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The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

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INTERNATIONAL NEWS

INTERNATIONAL NEWS

Can Surprise Q3 Economic Growth Turn Sagging Consumer Confidence Around?

The economic volatility stemming from the pandemic has turned good news into just lagging indicators.

While U.S. gross domestic product for the third quarter was revised up slightly to 33.4 percent by the Commerce Department, fourth quarter GDP is likely to be impacted by ongoing coronavirus infections what appears to be increases in first-time jobless claims.

Growth in the third quarter was fueled in part by over $3 trillion in pandemic relief, bringing initial third-quarter gains to 33.1 percent before the revision. That was a significant turnaround from the 34.1 percent contraction in the second quarter, when many nonessential retailers were temporarily closed at the start of April to help curb the spread of Covid-19.

Retailers, such as department stores and specialty chains, began reopening in early May but limited services to curbside delivery. Many didn't complete the gradual reopening process until June, and that was only after they instituted new procedures such as social distancing and sanitizing protocols.

While Congress on Monday night approved another aid package for $900 billion, the stimulus coming so late in the year probably won't help fourth quarter GDP. And it might not do much to help in the first quarter of 2021. Americans who qualify to receive a check will get only $600 this time around, although the relief package will extend certain benefits that were set to expire or had already expired, such as federal unemployment benefits and the supplemental assistance program for food relief known as SNAP.

The incoming administration under President-elect Joe Biden will have to push for more aid for small businesses and even relief funding for state and local governments, which was nonexistent in the current package and could portend more municipal layoffs in the months ahead.

"Retailers are encouraged by the passage of this economic relief package that will keep the economy open and moving in the right direction as the fight against the Covid-19 pandemic continues. The additional stimulus and extension of expired relief measures will help protect families, support health care providers and sustain small and independent businesses," Matthew Shay, president and CEO of retail trade organization the National Retail Federation, said.

"The November retail sales report shows that consumers held back on spending, and more robust stimulus is needed to shore up our economy. These are trying times for many American families, and a strong stimulus bill is critical to the continued recovery of the economy and the retail industry, which creates employment for 52 million working Americans."

Shay added that the retail industry has invested billions of dollars throughout the pandemic to ensure the health and safety of employees and customers. He said that the NRF will continue to advocate for financial relief for American workers, families and businesses impacted by the coronavirus. "Our hope is this latest stimulus will be a down payment on economic relief next year," Shay said.

Steve Lamar, president and CEO of the American Apparel & Footwear Association, said that more will need to be done to support the U.S. economy in 2021.

"Covid-19 has wreaked havoc on our world and created an economic crisis unlike any previous. While this new bill provides essential aid, it is only a down payment on what the American economy needs to make it to the other side. The job is not done, and more work will be needed in 2021. This will be job one for the incoming administration and the new Congress, and we look forward to working with them, and our diverse coalition, to save the American economy," Lamar said.

The U.S. now has more than 18 million reported cases of the virus. So far, there have been 319,763 American deaths. Those numbers are expected to increase in the weeks ahead following the Christmas holiday period. And in spite of the start of Covid vaccinations globally, most require a second shot three or four weeks after the first, depending on which vaccine is received.

First-time jobless claims in the U.S. have also been on the rise again. An increase was expected for the week ended Dec. 3, mostly because of the difficulty in adjusting for the prior week's Thanksgiving holiday. The report for Thanksgiving week said that new jobless claims totaled 712,000.

The Dec. 10 report for the week earlier saw initial claims spike up to 853,000. The last report from the Labor Department on Dec. 17 saw claims rise again to 885,000 for the week ended Dec. 10. The next report is slated for Thursday for the week ended Dec. 17.

Consumers are feeling economic tension as well. On Tuesday, The Conference Board's Consumer Confidence Index declined in December, on top of its decrease in November. The Index is now at 88.6, down from 92.9 in November. The indices in the Index were mixed in December. The Present Situation Index fell sharply to 90.3 from 105.9, while the Expectations Index, which measures short-term outlook over the next six months, rose to 87.5 from 84.3.

"Consumers' assessment of current conditions deteriorated sharply in December, as the resurgence of Covid-19 remains a drag on confidence," Lynn Franco, senior director of economic indicators at The Conference Board, said on Tuesday. "Overall, it appears that growth has weakened further in Q4, and consumers do not foresee the economy gaining any significant momentum in early 2021."

The Conference Board's economic forecast for the U.S. is pegging growth of 2.8 percent for the fourth quarter while the country continues to deal with the pandemic. Looking at 2021, it said key variables include the scale of the ongoing Covid resurgence and any resulting lockdowns, the status of labor markets, the timing of the Covid vaccine rollout and the degree to which volatility in the U.S. political transition affects consumer and business confidence.

While President-elect Biden has secured the required Electoral College votes, two runoff elections on Jan. 5 will determine which party controls the Senate. Two Senate seats are up for grabs, and Democrats, who narrowly control the House, are hoping for wins so they can have a Democratic sweep. Barring a Blue Wave win, the result will be a split government, with the Senate battling each economic growth measure or stimulus proposal from the House and incoming Administration.

Source: sourcingjournal.com– Dec 23, 2020

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Xinjiang Sourcing 'Banned,' Fair Labor Association Says

The Fair Labor Association (FLA) is prohibiting the sourcing and production of goods, whether directly or indirectly, from Xinjiang in northwestern China.

The move is a first for the multi-stakeholder initiative, whose affiliates include Adidas, Uniqlo owner Fast Retailing, Gildan, Hanesbrands, Lululemon, Nike, Patagonia and Under Armour.

"In its 20-year history, the FLA has never told companies a specific country or region was banned for sourcing because there have always been ways to address labor issues through effective due diligence," the organization said in a statement Wednesday. "The situation in Xinjiang presents unique human rights and labor violations that defy conventional due diligence norms."

Evidence of forced labor and other human-rights abuses has been nothing short of overwhelming. The Chinese government is believed to hold at least 1.8 million Uyghurs, Kazakhs and other Turkic Muslim minorities in internment camps and prisons as part of a broader campaign of coercion, torture and indoctrination. Last week, the Center for Global Policy, a Washington, D.C., think tank, published research indicating that more than half a million minority workers are being forced to pick cotton by hand through a state-sponsored labor transfer and "poverty alleviation" scheme. Several leading audit firms have also fled the region, citing their inability to conduct a satisfactory review because of the climate of fear and hostility.

When reports of Uyghur repression first emerged, the FLA cautioned its affiliates to conduct additional due diligence to ferret out potential instances of forced labor in Xinjiang. In January, it updated that advice, noting that effective due diligence was no longer possible in the region and warning affiliates to presume any raw materials and semi-finished and finished goods from Xinijang are "likely to be produced with forced labor."

"We also cautioned that companies should presume there is forced labor when workers are recruited or deployed through government labor agencies in factories throughout China," the FLA said, referring to a labor transfer scheme that experts say has moved some 80,000 Uyghurs out of Xinjiang and into factories across China between 2017 and 2019, often against their will.

In March, the FLA's board of directors urged the Chinese government to end its assault on Uyghur rights. It also asked its affiliates to review their sourcing relationships in Xinjiang, identify alternative sourcing opportunities and develop time-bound plans to "ensure that their sourcing is in line with the FLA's principles" of improving worker conditions worldwide.

"Since the FLA issued that statement nine months ago, evidence from a range of credible sources, including governments and independent researchers, continues to mount, indicating that the Chinese government is expanding its policy of repression," the organization said. "The evidence shows that Uyghurs and other ethnic minorities remain subject to horrendous, ongoing human rights abuses, including arbitrary detention and forced labor. Significantly, more than 100 international civil society organizations have joined forces in a call to action to stop forced labor in Xinjiang, an effort we believe is helpful in seeking to address these systemic rights abuses."

Sourcing products from Xinjiang—and indeed China at large—is becoming increasingly challenged. In early December, U.S. Customs and Border Protection (CBP) issued a new Withhold Release Order (WRO) on cotton goods from the Xinjiang Production and Construction Corps (XPCC), a paramilitary organization that produces one-third of China's cotton, employs 12 percent of Xinjiang's population and generates 17 percent of the region's gross domestic product. Because of the scope of the XPCC, the order is "almost akin to a regional WRO," CBP acting commissioner Mark A. Morgan said at the time.

The WRO lent greater heft to the Treasury Department's July decision to place the XPCC on its sanctions list, prohibiting all American companies and citizens—or non-American companies and citizens subject to U.S. jurisdiction—from engaging with the organization, whether directly or indirectly.

More legislation is coming down the pipeline, the most significant of which is the Uyghur Forced Labor Prevention Act, which passed in the House of Representatives by a margin of 406 to 3 in September and is now awaiting Senate action.

Xinjiang produces 85 percent of China's cotton, which in turn accounted for more than 22 percent of the world's supply in fiscal year 2019. The End Uyghur Forced Labour coalition estimates that one in five cotton garments sold globally contains fiber or yarn sourced from Xinjiang, meaning that "virtually" the entire apparel industry is tainted by Uyghur abuses.

"In the last two years, we have provided resources to FLA affiliates to facilitate the tracing of supply chains, conducted training on detecting forced labor, and bolstered our principles and benchmarks to ensure that our affiliates have tools to respond to this human rights crisis," the FLA said. "We will continue to support our affiliates in their efforts to address the complex challenges presented by the Chinese government's state-imposed forced labor in Xinjiang, and throughout China."

Source: sourcingjournal.com– Dec 23, 2020

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2020: Factory closures & export losses in Southeast Asia

Similar pandemic-induced problems of supply chain disruptions, factory closures and export losses were observed in all the five major textile-garment producing nations in the Southeast Asian region, viz. Cambodia, Vietnam, Indonesia, Myanmar and the Philippines. The year also saw signing of the Regional Comprehensive Economic Partnership.

For the textile-garment industry in Cambodia, the biggest development of the year was the February 12 decision by the European Commission to partially suspend the 'Everything But Arms' (EBA) trade benefit for the country over human rights concerns, writes assistant editor Dipesh Satapathy in the January 2021 edition of Fibre2Fashion as he looks back at the year that was. The EBA withdrawal became effective on August 12.

Around 90 per cent of all raw materials used to manufacture garments in Myanmar comes from China. Hence, disruptions to the Myanmar garment sector first started in February, when raw material imports from China became sporadic as a result of covid-19 closures and lockdowns. The situation worsened after coronavirus was declared a pandemic by the World Health Organisation (WHO). By March, several garment units had stopped operations in Myanmar as EU countries cancelled orders.

For Vietnam, the year 2020 was significant as it surpassed Bangladesh to become the second positioned in global garment and textile exports during the first half of 2020. Government data from both the countries showed

Vietnam earned $13.18 billion from such exports in the first six months of the year, while Bangladesh earned $11.92 billion.

For the first time in two decades, recession hit Indonesia due to the pandemic-induced crisis. The country's textile-garment industry, plagued by low productivity, high logistics and energy costs, multi-layered value-added tax regime and outdated machinery, went on a PPE production spree during the pandemic resulting in a surplus within a few months, despite complaints over quality and distribution.

Source: fibre2fashion.com– Dec 23, 2020

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Vietnam: VITAS calls for large garment and textile parks to attract investors

Vietnam Textile and Apparel Association (VITAS)has urged the Government to direct provinces with suitable infrastructures to build some large garment and textile parks with an area from 500 hectare to 1,000 hectare and centralized wastewater treatment systems to attract investors into the phases of weaving and dyeing; strengthen cooperation and linkages among enterprises producing raw materials and accessories and sewing ones to establish regional chains.

As per SGG News, Vietnamese garment exporters have received many orders, especially from the US market in the fourth quarter of this year. In the last few months of this year, Fly High Garment Co has received many orders that are enough to last until the third quarter of next year. However, raw materials have increased by about 20 percent forcing the company to recalculate processing unit prices with partners.

Many other enterprises also reflected that not only have materials in the garment industry been scarce, and have the prices of raw materials increased but some symbiotic sectors, such as packaging, adhesive tapes, and chemicals, have also risen by 15-20 percent, causing production costs to climb, leading to lower profits. Revenues of some enterprises are even just enough to cover expenses and labor costs.

Up to now, Vietnam has signed free trade agreements (FTAs) with many countries around the world so it can use raw materials from the members of these FTAs. However, Vietnamese enterprises have mainly used raw materials imported from China for a long time. When orders increase again, they become passive in organizing production because they did not have a timely forecast to prepare raw materials.

To limit the negative impacts on production and business, from the outbreak of the Covid-19 pandemic, VITAS recommended and requested member enterprises to discuss with customers and focus on exploiting domestic raw materials and auxiliary materials, or from other countries to replace raw materials imported from China to maintain production and business.

Source: fashionatingworld.com– Dec 23, 2020

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Messe Frankfurt reschedules 2021 edition of Heimtextil

Messe Frankfurt has rescheduled the 2021 edition of international home textiles expo Heimtextil to May 04-07, 2020 due to COVID-19 concerns.

Traditionally held each January, the event will take place concurrently with Techtextil and Texprocess.

Roughly 1,600 companies have expressed interest in exhibiting at the next Heimtextil, an international trade fair for home and contract textiles with more than 2,700 exhibitors and roughly 67,000 trade visitors.

The trade fair serves as a business and information platform for manufacturers, retailers and designers from around the world.

International exhibitors present their products to a wide trade audience on the Messe Frankfurt exhibition grounds. As the first marketing and ordering event of the year, Heimtextil showcases new home and contract textiles.

By presenting bed, bath and table linens as well as floor and window coverings, upholstery and sun protection systems, Heimtextil covers the entire home and household textiles portfolio from across the globe.

Techtextil and Texprocess will also boast registration figures with over 85 and 65 percent respectively of the exhibition space already having been reserved.

Source: fashionatingworld.com– Dec 23, 2020

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Examining Cotton at Year's End

We know how COVID-19 has impacted normal life and the economy. How have the cotton and textile sectors fared?

The year was supposed to end with a positive news that two vaccines have been approved for mass inoculation. But the new COVID-19 variant that has shown up recently in the United Kingdom is causing genuine concern. With two major holidays around the corner, how the developing situation impacts the global economy and the cotton-textiles sector will be carefully watched.

A reduction in the crop production estimate in the United States and interest in cotton products bring out optimism among stakeholders. "An increase in yarn prices in India has boosted confidence in the sector," stated Velmurugan Shanmugam, general manager of Aruppukottai, India-based Jayalakshmi Textiles.

"Global demand looks much better than a few months ago," observed Jon Devine, senior economist at Cotton Incorporated. "Recent surveys of textile manufacturers conducted by the ITMF have described continual improvement since April."

A significant decrease in this year's production in the High Plains of Texas – the world's largest contiguous cotton patch – is helping with the rebound in prices. This area will produce about 2.3 to 2.5 million bales (480 lbs. each) in 2020, versus 2019's production of 3.051 million bales.

"The 2020 crop on the Texas High Plains has been severely impacted by dry conditions throughout the growing season," said Shawn Wade, director of policy analysis and research at Plains Cotton Growers, Inc.

Harvest is almost complete, and 90% of ginning is completed in the High Plains area. "Yields are disappointing, but overall quality is good," stated Mark Brown, field services director at Plains Cotton Growers.

Average micronaire has been lower in the High Plains compared to 2019 due to cold weather in September. "Overall quality is good with strength averaging at 30.5 g/tex and length little bit better than last year," stated Danny Martinez, area director of USDA's Lubbock Cotton Classing Office.

The ginning season was impacted by COVID-19, but ginners worked hard to carry on ginning to finish. The year is ending with optimism for the cotton and textile sectors with interest in cotton and a rebound in cotton and yarn prices. Again, the impact of the emerging Corona variant is yet to be known.

Source: cottongrower.com– Dec 22, 2020

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Pakistan: The value-added charm

If there is one sector that has had a steep V-shaped recovery during the ongoing pandemic, it's the textile sector. The textile sector, which was massively hit by Covid-19 with both local and international markets closed down was also one of the first sectors to recover.

Recovery has been two folds. Not only has resumption of the sector's operations domestically versus the restrictions in competing regional countries diverted export orders to Pakistan, but the country has also benefitted the US-China trade war.

Though the month-on-month exports during November 2020 remained flat, recent export numbers from Pakistan Bureau of Statistics show that textile exports in November 2020 touched $1.286 billion, growing by over 9 percent year-on-year.

The improvement in sector's exports have been visible since June 2020, and since after August 2020 when the torrential rains impacted trade, exports have been growing for three consecutive months. 5MFY21 textile exports were up 5 percent year-on-year.

The growth in textile exports is being led by value-added segments: knitwear, bedwear and towels, while growth in the readymade garments has been tepid. On the other hand, exports of cotton yarn and cotton cloth has been declining due to low cotton production at home and shortage created as a result. Sources tell BR Research that amid the shortage of cotton the in value added segment has been able to take up export orders partially due to cotton imports that have gone up as a result of elimination of regulatory duty on them.

Growth in export value amid falling volumes particularly of bedwear and readymade garments is showing signs of shift towards value-addition. Today, the sector is operating at full capacity as exporters are reportedly fully booked for the next 5-6 months and have expansion plans to take on the growth, which means FY21 will end better for the sector. However, it's too early to celebrate the export growth. For one, what should now be worked upon rigorously is sustaining the export volume and markets; Once the pandemic is or (or the US-China trade war miraculously ends with mutual benefits), there is a risk that the orders will pivot back to the most competitive in the region.

In an interview with BR Research, MD Al-Karam Textile- Fawad Anwar highlighted two key challenges besides the delay in refund payments that must be dealt with to retain new customers and propel export growth: falling cotton productivity and volatile energy prices. The long-term sustainability of textile sector relies on what Pakistan once had a competitive advantage in: cotton production that stands halved this year versus India's output that has doubled from similar levels. And while the new textile policy is said to be looking at the energy cost component diligently, retaining the GSP plus status expiring in 2023 should also be a priority. And last but not the least, value addition in the textile value chain is what will secure export orders now – competition is too fierce for banal and low-end products.

Source: brecorder.com– Dec 23, 2020

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Pakistan: Trade activity remains bullish on cotton market

The local cotton market remained bullish on Wednesday. Market sources told that trading activity was satisfactory.

Cotton Analyst Naseem Usman told that Ministry of Commerce, after revising the initial draft, has finally submitted the Textile Policy 2020-25 to the Economic Coordination Committee (ECC) of the Cabinet for approval. As per the proposed policy ministry proposes incentives worth Rs 900bn.

Naseem also told that textile exports of Pakistan seem to have stabilized substantially from the Covid-19 pandemic shocks and are still increasing. Recent monthly data released by the Pakistan Bureau of Statistics for the first four months of the current financial year shows that exports of textiles and garments are back on a pace of growth in terms of both supply and market price.

The statistics show that between July and October, textile shipments rose by 3.8% to $4.8 billion from $4.6 billion a year earlier. The increase in the textile and clothing group was a week faster than the overall export rise of 0.6pc. In the knitwear, home textiles and denim categories, the export recovery is most pronounced.

In some of these cases, there is also a major decline in exports of basic textile goods such as yarn and grey cloth, signalling that more value-added items are being exported by the country than ever before. It also represents a shortage of raw materials due to an incredibly low cotton harvest this year for the value-added industry. Furthermore, due to a sharp drop of 37.6pc in cotton arrivals for ginning to 4.6 million bales by December 3, local cotton prices have peaked to a 10- year high compared to 7.4 million bales last year.

Naseem further told that this year especially 200,000 bales will be imported from Afghanistan. Moreover, Phutti in abundance is also coming from Afghanistan. Sources told that Phutti equivalent to 10, 000 bales has reached Pakistan.

Phutti in few factories of Dera Ghazi Khan were coming from Afghanistan but this year Phutti in abundant quantity from Afghanistan has arrived in ginning factories of Punjab, Sindh and Balochistan. Seed companies are buying banola of Afghani cotton from ginners which will be grown locally in coming season.

Naseem told that 400 bales of Ubaro were sold at Rs 10,000 per maund, 200 bales of Adil Pur, 400 bales of Ghotki were sold at Rs 10,000, 800 bales of Dherki were sold at Rs 10,000 to Rs 10,200, 400 bales of Saleh Pat were sold at Rs 9800, 800 bales of Khan Pur were sold at Rs 9600, 1400 bales of Rahim Yar Khan were sold at Rs 10,0000 to Rs 10,200, 800 bales of Sadiqabad were sold at Rs 10,000 to RS 10,200, 400 bales of Kot Sabzal were sold at Rs 10,200, 800 bales of Fort Abbas, 100 bales of Yazman Mandi were sold at Rs 9800, 800 bales of Bahawalpur were sold at Rs 9500 to Rs 9800, 600 bales of Haroonabad were sold at Rs 9700 and 600 bales of Shujabad were sold at Rs 9600.

He told that rate of cotton in Sindh was in between Rs 8800 to Rs 10,000 per maund. The rate of cotton in Punjab is in between Rs 9500 to Rs 10,300 per maund. He also told that Phutti of Sindh was sold in between Rs 4000 to Rs 4700 per 40 kg. The rate of Phutti in Punjab is in between Rs 4000 to Rs 5200 per 40 Kg.

The rate of Banola in Sindh was in between Rs 1500 to Rs 1825 while the price of Banola in Punjab was in between Rs 1600 to Rs 2200. The rate of cotton in Balochistan is Rs 9200 per maund.

The Spot Rate remained unchanged at RS 9950 per maund. The price of Polyester Fiber was increased by Rs 5 per kg and was available at Rs 173 per Kg.

Source: brecorder.com– Dec 24, 2020

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Pakistan: Duty removal to help raise exports

Businessmen have hailed the withdrawal of 5% regulatory duty on the import of cotton yarn and stressed that it will help enhance value-added goods export from the country.

In a statement on Wednesday, Faisalabad Chamber of Commerce and Industry President Engineer Hafiz Ihtasham Javed said that the government was taking effective steps on all fronts to create business friendly atmosphere and enhance national exports.

"Textile exporters are anticipating a shortage of industrial input due to falling cotton production in the country," he said. "Cotton crop has been severely damaged by torrential rains this year."

It was estimated that the cotton harvest would fall in the range of 6.5 to 8 million bales, he added.

Source: tribune.com.pk– Dec 24, 2020

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FM concludes pre-Budget meetings with stakeholders

More than 170 invitees, representing nine stakeholder groups, participated in 15 virtual meetings

Finance Minister Nirmala Sitharaman on Wednesday concluded pre-Budget consultations with stakeholders.

More than 170 invitees, representing nine stakeholder groups participated in 15 virtual meetings, a Finance Ministry statement said.

The stakeholder groups include financial and capital markets; health,education and rural development; water and sanitation; trade union and labour organisation; industry, services and trade; infrastructure, energy and climate change sector; agriculture and agro processing industry; industrialists; and economists.

The stakeholder groups made several suggestions on various subjects that included fiscal policy, including taxation; bond markets; insurance; infrastructure spending; health and education budget; social protection; skilling; water harvesting and conservation; sanitation; MGNREGA; public distribution system; ease of doing business; production-linked investment scheme, exports; branding of 'Made in India' products, public sector delivery mechanisms; innovation, green growth; non-polluting sources of energy and vehicles, among others.

According to the statement, the participants lauded the government's efforts to flatten the Covid-19 curve and a strong recovery in economic growth in the second quarter of 2020-21. They further said India is among very few countries whose economic activity has risen with declining pandemic-induced fatalities.

Source: thehindubusinessline.com– Dec 23, 2020

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Identify new export sectors, incentivise performing ones

Favourable FTAs, testing labs of global standards and brand marketing must to boost trade

As this extraordinary year comes to an end, there is hope and apprehension surrounding the global trade ecosystem. There will be clearly two scenarios — how the world will respond after the vaccine arrives and how the export sector moves given the rise in protectionist approach globally.

The country's foreign trade grew initially on the fundamental strengths of exports of raw materials, which evolved to the intermediate level. Another defining trend over this period has been the severe exploitation of India's strengths of contract manufacturing in sectors that were heavily labour-intensive.

India's exports still does not do justice to its economic growth, hovering between $300 billion and $325 billion over two decades. Merchandise exports accounted for 1.7 per cent share in global exports; in comparison, Germany, with a population 16 times smaller, has a share of 8 per cent. Even Vietnam, a developing country with a population of just around 95 million, is pretty close with a share of 1.5 per cent.

So, there is a clear need to search for new sectors and incentivise the performing sectors. The Centre has been working to address both — formulating policies for 12 new sectors is a work in progress — banking on the cluster-based approach-with plug and play facilities. Also, the Performance Linked Incentive (PLI) Scheme, announced by the government, will be a game changer.

Clearly this year some of the sectors have been doing well such as, agri and processed food, pharmaceuticals, medical and diagnostic equipment, technical textiles, plastics, chemicals and electronics.

However, the demand in employment-intensive sectors like gems and jewellery, apparels, footwear, handicrafts and carpets still remains a challenge, despite anti-China sentiments. Our estimate is that exports will be close to $320 billion this year.

Suggestions to boost trade

Our recommendation to the government to help boost trade are: First, we must quickly finalise FTA with such countries or trade blocks wherein we can export value-added products and with those countries with which our trade balance is heavily skewed, as we source either raw material or intermediary products from them. CIS, Latin America, Africa, etc could be considered.

Second, higher incidence of non-tariff barriers (NTBs) with estimated costs of NTMs is 15.3 per cent largely on account of lack of harmonisation, wide differences in regulatory approaches and domestic procedural obstacles.

Therefore, testing labs / facilities should be made on par globally with safe standards, so that it is accepted worldwide. Also, the clause of testing certification must be made compulsory in every FTA negotiations so that it reduces friction to trade.

Third, the government should come up with a heavy duty scheme for brand marketing globally. Indian products need to reach global shelves which is a huge cost to smaller and medium companies, largely still unaffordable.

One way could be provide concessional credit to meet the high cost; or tax deduction on expenditure incurred on marketing of brands abroad, etc.

The global import of $19,053 billion is an opportunity waiting for Indian to explore in terms of export potential.

Source: thehindubusinessline.com– Dec 23, 2020

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Exporters see order books improving, but want more measures from govt

Seek prompt refunds, cheap credit and sops to help overcome present downturn

Turbulence in world trade caused by the Covid-19 pandemic since early 2020 cast its shadow over India's trade prospects as well. The country's exports and imports, since March, have suffered an overall decline (exports increased marginally only in September) as domestic manufacturing tried to grapple with the aftermath of the lockdown and a dip in global demand.

Tentative optimism about the future, however, seems to be dotting the landscape with many exporters stating that buyers, including new ones, have started approaching them with fresh queries and the order booking position has improved.

At the same time, most maintain that timely help from the government, including prompt refunds, cheap credit, a vibrant incentive scheme replacing the older ones and a responsive foreign trade policy, is necessary to overcome the present downturn. "One of the reasons for fluctuations in India's export performance has been the lack of consistency in industrial or manufacturing growth.

We see some growth in manufacturing for a month or so and then we see a dip. Manufacturing needs to be made competitive by addressing the issue of cost of capital, land, labour, logistics cost," pointed out exporters' body Federation of Indian Exporters' Organisation, in a pre-Budget consultation with the Finance Minister recently.

Export numbers

Total export for the period April-November 2020-21 was $173.66 billion which was 17.76 per cent lower than exports in the comparable period last year. Imports during the period were 33.5 per cent lower at $215.69 billion.

On the positive side, the trade deficit was less than half at $42.03 billion in the first eight months of the on-going fiscal compared with $113.42 billion in the same period last year.

Although, in November, exports continued to decline posting a 8.74 per cent fall (year-on-year) to $23.52 billion, the silver lining could be the narrowing down of the decline in non-oil non-gold imports.

Commenting on the fall in goods exports in November, Engineering Export Promotion Council (EEPC) India Chairman Mahesh Desai said several critical export sectors, including engineering exports, were facing a host of issues, including disruptions in production, transportation, and increasing country-specific restrictions. “Under these circumstances, some of the doable things like easy refund of GST and ensuring availability of raw material at reasonable prices can provide much-needed relief to exporters,” he said.

Exporters have been complaining that refunds of GST have not been happening in a smooth way and a large part of the payment was locked in procedural hassles. Some raised the matter with the Commerce Ministry at the recent Board of Trade meeting and there are expectations that steps to address the concern may be taken soon.

Timely refund of GST could give some relief to exporters, many of whom are hit by a cash crunch due to inadequate credit, which is another problem that needs to be sorted out at the earliest.

The rising NPAs have led to a decline in export credit by banks to exporters resulting in liquidity problems in export efforts, exporters have pointed out to the government in recent consultations. They sought an early roll out of the NIRVIK Scheme, announced in September last year, so that it gives the necessary comfort to bankers to carry out lending activities.

Not adequate credit

Without adequate credit, most exporters, mainly those in the small and medium sector, will find it difficult to take up the additional orders that, exporters say, have started coming in.

Since the new scheme NIRVIK, providing for high insurance cover, reduction in premium for small exporters and simplified procedures for claim settlement, is primarily aimed at higher export credit disbursement, the government should not delay it any further.

Another critical factor for export growth in the new year will be the new five-year foreign trade policy, likely to be rolled out in April, and the new duty reimbursement scheme Remission of Duties or Taxes on Export Products (RoDTEP) to be introduced.

The RoDTEP will replace the popular Merchandise Export from India Scheme (MEIS), which is a reward to exporters to offset infrastructural inefficiencies and associated costs extended at predetermined rates, is to be withdrawn from January 1, as it is not compatible with World Trade Organization rules. The RoDTEP, which is to reimburse all input duties paid by exporters, including embedded tax, that are not refunded under existing schemes, has to be as lucrative for exporters as the MEIS if additional woes are to be avoided.

The challenge for the government now will be to design the new Foreign Trade Policy in a way that it is able to provide the right climate to exporters to increase their business even without extending direct export sops. Extension of the Production Linked Incentive scheme to more sectors, removal of infrastructure bottlenecks, avoiding delays in shipments and refunds and examining ways for better coordination with States could be some aspects that the FTP may touch upon.

Much, however, depends on the resilience shown by the global economy in emerging out of the crisis in 2021, which, in turn, would determine growth in demand for exports. The effectiveness of the COVID-19 vaccine being rolled out in several countries will also be an important factor in how things shape up in the new year.

Source: thehindubusinessline.com– Dec 23, 2020

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Garment exporters face yarn shortage, prices shoot up

A combination of factors — US ban on Chinese cotton, a sudden surge in orders for garments, additional stocking up, increased exports to Tirupur's competitors including Vietnam and Bangladesh — have resulted in yarn shortage for garments exporters.

The situation is so grim for exporters that Tirupur Exporters Association (TEA) has pressed the SOS button alleging that mills were withholding yarn supplies impacting the export business. "The current decision of mills will certainly impact the garment units, exports will largely be affected and more number of workers will incur job losses," TEA's president Raja M Shanmugam wrote in the letter.

"After the US imposed a ban on Chinese yarn, garment units from Vietnam and Bangladesh (competitors for Tirupur) have started sourcing from Indian mills. We do not mind a price increase, but non supply is creating a havoc," he told TOI. The US administration has banned the usage of cotton from China's Xinjiang region, saying the region uses the forced labour of detained Uighur Muslims.

Mills have rejected that they were channelising yarn for exports. "Due to supply disruptions, companies across the value chain, both in exports and domestic markets in the textile sector, started building inventory of apparels, home textiles , yarn and fabrics to manage the business continuity. This sudden inventory build up is causing shortages," said Prabhu Dhamodharan, convenor, Indian Texpreneurs Federation (ITF). "This is only a temporary phase and no need to panic on the availability."

Yarn prices are rising. Over the past three months, a kilogram of cotton yarn has risen from Rs 205 to Rs 223. "Yarn price increase is not commensurate to cotton price rise. The price increase in cotton is steeper. Prices have risen to Rs 43,500 a candy (356 kg) from Rs 38,500," Dhamodharan said. Exporters too debunked TEA's charges.

"There is no need to divert or hoard cotton yarn. There has been a sudden demand surge coupled with the fact that production has not reached pre-Covid levels. Many mills are operating at 80% to 85% capacity due to labour shortage. Demand is good, but prices haven't run away," said P Nataraj, MD of KPR Mills, one of the largest mills in the country.

Source: timesofindia.com– Dec 24, 2020

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Cotton futures rise with Chinese purchases pacing US exports

Cotton futures climbed on signs of firm demand for supplies from the US, the world's top exporter. Most soft commodities advanced as a weaker dollar boosted the appeal of assets priced in the greenback.

In the week ended Dec. 17, US export sales of upland cotton more than tripled from a year earlier, government data showed. China has boosted purchases to meet commitments under a trade deal, while its economy rebounds.

The US Department of Agriculture cut its forecast for the domestic crop several times after adverse weather, including drought and hurricanes, eroded supply prospects. Futures have jumped 57% from the lowest in a decade on April 1. A surge in soybean and corn prices signals cotton acreage may ebb next year, Peter Egli, a Chicago-based director for Plexus Cotton Ltd., said in a report.

"Export demand has held strong despite stay-at-home orders and weaker economies around the world," Jack Scoville a vice president at Price Futures Group in Chicago, said in an email. "Traders now hope for even more demand later" as coronavirus vaccines are distributed and consumer demand recovers, he said.

Cotton for March delivery rose 1.3% to 75.79 cents a pound at 12:34 p.m. on ICE Futures US in New York. Last week, the price reached 77.41 cents, the highest for a most-active contract since April 2019.

Brazil, the second-largest exporter, faces a smaller harvest and higher domestic demand, while Pakistan, a major importer, is boosting purchases after a drop in production. Raw sugar, arabica coffee and cocoa climbed in New York.

Source: hindustantimes.com– Dec 23, 2020

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Apparel exporters request removal of duty disadvantage in UK

The Apparel Export Promotion Council (AEPC) has requested Prime Minister Narendra Modi to take up early execution of Free Trade Agreement (FTA) with the UK during the upcoming proposed visit of UK Prime Minister Boris Johnson to India in January 2021.

In a letter to PM Modi on Monday, AEPC chairman A Sakthivel said that the apparel export industry, which is trying to come out of global stagnation and compete globally, is falling behind several competitors like Bangladesh, Cambodia and Pakistan due to duty disadvantage of 9.6% in exporting to the UK.

“Total import of apparels in the UK in calendar year 2019 was $24.9 billion. Out of this, imports from Bangladesh was $3.6 billion, while it stood at $1.4 billion for India,” he said.

He further appealed to initiate discussions for a fast-tracked FTA or, if it is not possible to enter into an FTA, then India should urgently negotiate and conclude Comprehensive Economic Partnership Agreement (CEPA) during UK PM Johnson’s visit to attend the Republic Day parade in New Delhi.

“Given the socio-economic dividends that the proposed FTA or alternatively CEPA holds for the apparel sector and the country, we request you to consider the matter for early discussions and conclusion of the same during your forthcoming meeting with the Hon’ble Prime Minister of the UK,” Sakthivel wrote in the letter.

“If the issue of duty disadvantage in the UK is addressed, then we are likely to double our exports of apparels to the UK in two years' time and consequently leading to huge job creations in the country. This will create employment in the entire value chain of the apparel sector, thereby benefiting farmers and industry,” he said.

AEPC said that while the recently announced Production Linked Incentive (PLI) would boost exports of MMF apparels, the deal with the UK would further accelerate export of medical textiles in which India has got second largest production capacity.

Most of the units operating in the apparel sector are now in the MSME category after revision in the definition of an MSME unit.

Early negotiation of the FTA or alternatively CEPA will help in generating employment in and increasing exports from the MSME sector, he added.

The apparel export promotion body said it has also sent similar request letters to Finance Minister Nirmala Sitharaman, commerce minister Piyush Goyal, textiles minister Smriti Zubin Irani, external affairs minister S Jaishankar and MSME minister Nitin Gadkari.

Source: timesofindia.com– Dec 23, 2020

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TN truckers call off indefinite strike

All demands accepted by the transport department

Truckers in Tamil Nadu have called off the proposed indefinite strike planned from December 27 to protest against various issues, including State government's insistence on buying speed governors, GPS and stickers from specific vendors.

The State Lorry Owners Federation-Tamil Nadu (SLOF-TN) based in Namakkal with the support of Bengaluru-based South zone Motors Transporters Welfare Association (SIMTA) announced the indefinite strike.

'Demands met'

The decision to call off the strike was taken after a marathon meeting held in Chennai between officer bearers of SLOF-TN and SIMTA, and officials of the State transport department. "With all demands accepted by the transport department at today's meeting, we have decided to call off the strike," said P Sundarraj, Advisor, SIMTA, who was one of the participants in the meeting.

It was decided at the meeting to form a coordination committee including Sundarraj; and SLOF's president MR Kumarasamy; secretary P Vangilee; and treasurer C Dhanaraj; and four senior officials, including the Additional

Transport Commissioner. This committee will meet every quarter to address all relevant issues, he said.

The truckers claimed that insisting on purchase of speed governors and other products from a specific vendor is 'unfair' and they should be allowed to choose the vendor from the market.

The State government should allow truckers to use GPS devices from any manufacturers with AIS 140 approval.

On speed limiting devices, it was agreed in today's meeting that it will be implemented as per the Central Motor Vehicle Rules 118. Further, the list of vehicles with maximum rated speed below 80 km/hour shall be communicated to all RTOs/Motor Vehicle Inspectors for exemption from fitting such devices.

High Court orders

On reflective tapes and GPS, it was agreed that the interim orders of the Madras High Court have been implemented. The procedure to implement the final orders of the Court will be decided in consultation with all the stakeholders.

The transport department officials agreed to strictly enforce the regulations related to the offences of over dimensions/overloading of trucks.

Source: thehindubusinessline.com– Dec 23, 2020

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Centre extends suspension of insolvency initiation under IBC till March 25

Calibrated end of suspension may have helped debtors, say experts

The Ministry of Corporate Affairs (MCA) has extended by three more months — from December 25 to March 25 — the suspension of insolvency proceedings initiation against corporates for debt defaults.

A six-month suspension was first introduced on June 5 for debt defaults arising post March 25, 2020, when the Covid-induced lockdown was announced. The suspension was to end on September 25, but was extended up to December 25.

The latest MCA move comes on the heels of Finance Minister Nirmala Sitharaman indicating a few days back, at an industry interaction, that the government had decided to extend IBC suspension till March next year.

In effect, the government has now ensured that any corporate debt defaults arising between March 25, 2020 and March 25, 2021 will remain outside the Insolvency and Bankruptcy Code (IBC) forever, said IBC experts. However, if the default had occurred before March 25, 2020, there will be no protection, they added.

Impact on companies

The suspension of IBC initiation is expected to save several companies from being pushed into insolvency or being liquidated. Companies which were otherwise viable but got into trouble (became unviable) because of Covid-19 and the resultant lockdown will now be protected, said experts. These companies are expected to revert to good health when the pandemic is contained.

While the law now prohibits insolvency proceedings against the corporate debtor for defaults occurring during the specified period till March 25 next year, it does not disallow such action against the personal guarantors of a corporate debtor, said Daizy Chawla, Senior Partner at law firm Singh & Associates.

She also said that the suspension of proceedings will lessen the burden of the Adjudicating Authorities as regards applications against corporate debtors with respect to default occurring between March 2020 and March 2021. Yet, it might increase the burden of the Debt Recovery Tribunal (DRT) and other courts, as lenders/creditors with corporate debtors may turn to them for redress.

Calibrated progress

Aseem Chawla, Managing Partner at law firm ASC Legal, said: "Instead of extending the suspension a calibrated progress may have been a worthwhile option. A significant number of borrowers are still struggling with restructuring of loans and the distress assets market needs some more filip. If there are signs of economic recovery as per the government's assertion, then some sort of opening up would have been a step in the right direction as some beginning has to be made."

Sushmita Gandhi, Partner at law firm IndusLaw, said the further suspension of IBC proceedings may have provided a safe haven to many borrowers during this time of economic distress but would surely push back quick resolution of stressed loans for lenders.

"Even though the lenders can approach other forums for recovery of debt, those proceedings are time consuming and not as effective as the resolution process envisaged under the IBC. The suspension is also likely to impact smaller operational creditors as their chance of settling the bona fide claims with companies owing huge debt to them is affected, too," she said.

While the suspension may have been extended looking at the larger interest and to curb the misuse of IBC by lenders, it is bound to severely prejudice the entire banking and lending system, she added.

Souvik Ganguly, founder and Managing Partner of Acuity Law, said: "A general prohibition to initiate proceedings under the insolvency law may have been required in the initial months of the pandemic. However, as more than nine months have passed, corporate debtors in distress should be allowed to use the IBC process to restructure businesses or, if required, initiate liquidation."

Source: thehindubusinessline.com– Dec 23, 2020

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Exports from Telangana beat lockdown

Telangana is performing better in terms of exports than many other States, well above the national average. While the country saw an annual average growth rate of merchandise exports at 4.7 per cent between FY16 and FY20, the State witnessed a healthy growth rate of 8.1 per cent. Despite the Covid-induced economic challenges, the State has been able record exports of $4.1 billion this financial year up to September 2020, a jump of 14 per cent over the same period year-on-year.

Highlighting the strengths of the State, David Rasquinha, MD, India Exim Bank told Telangana Today, "Telangana accounts for six per cent of the electronics production in India and has significant headroom for growth. Further, given the large presence of specialised sub-segments such as medical, electronics device, fabless chip design, and emerging industries such as electric vehicle and power electronics, Telangana is uniquely positioned to leverage the export potential across the niche areas."

Telangana also accounts for substantial agricultural produce ranging from rice, maize, lemon, grapes, mango and soybean. In particular, the State accounted for the highest production of turmeric and sweet orange, third highest production of tea and coffee, and the fourth highest production of marine fish in the country. The State is one of the fastest growing regions in India in terms of installation of solar power and ranks second in terms of solar power generation, after Karnataka. There are ample opportunities in the manufacturing of photovoltaic cells, which are mostly imported from China, he noted.

Telangana accounts for about one-third of the country's pharmaceutical production, 40 per cent of total bulk drugs production and 50 per cent of the bulk drug exports from India in 2019-20. Over the last four years, Telangana has attracted more than Rs 10,000 crore investments in the life sciences sector.

Exim Bank chief further added, "On the logistics front, Telangana has performed almost at par with the coastal States such as Tamil Nadu and Maharashtra due to its single-window clearance system."

Source: telanganatoday.com– Dec 24, 2020

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