports may only fall by 5-10 percent in the 20-21 financial year rather than 20 percent or more that was predicted earlier.

Naseem Usman also told that Pakistan textiles and clothing exports posted a negative growth of over six percent to 12.526 billion in the fiscal year 2019-20 as compared to 13.3 billion in the corresponding period of 2018-19.

Minister for National Food Security Syed Fakhir Imam said that Locust have started growing in Pakistan and India.

According to the data released by Pakistan Bureau of Statistics (PBS) ready made garments exports dipped 3.81 percent in value and 10.07 percent in quantity during July-June FY 2020, while those of knitwear dropped 3.64 percent in value and 10.11 percent in quantity.

Naseem also told that cotton crop sowing in the country during current season 2020-21 decreased by 1.3 percent compared to last year. Ministry of National Food Security and National Research Cotton commissioner Khalid Abdullah told media that cotton crop was cultivated on 2.457m hectares against the target of 2.663m hectares.

He said that 92 percent of the cotton cultivation target was achieved during the current season. He said that area under cotton cultivation in Punjab was decreased by 2.5 percent as crop was sown over 1.890m hectares against the target of 2.03m hectares.

However, he said that the cotton sowing in Sindh registered 2.7 percent increase as it was cultivated over 0.615m hectares as against last year's 0.599m hectares.

As per media reports in southern Punjab, including Multan, the cotton production may affect due to the attack of White fly on cotton crop.

Naseem told that 600 bales of Tando Adam were sold in between Rs 8350 to Rs 8400, 400 bales of Shahdadpur were sold at Rs 8350, 200 bales of Nawabshah were sold at Rs 8375, 1000 bales of Sanghar were sold at Rs 8325 to Rs 8375, 200 bales of Khanewal were sold at Rs 8650, 200 bales of Burewala were sold at Rs 8625 and 200 bales of Vehari were sold at Rs 8600.

Naseem Usman also said that rate of new cotton of Sindh is in between Rs 8350 to Rs 8400 per maund while in Punjab the rate of new cotton is in between Rs 8600 to Rs 8650 per maund.

He told that Phutti of Sindh was sold in between Rs 3700 to Rs 4000 per 40 kg. The rate of Phutti in Punjab is in between Rs 3700 to Rs 4200 per 40 kg.

The rate of Banola in Sindh was in between Rs 1600 to Rs 1650 while the price of Banola in Punjab was in between Rs 1650 to Rs 1700.

The Phutti of Balochistan was available at Rs 4100 to Rs 4150 per 40 kg.

The Spot Rate remained unchanged at Rs 8400 per maund. The polyester fiber was available at Rs 157 per kg.

Source: brecorder.com.– Jul 19, 2020

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# NATIONAL NEWS

## 8 routes to bond with Bangladesh

With China looking to improve trade and connectivity with Bangladesh, where the government seems to be warming up to Chinese overtures, India looks to provide a leg-up to connectivity with its eastern neighbour.

The government is hoping that the first trial run last week of a container ship from Kolkata to Agartala through Chattogram Port of Bangladesh will go a long way in improving trade connectivity with Dhaka, apart from facilitating development of India's northeast.

According to Indian authorities, 8 routes have been identified for improving northeast's connectivity with Bangladesh. "Both sides recognise that increasing connectivity through air, water, rail and road offers mutually beneficial opportunity for enhancing economic cooperation between Bangladesh and the northeastern states of India and beyond," said a source.

The two sides had last year finalised Standard Operating Procedures (SOPs) for the use of Chattogram and Mongla ports for movement of goods to and from India, particularly to and from the northeastern region. This agreement allows movement of goods in Bangladesh through waterways, rail, road or multi-modal transport.

The eight routes identified for access to the northeast via Bangladesh comprise Chattogram/Mongla Port to Agartala (Tripura) via Akhura, Chattogram/Mongla Port to Dawki (Meghalaya) via Tamabil, Chattogram/Mongla Port to Sutarkandi (Assam) via Sheola and Chattogram/Mongla Port to Srimantpur (Tripura) via Bibirbazar and vice versa.

"Thus the trial run assumes significance as this will lead to development of the northeast region and enhance India's connectivity with Bangladesh,"said an official.

Despite a pro-India government in Dhaka, the Indian government realises there's a need for special attention to ties with Bangladesh at a time China is working overtime to improve trade and connectivity with the South Asian country.

China has provided an important trade boost to the country by announcing tariff exemption for 97 per cent of Bangladeshi products effective from July 1. The decision came a month after Bangladesh Prime Minister Sheikh Hasina and Chinese President Xi Jinping held discussions to upgrade their bilateral relations during the Covid-19 pandemic.

Source: timesofindia.com– Jul 19, 2020

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## India can learn a lot from Korea's economic boom

In 1961, the per capita income of India and South Korea was similar at $85.4 and $93.8. In 2019, there was a huge difference as they stood at $2,104.1 and $31,762, respectively. How did that happen and what can India learn from it? Mint explains

*What has happened between1950s to now?*

As Arvind Panagariya, the first vice-chairman of NITI Aayog, writes in India Unlimited: "In the early 1950s, South Korea, Taiwan, Singapore, China, and India had comparable per capita incomes. The first three switched to outward oriented policies in the early to mid 1960s, resulting in wholesale economic transformation." Export oriented policies ensured that South Korea grew at 8.97% per year between 1960-2000, with the GDP (in constant 2010 US dollars) jumping from $23.3 billion to $724.6 billion. The fast growth was due to labour-intensive exports, which by 1972 accounted for 72.5% of Korea's goods exports.

*What labour-intensive exports are these?*

As Panagariya writes in Free Trade and Prosperity: "Most products whose exports grew rapidly during the 1960s were labour-intensive. These included plywood, woven cotton fabrics, clothing, footwear and wigs... In the later years it only intensified, with new, unexpected items such as wigs and human hair emerging as major exports." This expansion of labour-intensive exports led to the creation of jobs, which helped people move away from agriculture towards manufacturing jobs. This led to income levels rising and that created a demand for services. In the process, a large part of the economy was rapidly urbanized.

*What else did Korea do right to drive fast growth?*

The labour markets were flexible. Policy changes weren't random. Education was given the highest priority. Panagariya writes: "An important reform in 1965 raised deposit interest rates to encourage savings. This change plus rising incomes contributed to increased savings." The higher savings were channelized to build more industry and raise incomes.

*Where did India go wrong vis-à-vis Korea?*

Up until 1991, India had an inward-looking import substitution policy. Even after opening up, we haven't been able to get labour intensive exports going. In the last 15 years, India's engineering exports have been more than labour-intensive exports of leather, textiles and readymade garments, put together. Only when we add agricultural and allied products exports to the labour intensive exports, does the situation change. Nevertheless, in the last two years, engineering exports have been more even after adding agricultural exports.

*Why has India's export growth been lagging?*

A major reason for this is that Indian firms in manufacturing are small. As the Economic Survey of 2019-20 points out: "Most firms face [a] complex architecture of the Indian governance framework. Manufacturing units have to conform with 6,796 compliance items, which is a... time consuming task." Of course, every unit does not have to conform to every item, but this is a long list nonetheless. This is where economic reform is needed. Vivek Kaul is the author of Bad Money.

Source: livemint.com– Jul 19, 2020

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# FIEO demands stern action against untraceable exporters, offers full support to government

Exporters body FIEO on Saturday demanded a stern action against 1,377 exporters who had claimed GST tax refunds of Rs 1,875 crore and are untraceable at their principal place of business.

The Federation of Indian Export Organisations (FIEO) president Sharad Kumar Saraf said that they would offer full support to the government as such activities impact the image of the exporting community.

"We request you to provide the details of 1,377 untraceable exporters to the ministry of commerce so as to further verify on the basis of information available. If they are not traceable, the DGFT (Directorate General of Foreign Trade) should initiate action to suspend/cancel their IEC (import export code) making them ineligible for further exports/imports," Saraf said in a letter to finance minister Nirmala Sitharaman.

According to an official, 1,377 exporters had claimed GST (Goods and Services Tax) tax refunds of Rs 1,875 crore and were untraceable at their principal place of business in a massive verification exercise the government initiated after identifying 7,516 "risky exporters".

Exporters are identified as "risky" on the basis of specific risk indicators based on customs, GST, income tax and DGFT data. The identified risky exporters' information is shared with the CGST formations for physical and financial verification.

According to trade experts, many exporters have stated that they have been categorised as "risky" as their suppliers or sub-suppliers have not deposited the GST.

"How long an exporter can go to check credentials of their suppliers. CGST Act provides for ratings of suppliers and such errant suppliers should have either been given a low rating or black listed forewarning exporters.

Unfortunately, this has not been done in the last three years adding to exporters' problems and pushing them into a risky tag," an expert added.

Saraf said that while the number of untraceable exporters as a percentage of total number of exporters is not much yet untraceability of such a large number of businesses requires concerted efforts to trace them and bring them to books.

"Every exporter has a PAN and a bank account before he/she applies for IEC. For opening the bank account, necessary KYC is done by banks also besides introduction of account by another customer.

The DGFT also keeps their email, telephone and bank details including the photograph of the person who applies for IEC.

Exporters are also required to have GST registration providing email and mobile number, which is cross verified through electronic mode. The registration of exporters is also done at Customs and bank details are captured in which IGST amount is credited," he said.

He added that these exporters may also be members of some export promotion councils/authorities/commodity boards which can help in providing necessary information.

"We need to pool the information available, with all the agencies to locate them as a few black sheep should not dent the image of genuine exporters of the country, Saraf said.

He said that the government should further proceed in the matter by immediately issuing them suitable show cause notices.

"If they do not respond, DGFT should initiate action to suspend/cancel their IEC making them ineligible for further exports/imports and authorities should initiate proceedings against them to recover government money," he adeed.

Source: timesofindia.com– Jul 18, 2020

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# Disentangling India's trade surplus

In June, India recorded its first trade surplus in the last 18 years, the first such month since January 2002. On a year-on-year basis, the Indian merchandise exports fell 12.4%. The imports fell 47.6% over last June. The cumulative effect was a trade surplus of $790 million.

Earlier in May 2020, the trade deficit was $3.15 billion, where the exports had fallen by 36.5% and imports by 51%. This resulted in the trade deficit shrinking by over 79%. In April 2020, India registered a trade deficit of $6.8 billion, with exports falling 60.3% and imports falling by 58.7%.

Between April and June, as the economy gradually opened up and as buying centres also restarted business activities, the merchandise export contraction narrowed down from 60.3% in April to 12.4% in June. The rate of contraction in imports, however, has been more stubborn, moving from 58.7% in April to 47.6% in June.

So, while the June trade surplus reflects a demand weakness in the Indian economy, shackled by the states imposing their local versions of the lockdowns, which at the central level had started to ease in early June, it also reflects a sharp turnaround in the export activity.

Exports can be analysed in two broad categories — petroleum and non-petroleum commodities.

In June, the petroleum exports shrunk by 31.6% while the non-petroleum exports were down 10.1%. The global demand for petroleum products has been hit in a big way due to the Covid-19 pandemic, as it has in India. These exports have seen contraction in value terms over the years as crude prices have been benign.

What is, however, remarkable for June exports was that the non-petroleum category bounced back to only 10.1% contraction over the last year. In April 2020, the non-petroleum exports had fallen by 59.3% over April 2019. So June 2020, in fact, signified a very strong comeback. Despite facing uncertain global demand and supply disruption, Indian exporters did well to resume operations and maintain order fulfilment flow.

Indian imports can be analysed in three broad categories — crude oil and petroleum products, gold and silver, and others.

In June 2020, India's import of crude oil and petroleum products fell 55.3%, which was not unusual. With limited retail sales and restricted commercial goods movement, this demand remained tepid. Another factor in comparing imports in value terms is the pricing of the Indian crude oil basket.

Between April and June 2019, the Indian basket was priced upwards of $70 a barrel, while between April and June 2020, the Indian basket peaked around $35 a barrel. So the import contraction in value terms would anyway have been far higher than the import contraction in volume terms. By all accounts, this is not a "bad contraction".

In the months to come, this category of imports should catch up in volume terms as economic activity expands, though it should be kept in mind that the Indian crude oil and petroleum imports will also see long term trend adjustment due to factors such as higher electrification and gasification of the economy. These factors will produce an opposite impact on the import demand in terms of the volume composition.

The biggest percentage fall in imports was for the gold and silver category, which shrunk by 76%. As households focused on savings and social occasions such as marriages and festivals became austere, the shrinking of this import category was natural.

In commonly accepted economic wisdom, gold and silver imports, and the Indian hoarding of these raw materials, have been long derided as foreign exchange guzzlers. In that sense, a fall in import in this category should actually be welcome news, albeit temporary. As social occasions open up in step with the opening of the economy, eventually, this demand will come back, perhaps attracting the opposite criticism then.

The third category of non-crude oil and petroleum products and non-gold and silver imports saw a shrinking of 41%. This category, which formed 65% of the total imports in June 2019, shrunk by the narrowest margin in June 2020 among the three categories.

These imports have elements such as capital goods, which signify industrial activity and demand as well as consumer goods, which signify consumption demand in India. Falling imports in this category do signify that the Indian domestic demand environment remained weak — but in a lockdown, this was to be expected.

In absolute terms, $8.6 billion of import difference — just over 40% of the total fall of $20 billion between June 2020 and June 2019 — came from crude and petroleum products and gold and silver. While these commodities are “raw materials”, their lesser imports here aren’t necessarily an adverse reflection on the economic situation.

A further $1.5 billion reduction came from the decline in coal imports. While domestic coal production in both May and June 2020 came in at 41 million tonnes, at reduced levels over corresponding months last year, they were enough to account for the levels of economic activity. So about half of the year-on-year import decline in June was purely situational, and not necessarily a negative reduction.

The Aatmanirbhar Bharat plan launched by the Narendra Modi government to propel the economy post the pandemic will also focus on non-crude oil and petroleum products and non-gold and silver imports to be localised, if not in entirety than in significant parts of the value chain. What will matter is how this category of imports evolves in the “open economy” part of the financial year and whether India succeeds in creating their local manufacturing alternatives.

Source: hindustantimes.com– Jul 20, 2020

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## US should boost trade with India as relations with China fray: Bloomberg

Conflict between China and India has made it urgently necessary for the . to deepen its economic integration with the latter country, through increased trade and investment. On June 15, 20 Indian soldiers and an unknown number of Chinese soldiers were killed when the two countries clashed over a disputed border. In response, India banned a number of Chinese apps. As my Bloomberg Opinion colleague Mihir Sharma points out, these conflicts are likely to drive India closer to the . in strategic terms.

But that budding alliance will be harder to cement without deeper economic ties. Not only does trade tend to cement alliances, but building up allied countries’ economies makes them much more able to resist military encroachments by rivals. The . once understood this; the Marshall Plan famously helped stabilize Western Europe after World War II and prevent it from falling into the Soviet orbit, while opening . markets to Japanese, South Korean and Taiwanese products helped those countries industrialize.

In recent years the . seems to have forgotten this lesson. Opposition to the Trans-Pacific Partnership largely ignored the geopolitical importance of that treaty, which would have created an Asian trade bloc to rival China. Now, with the .-China rivalry heating up, let's hope the . will remember the importance of trade and investment as tools for cementing alliances. And the most important ally will almost certainly be India.

Deepening the economic partnership with India will be a long and difficult road. India now is only the .'s ninth most important trading partner, barely ahead of tiny Taiwan:

A trade deal between the two countries could boost this number. But even a minor agreement fell through earlier this year. True to form, the Trump administration has been refusing to allow India duty-free access to . markets unless India opens its agricultural sector to . exports. Because India is still a largely rural, agrarian economy, demanding that the country put hundreds of millions of poor farmers at risk of being displaced by . agribusiness was always a non-starter.

A future administration should be more sensitive to India's needs and vulnerabilities. Opening . markets to Indian-made goods, even with no reciprocal opening by India, makes geopolitical sense. Having the . as a stable source of demand for manufactured products would also help India to build up its industrial sector in the same way that China and South Korea did. And it would be unlikely to increase the trade deficit or put workers out of a job; instead, it would result in some companies shifting labor-intensive manufacturing out of China into India, as is now happening with Vietnam.

An even more beneficial economic relationship, however, would be increased direct investment by the . into India. China famously bolstered its economy by relying heavily on foreign direct investment — as the workshop of the world, it invited companies from all over the globe to build factories in its special economic zones.

Nor is China's experience unique; economists have found that FDI, especially in manufacturing, tends to boost growth. In addition to providing capital for new buildings and machines, FDI is a way of transferring technology between countries.

When companies build a factory or other facility in a developing country, they show the locals how advanced machinery, production processes and other technologies work. Those locals can then go start their own companies, making use of what they learned and raising productivity in the domestic economy. In the long run, technology is what makes a country rich, and because learning technologies from developed nations is much cheaper than reinventing them, tech transfers are a good way to help a country develop quickly.

India has long been faulted for lagging behind China when it came to FDI, especially in manufacturing. But things may be changing, as China becomes more insular and India makes an attempt to open up:

The . is already one of the largest direct investors in India (it's hard to know because most Indian FDI comes in through tax havens). But joint efforts to boost bilateral investment would pay off both for India, and for the . investors who reap the returns.

Increasing .-India FDI would yield multiple benefits. In addition to making both countries money and aligning the interests of the two nations even further, making India a richer, more advanced and more powerful country would strengthen it as a bulwark against Chinese domination of Asia. India is already taking various steps to try to attract more . direct investment; now the . needs to do its part. Tax breaks and other incentives for . companies to invest in India could help grow and solidify this crucial 21st-century partnership.

Source: timesofindia.com– Jul 20, 2020

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## Time limit for availing transitional credit under GST is mandatory, says Madras HC

The Madras High Court has ruled that the time limit for availing transitional credit is mandatory and not directory. This is just opposite to the Delhi High Court's order of May 5 which has been stayed by the Supreme Court.

Transitional credit refers to use of tax credit accumulated up to June 30, 2017, that is, the last day of the erstwhile central excise and service tax regime. After the introduction of Goods & Services Tax (GST), a special provision was made for credit accumulated under VAT, excise duty or service tax to be transited to GST.

However, there were some conditions set. The credit will be available only if returns for the last six months — from January 2017 to June 2017 — were filed in the previous regime (that is if VAT, excise and service tax returns had been filed).

And Form TRAN I (to be filed by registered persons under GST, may be registered or unregistered under the old regime) has to be filed by December 27, 2017, to carry forward the input tax credit. After many changes, the Government extended date for submission of the declaration electronically in required form by March 31, 2020.

Due to various reasons, a number of assessees who could not file the form by due date and were denied credit went to various High Courts. Here the petitioner PR Mani Electronics, a retail trader of mobile phones, electrical and electronic items, said it is entitled to avail Transitional Credit of nearly ₹4.70 lakh. Its application could not be filed electronically and then a hard copy was submitted to the tax authority which acknowledged it. However, after that there was no response.

The Court made a reference of Section 16(4) of the CGST Act which says, "A registered person shall not be entitled to take input tax credit in respect of any invoice or debit note for supply of goods or services or both after the due date of furnishing of the return under Section 39 for the month of September following the end of the financial year to which such invoice or debit note pertains or furnishing of the relevant annual return, whichever is earlier."

It said this provision is indicative of the legislative intent to impose time limits for availing ITC. Besides, Section 19(3)(d) of the TNVAT Act itself imposed a time limit for availing ITC and further provided that it would lapse upon expiry of such time limit.

The Court said that ITC has been held to be a concession and not a vested right. In effect, it is a time limit relating to the availing of a concession or benefit. If construed as mandatory, the substantive rights of the assessees would be impacted; equally, if construed as directory, it would adversely impact the Government's revenue interest, including the predictability thereof. "On weighing all the relevant factors, which may not be conclusive in isolation, in the balance, we conclude that the time limit is mandatory and not directory," the court concluded and dismissed the petition.

Source: thehindubusinessline.com– Jul 19, 2020

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## Only 10% manufacturing units report higher output in April-June: Ficci Survey

The proportion of manufacturing units reporting an increase in output dropped to 10 per cent during April-June 2020 from 15 per cent in the previous quarter, according to a quarterly poll by industry body Ficci.

The survey, which drew responses from over 300 manufacturing units from both large and SME segments with a combined annual turnover of over Rs 2.5 lakh crore, revealed that the automotive sector is the worst hit in terms of ongoing operations in the factories as per the demand and current orders post easing out of lockdown restrictions.

Other sectors where operations remain abysmally low are leather and footwear, electronics and electricals & textiles machinery.

Moreover, the percentage of respondents expecting low or same production is 90 per cent in April-June 2020-21 which was 85 per cent in the last quarter of 2019-20.

Hiring outlook for the manufacturing sector shows a bleak picture as 85 per cent of the respondents mentioned that they are not likely to hire additional workforce in the next three months.

"This presents a worrisome situation in the hiring scenario as compared to the previous quarter Q-4 of 2019-20, where 78 per cent of the respondents were not in favour of hiring additional workforce," Ficci said.

The outlook for exports is subdued and seems to be substantially affected due to COVID outbreak and other restrictions in place, as only 8 per cent of the participants are expecting a rise in their exports for the first quarter of 2020-21 and 10 per cent are expecting exports to continue to be on same path as that of same quarter last year.

The survey also assessed if there is any change in sourcing strategies of the manufacturers to reduce dependence on one country. The results showed that in certain areas like automotive, textiles machinery and leather/footwear firms are looking at alternative sources of inputs/raw materials.

In terms of back to business status, the survey noted that on an average, firms are operating depending on the sectors between 28 per cent to 63 per cent of their capacities with workforce deployment ranging from 33 per cent to 57 per cent.

This assessment is also reflective in order books as 85 per cent of the respondents in April-June 2020-21 expected lesser number of orders as against 54 per cent in January-March 2019, said Ficci.

The industry body's latest quarterly survey assessed the sentiments of manufacturers for Q-1 (April-June 2020-21) for 12 major sectors namely automotive, capital goods, cement and ceramics, chemicals, fertilizers and pharmaceuticals, electronics & electricals, leather and footwear, medical devices, metal & metal products, paper products, textiles, textile machinery, etc.

The survey found that overall capacity utilisation in manufacturing has witnessed a decline to 61.5 per cent in January-March (Q4) 2019-20 as compared to 76 per cent in Q-3 2019-20.

The future investment outlook looks subdued as only 22 per cent respondents reported plans for capacity additions for the next six months as compared to 28 per cent in the previous quarter.

High raw material prices, high cost of finance, uncertainty of demand, shortage of skilled labour and working capital, high logistics cost, low domestic and global demand due to imposition of lockdown across all countries to contain spread of coronavirus, excess capacities due to high volume of cheap imports into India, lack of financial assistance, unstable market, complex procedures for obtaining environmental clearances, high power tariff, are some of the major constraints which are affecting expansion plans of the respondents, Ficci said.

Besides, 76 per cent of the respondents expect either more or same level of inventory in April-June 2019, which is considerably less as compared to the previous quarters, where around 82 per cent respondents expected either more or same level of inventory in Q-4 2019-20 and Q-3 2019-20.

Average interest rate paid by the manufacturers has reduced slightly to 9.4 per cent per annum as against 9.9 per cent per annum during the last quarter and the highest rate remains as high as 14.5 per cent. The recent cuts in repo rate by the RBI has not led to a consequential reduction in the lending rate as reported by 65 per cent of the respondents, Ficci said.

Based on expectations in different sectors, all the sectors are likely to register low growth in Q-1 2020-21. The primary reason for such depressed expectations seems to be the imposition of lockdown, restricted exports and other guidelines in place as a response towards COVID outbreak, Ficci said.

The cost of production as a percentage of sales for manufacturers in the survey has risen for 64 per cent respondents. This is considerably higher than that reported in Q3 2019-20, where 55 per cent respondents recorded increase in their production costs.

Industry respondents have attributed the hike in production costs primarily to high fixed costs, higher overhead costs for ensuring safety protocols, drastic reduction in volumes due to lockdown, lower capacity utilization, high freight charges and other logistic costs, increased cost of raw materials, power cost and high interest rates.

Sectors like textiles and textiles machinery have only one third of the total labour force engaged in the operations and are hence facing labour shortage. Similarly, automotive and leather & footwear have also witnessed around 35 per cent workers attendance at factories.

Source: financialexpress.com– Jul 19, 2020

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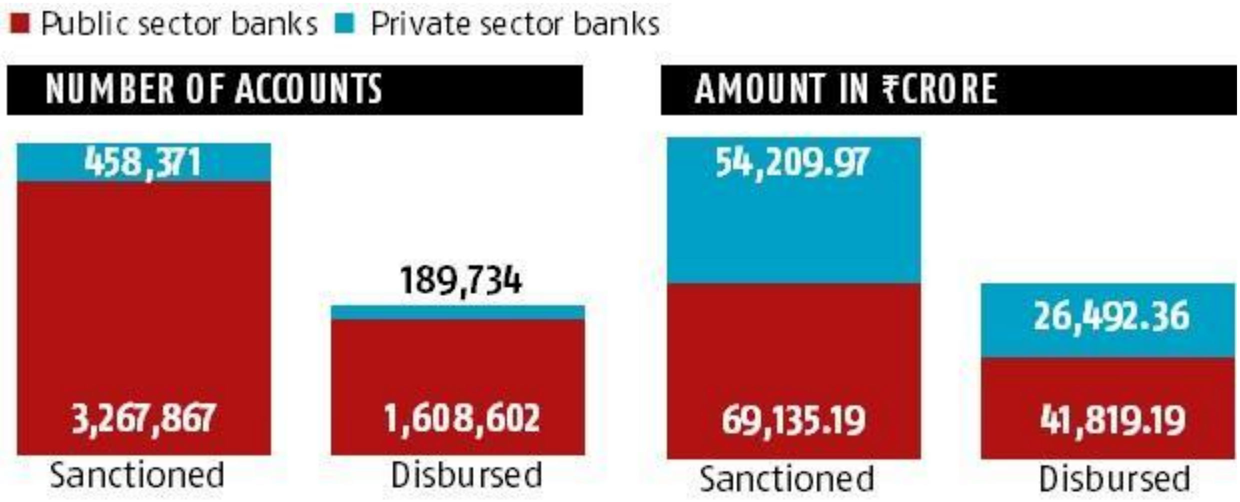
# Banks sanction Rs 1.23 trn loans to MSMEs under credit guarantee scheme

Lenders have sanctioned Rs 1.23 trillion of loans to MSMEs, which is 41 per cent of the amount that was promised under the Emergency Credit Line Guarantee Scheme.

This data is as of July 15. However, at Rs 68,000 crore, the disbursed amount is 23 per cent of the promised Rs 3 trillion.

As much as 61 per cent of the disbursed amount was lent by public sector banks, according to tweets by Nirmala Sitharaman's office.




Note: Data is as of July 15, 2020
Source: 12 public sector banks, 22 private sector banks, and 21 NBFCs according to the tweet by the finance minister's office

Source: business-standard.com– Jul 18, 2020

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# Nirmala Sitharaman discusses global economic outlook at 3rd G20 Finance Ministers meet

Union Minister Nirmala Sitharaman on Saturday participated in the third G20 Finance Ministers meet and discussed the global economic outlook amid the evolving COVID-19 crisis, along with other priorities of the group for this year.

The Minister was speaking at the third G20 Finance Ministers and Central Bank Governors (FMCBG) meeting held at Riyadh (Saudi Arabia) through video conferencing.

Sitharaman, in the first session of the meeting, spoke about the G20 Action Plan in response to COVID-19. The plan laid out a list of collective commitments under the pillars of health response, economic response, strong and sustainable recovery as well as global financial coordination, aimed at co-ordinating G20 efforts to fight the pandemic.

Emphasising that the plan needs to reflect how the economies are balancing their supply-side and demand-side measures in response to COVID-19, Sitharaman shared with her counterparts the manner in which India is working on ensuring this balance through credit schemes for greater liquidity, direct benefit transfers, and employment guarantee schemes.

The Finance Minister specifically referred to India's comprehensive economic package to address recovery and growth amounting to over USD 295 billion, about 10 per cent of India's GDP.

Adding to this, Sitharaman also spoke about the procyclicality of credit rating downgrades by the rating agencies and its deterrent impact on policy options, particularly for EMEs.

Meanwhile, in the second session of the meeting, the G20 Finance Ministers and Central Bank Governors discussed the developments on G20 Finance Track deliverables. First, enhancing access to opportunities for women, youth and SMEs as a priority agenda especially at a time when the pandemic has most impacted the vulnerable sections of the society.

Second, referring to the international taxation agenda and the intended deliverable of formulating a solution for addressing challenges related to digital taxation, Sitharaman noted the progress on the agenda and said that it is imperative that this consensus-based solution should be simple, inclusive and based on a robust economic impact assessment.

The Finance Minister also shared some of the policy measures taken by the Government of India to fight the pandemic, including direct benefit transfers, special support to agriculture and MSME sectors, rural employment guarantee measures and others.

Source: economictimes.com– Jul 19, 2020

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## Digital taxation needs to be simple and inclusive, says Nirmala Sitharaman

Amid the on-going row over digital taxation, Finance Minister Nirmala Sitharaman on Saturday said that a consensus-based solution on the issue should be simple and inclusive based on a robust economic impact assessment. The minister was speaking at the 3rd G20 Finance Ministers and Central Bank Governors (FMCBG) meeting held at Riyadh (Saudi Arabia) through video conferencing.

Referring to the issues concerning international taxation and challenges related to digital taxation, Sitharaman said, “It is imperative that this consensus-based solution should be simple, inclusive and based on a robust economic impact assessment.”

Recently India defended the 2 per cent equalisation levy on non-resident e-commerce companies, saying it is non-discriminatory in nature and its purpose is to tax businesses that have a close nexus with the country’s market through their digital operations.

In a six-page written submission to the United States Trade Representative (USTR), India said the levy is applicable only for companies with annual revenues in excess of Rs 20 million (about USD 267,000), which is a low threshold aimed at exempting very small e-commerce operators globally.

The US had last month decided to start an investigation under Section 301 of the Trade Act, 1974, into the digital services taxes that have been adopted or are being considered by a number of countries, including India, to “unfairly” target American tech companies. It had then invited public comments on the said investigation.

India is among 10 nations that are facing US investigations to assess whether the levies discriminate against American technology majors.

Sitharaman in the first session of the meeting, talked about the G20 Action Plan in response to COVID-19 which was endorsed by the G20 Finance Ministers and Central Bank Governors in their previous meeting on April 15, 2020, the Finance Ministry said in a statement.

This G20 Action Plan lays out a list of collective commitments under the pillars of Health Response, Economic Response, Strong and Sustainable Recovery and International Financial Coordination, aimed at coordinating G20 efforts to fight the pandemic.

The Finance Minister emphasized that it is crucial to ensure that this action plan remains relevant and effective.

She shared her perspective on the way forward on the action plan and highlighted the need for international coordination required in addressing the spill-over effects of exit strategies.

Emphasising that the Action Plan needs to reflect how the economies are balancing their supply side and demand side measures in response to COVID-19, Sitharaman shared with her counterparts how India is working on ensuring this balance through credit schemes for greater liquidity, direct benefit transfers, and employment guarantee schemes.

The Finance Minister specifically referred to India’s comprehensive economic package to address recovery and growth amounting to over USD 295 billion, about 10 per cent of India’s GDP. She also spoke about the procyclicality of credit rating downgrades by the rating agencies and its deterrent impact on policy options, particularly for Emerging Market Economies (EMEs).

Meanwhile, RBI Governor Shaktikanta Das said, “Participated in virtual meeting of G20 Finance Ministers and Central Bank Governors today. Focused on macroeconomy, capital flows, cross border payments, transition from LIBOR and other issues.” In the second session of the meeting, the G20 Finance Ministers and Central Bank Governors discussed the developments on G20 Finance Track deliverables under the Saudi Arabian Presidency.

Enhancing access to opportunities for Women, Youth and SMEs is a priority agenda under Saudi Presidency and a Menu of Policy Options on Access to Opportunities has been developed by G20 under this agenda were discussed.

"The Menu presents country experiences of G20 members related to policies aimed at: Youth, Women, Informal Economy, Technology & Adult Skills, and Financial Inclusion. The Finance Minister noted that this agenda has assumed even greater importance now as the pandemic has most impacted the vulnerable sections," it said.

During the session, Sitharaman also shared some of the policy measures taken by the Government of India to fight the pandemic, including direct benefit transfers, special support to agriculture and MSME sectors, rural employment guarantee measures etc.

She particularly highlighted how India has successfully employed technology-based financial inclusion by harnessing the nationwide digital payment infrastructure that India has built in the last five years, to make contactless cash transfers of over USD 10 billion into the bank accounts of 420 million people. The minister also referred to the swift measures to provide free food grain to over 800 million people for eight months till November 2020.

Source: financialexpress.com– Jul 18, 2020

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## Area of kharif cotton 17.28% more compared to last year

For the ongoing kharif season, cotton crop has been sown on 113.01 lakh ha as on July 17, an increase of 17.28 per cent compared to 96.35 lakh ha sown during the corresponding period of last year. Area under cotton has increased in all major cotton growing states, except Gujarat and Odisha, according to the ministry of agriculture and farmers welfare.

Higher area under cotton is reported from the states of Telangana (6.87 lakh ha), Maharashtra (6.61 lakh ha), Andhra Pradesh (1.19 lakh ha), Karnataka

(1.05 lakh ha), Punjab (0.99 lakh ha), Haryana (0.61 lakh ha), Madhya Pradesh (0.28 lakh ha), Rajasthan (0.22 lakh ha) and Tamil Nadu (0.02 lakh ha). Less area is reported from Gujarat (1.09 lakh ha) and Odisha (0.04 lakh ha). Thus 16.65 lakh ha more area has been covered compared to last year, the ministry said in a statement.

The increase in area planted during the kharif season is not unique to cotton, as total area coverage has increased by 21.20 per cent to 691.86 lakh ha against 570.86 lakh ha area during the corresponding period of last year.

During the period from June 1 to July 16, 2020, actual rainfall received in the country is 338.3 mm against normal of 308.4 mm, the ministry said.

Source: fibre2fashion.com– Jul 18, 2020

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## How e-commerce can make a sustainable shift for the fashion and lifestyle industry

We've all come across Darwin's famous quote on change – "It is not the strongest of the species that survives, nor the most intelligent. It is the one that is most adaptable to change." When you think of the fashion and lifestyle industry, especially among current times, this quote is accurately applicable. An industry which has thrived on the 'physical' experience it can provide, and which often acts as a differentiating factor, is now having to rethink its ways of functioning.

Till date, e-commerce was a key but small aspect of business till date when compared to offline sales, however, the year 2020 will pave the way for a seismic shift where the previous balance between online-offline will be reversed. And that change is definitely worthwhile, but it needs an evolution of minds, technology, and practices for it to be sustainable and truly beneficial.

*So how can one make e-commerce a sustainable shift for the fashion, retail & lifestyle industry?*

Let's look at this from a Now, New and Next perspective wherein Now looks at using existing capabilities to improve e-commerce efforts, New looks at incorporating new avenues, channels, markets and Next looks at the creation of new capabilities to respond to the disruption in the market.

*Now: Using Existing Capabilities*

Begin with the basics: Analyze your digital presence, social platform presence, offline customer data, marketplace associations, promotional materials, operational efficiencies and then look at scaling each to build a cohesive plan of action around these. Each of them has an important role to play and when all of them move in tandem – the effect is significant.

**Amp Your Digital Presence**: If you are not selling online, start selling. If you sell through marketplaces only, think of building your own website too. If you have your own website, put more effort into scaling it and think of a hybrid app, if you have an app; think of data-driven/personalised marketing. If you already do all of this, then think of driving more innovation by going omnichannel, hyperlocal, virtual try ons and more new things to lead the change. Use your offline customer data to drive customers online and showcase collections/ drive sales.

**Think about Social Retail-tainment**: Social platforms are key when it comes to shifting the needle, especially for the fashion & lifestyle industry. This is why leveraging them to facilitate e-commerce is a no-brainer. Think live fashion show streaming. Think gamified shopping through stories – be it Instagram, Facebook or YouTube. For example: Lakme Fashion week has already hosted a series of collections using Facebook Premier.

**Cultivate the Influence**: Arguably so, the influencer revolution began in India with the makeup & lifestyle influencers doing what they did. Till date and into the future too, it will continue to stay relevant and important. More and more brands are benefitting from influencer collabs across mega to budding influencers, thus adding more to social commerce in a big way.

In fact the proof of the pudding is SPOYL which is a fashion unicorn company born out of influencers and their influence in fashion buying. It started as nothing but an influencer led fashion clothing platform targeted to Tier 1 & Tier 2 cities is doing considerably well overall. Here's a moonshot of an idea: Use influencer content (static + filter-based videos) on the PDP sections of your eCommerce website to increase more consideration.

Tackle the predictive UI on marketplaces and integrate on owned sites to enhance discoverability: Most algorithms on marketplaces adapt to how people shop on a website, where they click and what search terms they use. While this is definitely effective as it is based on visitor behaviour, it can lead to a reduction in discoverability for some brands that may not be classified as per the defining traits for a consumer cluster.

To tackle this, one can leverage advertising options provided by marketplaces to enhance discoverability. On the other hand, integrating predictive UI on your owned website is a great way to facilitate upselling and cross-selling and helps one understand consumer preferences better.

New: Extending Capabilities to New Avenues

Get Smart about leveraging Local and Vernacular: It is no secret that India is home to many languages and yet English is the dominant choice in the fashion & lifestyle world especially where “brand imagery” and “premiumisation” is a concern. One way to circumnavigate this issue is to appoint official re-sellers and then enable selling on social platforms like Meesho (has a network of over 2 million social sellers), Bulbul (multi-language live-video ecommerce platform), etc. which have a tremendous reach in the ‘WhatsApp-first’ India. This would be a great way for liquidating inventory as well.

**Go Fast Fashion, literally**: If you have a wide reach of store presence in the country, don’t think of shutting down or descaling. In fact, use them as a warehouse as well as lifestyle stores to enable faster delivery by setting up a robust logistics practice. And of course, connect all inventory, online + in store, to get a single view. This is going omnichannel + hyperlocal in the truest sense and one of the biggest differentiator you give to the consumer is the promise of a super-fast, 2 hour delivery.

**Marketplaces acting as Media Owners**: Flipkart has its audience available to target on Hotstar too, Amazon has come up with its DSP where one can run campaigns across the internet (of course not onto walled gardened platforms). Plus, there is a fair amount of eComm audience integration available with DMPs for sharper targeting.

All of this and more is going to be extremely important now and from here on all spending into fashion & lifestyle is going to be, in fact should be, looked at from a ROI point of view. And no, there is no need to worry about brand building as that can happen simultaneously while you drive BOFU;

the trick is how you find a fine balance in the digital communication that enables 'brandformance' across different types of audiences.

**Repurpose**: COVID19 has disrupted consumer demand into fashion & makeup brands by a huge margin. One of the ways to deal with the onslaught is to create new demand by selling the same old wine, in a new bottle. For e.g. a #SlayAtHome collection that could be launched by a brand which covers various types of home occasions like exercise, party, yoga, work; requiring various types of attires and makeup to buy into.

Use Virtual to Make it Fit: Size-related returns are extremely high and a key issue for most brands online. If consumers are presented with an authentic representation of themselves, analysts say, they are more likely to buy and less likely to make a return. This is where mixed reality comes handy. While AR is already being used successfully in the makeup industry, virtual try-ons could be the next big thing for the fashion world. Gucci successfully did this recently with its mobile shoe try-outs on Snapchat. Additionally, think of virtual showrooms which are going to increasingly become relevant with a lot of fashion houses investing in them.

*Next: Creation of New Capabilities*

3D Commerce: Think of a complete photoshoot that happens for your entire collection of SKUs digitally. Not only is it far more accurate, it also saves a lot of time, effort and money! Also, to add to this, technology has come a long way in showcasing products in 3D, which opens up a whole new ball game for fashion & lifestyle products as well.

Advent of AI into Future Commerce: Right into the future (2-3 years from now) AI will become a lot stronger in understanding, reacting to & predicting what consumers would want or might need. For instance, a first-time makeup buyer could very well land up on a chat module that is aided by AI & ML to collect more info about the prospect, to then suggest the best makeup products to go for. Simply put, if we start collecting data about a consumer which is not just demographic but also psychographic in nature there's a lot more personalisation that we can drive for both outreach and onsite experience purposes.

To conclude, better prices, selection and convenience have always been the cornerstones for retail success. From an online lens, these worked fine until now. However, given the disruption in the market caused due to COVID 19, these demand generation levers can no longer work in isolation. They need to work in tandem with operations for them to generate sustainable success now and also into the future. Making online business sustainable for the fashion and lifestyle industry is not just about implementing or accelerating e-commerce. It's about accelerating digital for the business as a whole.

Source: financialexpress.com– Jul 19, 2020

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## Germ fighting is new industrial mantra

First it was sanitisers, with demand for them skyrocketing during the initial days of the pandemic. Companies that were not even in the hygiene business scrambled to manufacture bottles after bottles. The focus then expanded to encompass anti-microbial products. Anything that could be germ-free promised to be a lucrative business idea. After all, the deadly virus could be anywhere — on clothes, shoes, fruit, vegetables, grocery packets and so on.

Not surprisingly, the industry has seen a sudden boom in demand and production of anti-microbial products.

One of India's oldest footwear brands, Bata, has come up with products like foot sanitisers, wipes and face masks in its portfolio to a curated collection of 'washable shoes'. Bata India has also launched a collection of anti-bacterial shoes for children. Said Matteo Lambert, the chief collection manager, Bata India, "We are looking to extend the same anti-bacterial properties to more of our products.

Everyone is now extra cautious about the kind of risks they are exposing themselves to, and nobody wants the virus to enter their houses through unsuspecting carriers like shoes. Therefore, it is now imperative to also sanitise footwear." He said although Bata had an anti-bacterial range in place even before the pandemic, it was only for schoolchildren.

"Now that there is more demand in the market for such products, we have had to adapt ourselves accordingly and shift our focus. In addition to anti-bacterial, we are also working on a range of products with anti-viral properties."

Indian Institute of Technology (IIT) Madras-based startup Muse Wearables has developed methods for coating textiles with nanoparticle-based antimicrobial agents that can inactivate the coronavirus on contact. These coatings are expected to be effective up to 60 washes, making the textile re-usable. Many more fashion and apparel brands have also started to re-think and incorporate materials that offer antimicrobial benefits.

Fabric and fibre manufacturing brand Lenzing has joined hands with Ruby Mills to manufacture sustainable antimicrobial fabrics. Antimicrobial fabric is treated with or infused with one or several of a variety of substances to keep microbes from flourishing within its fibres. Avinash Mane, commercial head, south Asia, Lenzing, told FE, “Safety and sustainability are the primary aim. We are working towards breaking the barrier that fabrics and textiles are carriers of diseases and viruses. When it comes to clothing, if the end user sees that there is a brand that is offering additional protection, they are definitely going to go for it.”

He added, “The demand for these products may not remain the same say a year down the line, but right now, when we speak to global and local retailers and brands, they are open to the initiative to provide something extra to their consumers. In the present situation it is a good and smart business model.”

Hygiene brand Sirona has come up with a range of products under the BodyGuard brand, from sanitising wipes, sprays to chlorine-based tablets that can disinfect fresh produce, solving consumers’ problem of how to make fruit and vegetables safe. Sirona founder Deep Bajaj said, “Hygiene is now at the core and it will become part of new business strategies going forth. The pandemic has fast-tracked the learning curve for both the producers and the consumers. What 9/11 did to the aviation industry, Covid-19 has done for hygiene.” He added, “It is true the anti-microbial and anti-bacterial properties are a selling point. Going forward, more and more such products will find presence in every household, in everyday items.”

Lenzing’s Mane added that sustainability and protection should come with affordability. “We are not looking at our anti-microbial products as a short-term business strategy. We are looking to continue producing them in the long term, even when the pandemic passes.”

Elanpro, a refrigeration company, is launching Safe UVC, an intelligent, ultraviolet light-based germicidal lamp. The UV technology disinfects bacterial, viral, and protozoan functions in all places that it reaches. The lamp can also be used to sanitise everyday items, from wallets, phones and even vegetables. The product is set to be available on Amazon and Flipkart starting June 30.

Cleaning and hygiene solutions company Diversey recently launched Diversey Hygienizer, a personalised kit consisting of a spray, sanitiser and dry wipes intended for workstation hygiene. LC Das, MD, India and subcontinent, Diversey India, said they foresee this hygieniser kit to be an integral part of the 'new normal' as employees resume office.

Source: financialexpress.com– Jul 19, 2020

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## Farmers harried as Haryana govt withdraws subsidy on cotton crop insurance premium

Haryana cotton growers are a worried lot as their share of premium under the Pradhan Mantri Fasal Bima Yojana (PMFBY) has been increased from Rs 620 per acre to Rs 1,650 this time. This is the result of withdrawal of the subsidy Haryana provided on the premium.

Under PMFBY guidelines, a farmer is required to pay 2% of the sum insured in case of kharif crop and 1.5% in case of rabi crop (5% for horticulture crop) as the premium and the balance is shared 50:50 by the state and the Centre.

This year, farmers' premium share under the government insurance scheme was hiked up to Rs 50 per acre for paddy, Rs 10 per acre for maize, Rs 40 per acre for bajra, Rs 1,030 per acre for cotton, Rs 8 per acre for barley and wheat, Rs 15 per acre each for gram and sunflower and Rs 130 per acre for mustard.

Rajbir Sihag, a farmer from Bhiwani's Miran, said he had paid Rs 2,480 as the premium for four acre of cotton crop last year, but this time, he had to cough up Rs 4,120 for the same area.

"On one hand, the government is encouraging farmers to adopt non-water guzzling crops and on the other, it has increased the insurance premium for the cotton crop. We want the government to reduce the hiked amount. We have to invest a lot in cotton production and now, the Haryana government has put more financial burden on us by increasing the premium amount to Rs 1,030 per acre," he added.

Farm leader Ramandeep Singh Mann said the overall premium for the cotton crop has increased Rs 3,250 per hectare this time as compared to the last year.

"It is quite unfortunate that the state government reduced its share in the premium for the cotton crop this time, due to which farmers will have to bear the brunt," he added.

Haryana agriculture joint director Jagraj Dandi agreed that the farmers' share of premium for cotton crop under PMFBY has increased to Rs 1,030 per acre as the state government withdrew its 3% subsidy on the premium amount.

"Cotton is a commercial crop and farmers are required to pay 5% of the sum insured as the premium. Earlier, the farmers were paying only 2% and the remaining 3% was being deposited by the Haryana government. This time, we have withdrawn 3% subsidy and the cotton farmers will have to pay 5% of the sum insured as the premium," he added.

Source: hindustantimes.com– Jul 19, 2020

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