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INTERNATIONAL NEWS

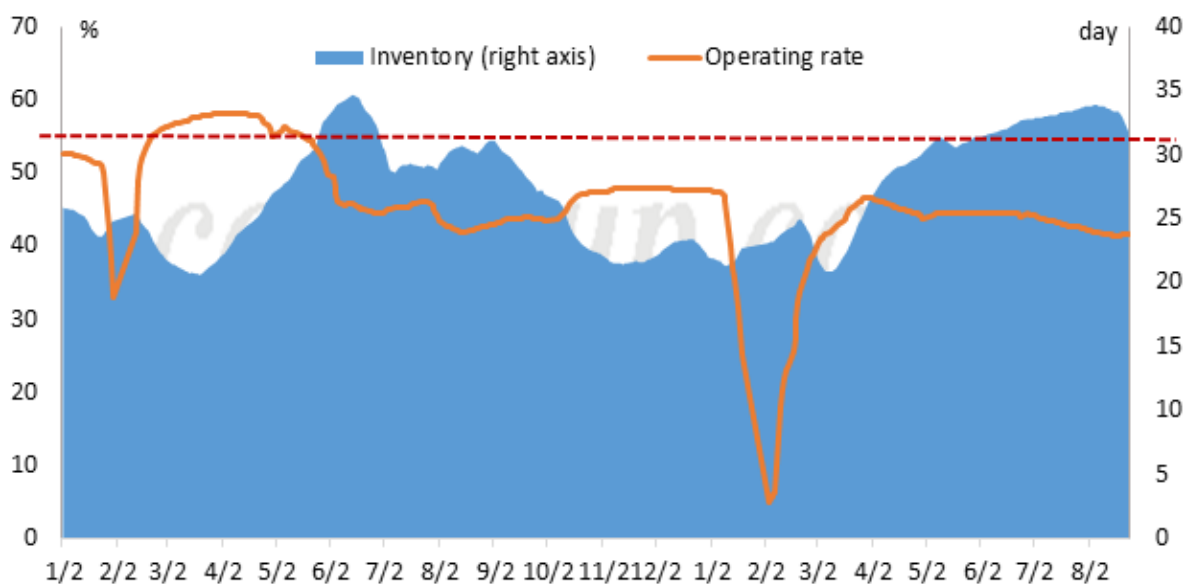
China: Will peak season for cotton yarn come with small improvement seen?

With improvement seen on cotton yarn market, especially in Guangdong, will cotton yarn embrace hot trades in “Golden Sep” and will its price increase?

1. Product inventory in cotton yarn mills reduces amid low run rate.

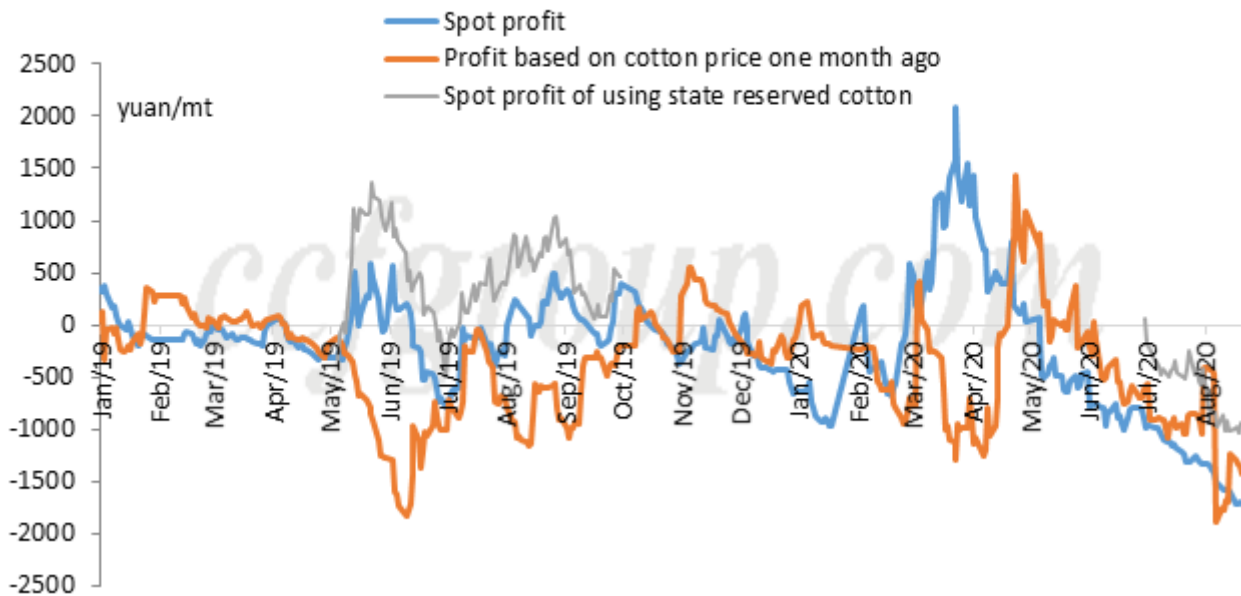
With small recovery of downstream demand, cotton yarn was sold more quickly. Sales of conventional carded cotton yarn, compact-spun combed 60-80S and some open-end cotton yarn were reported to turn better. In terms of operating rate, the mills which had been shut down due to COVID-19 in Xinjiang gradually restarted, but many inland cotton yarn mills were still in production cuts or suspension. So overall inventory declined obviously amid low run rate and production.

Inventory and operating rate of cotton yarn mills



2. Cotton yarn mills suffer huge losses.

Cotton yarn price is hard to increase despite improvement in trades. Some mills with low inventory were heard to raise prices, but the trades were hard to be done. Overall cotton yarn price stayed stable. However, cotton price kept strong, so cotton yarn mills were still at a large loss.

Comprehensive theoretical profit of Chinese carded 32S


From the chart above, no matter using state reserved cotton or market cotton, and no matter how many cotton stocks, cotton yarn mills tolerated losses of at least 1,000yuan/mt. Thus, the slight improvement could barely cheer up cotton yarn mills to produce, so they kept operating rate low.

How about market outlook?

In terms of cotton, it is likely to tend strong with coming new cotton, gradually improved downstream market and adequate market capital. For cotton yarn, it sees support from downstream rigid demand during peak season. Although stocks of Chinese cotton yarn and imported cotton yarn stay high, they will further decline as the market recovers. In addition, cotton yarn mills hold strong willingness to raise prices under serious losses. As a result, cotton yarn price is expected to be boosted by cotton.

However, cotton yarn export is still hindered due to severe pandemic outside China. Coupled with slow recovery of end-user consumption and limited increase in orders, cotton yarn market may not be as hot as that in previous years. In short and medium term, cotton yarn price is expected to keep stable to strong.

Source: ccfgroup.com– Aug 24, 2020

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Main Southeast Asian textile export countries saw orders shortage and falling exports

Negative impact of COVID-19 on the global economy is deepening and expanding unceasingly, which also affects major participants in the global textile industry. For example, their exports fell, orders were insufficient, and some even applied for suspension of business and production cuts.

1. Vietnamese textile and apparel exports are expected to drop by 16% in 2020.

According to statistics from Vietnam Chamber of Commerce and Industry, the exports of various yarns in Jan-Jul 2020 decreased by 20.9% compared with that in the same period of 2019; Exports of fabrics decreased by 40% and those of processed textiles dropped by 12.1%. The VCCI reminded that in the second half of 2020, Vietnamese textile mills will need to strengthen the development of the Vietnamese domestic market and cut production and management costs to make up for their revenue, while maintaining product quality, resetting production lines and manpower deployment measures to weather the effects of the pandemic.

Global Data estimated that the Asia-Pacific region's apparel and footwear industry will lose 95.4 billion USD in sales this year. Global textile industry sales value will decrease by 395.6 billion US dollars, down 19.5% from last year, accounting for 29.1% of the total retail industry revenue loss (1.3617 trillion US dollars).

On Aug 2, Vinatex forecasted that Vietnamese textile exports will continue to show a downward trend in the second half of 2020, with a decline of 14%-18%, so that the total textile exports in 2020 may reach 32.75 billion USD, down 16% compared with 2019. It was also reported that in end-July, most Vietnamese textile mills hardly received orders for high-value-added products such as suits and high-end shirts in the second half of 2020; orders for masks and protective clothing also dropped sharply due to sufficient international supplies. Based on this, if exports of masks and protective clothing decrease in the future, the Vietnamese textile industry will face greater difficulties in the last few months of 2020.

At present, the epidemic in the traditional export markets of Vietnamese textile products such as EU and US has not been fully controlled. Coupled with the epidemic in Vietnam, the production, operation and export

activities of the Vietnamese textile industry are bound to be affected. The EU-Vietnam Free Trade Agreement (EVFTA), which came into effect on Aug 1, may not be able to bring the benefits of “timely rain” to the Vietnamese textile industry in the short term.

For the details of Vietnamese textile and apparel export, please see the previous article: [Vietnamese textile and apparel export value dropped by 7.8% year-on-year in Jul](#)

2. Bangladesh exports in Jan 2021 will return to levels before the epidemic.

According to data from the Bangladesh Textile Mills Association, affected by the epidemic, Bangladesh's cotton imports in the 2019/20 fiscal year moved down by 13.4% year-on-year for the first time over a decade, reaching 7.1 million bales.

Most textile mills resumed production after lockdowns eased on May 30. Although the international cotton price has fallen sharply before, the mills were still consuming the cotton stocks piled up before, and many importing mills also delayed the delivery of goods from the ports. However, with the recovery of downstream demand, the inventory has been largely consumed, so the demand for cotton imports will increase from now on.

At present, the capacity of most apparel mills in Bangladesh has recovered to about 75%, which shows that orders are recovering smoothly. Industry sources said that if international buyers continue to purchase from Bangladesh at the current pace, the demand for Bangladesh cloth will continue to increase after Sep.

According to the situation introduced by the Bangladesh Textile Manufacturers Association, more than 50% of the annual cloth sales orders in Bangladesh have been fulfilled by July. It is expected that 75% will be completed by Sept, and all orders will be finished by end-2020. Exports will return to the level before the epidemic in Jan 2021.

For the details of Bangladesh's apparel export, please see the previous article: [Bangladesh's apparel export gradually recovered in Jun](#)

3. Less than 20% of Cambodia's cloth orders in the fourth quarter can be stable.

Under the dual pressure of the epidemic and the abolition of EBA (European Union Most Favored Nation Treatment), the Cambodian textile and apparel industry is facing great difficulties. Since the beginning of this year, about 250 companies have ceased operation or closed, and 150,000 workers have become unemployed, mainly female workers. According to the GMAC survey, it is estimated that only 30% of the member companies' orders in the third quarter will be the same as last year, and the rest will have declined to varying degrees.

In the fourth quarter, less than 20% can be steady. Due to the abolition of EBA tariff preferential measures, the prices of Cambodian apparel products export to the EU market increased relatively, and orders from the EU dropped significantly. In order to save costs, many garment manufacturers are currently halting production. The Cambodian government has certain support for related companies. The company pays workers a minimum wage of 30 USD a month and the government subsidizes 40 USD.

4. Nearly 10 companies in Myanmar have applied to close their business who have no faith towards the outlook.

The Director of the Myanmar Investment and Company Administration (DICA) said that the Myanmar Investment Commission (MIC) has received applications for closure of approximately ten companies. According to the Myanmar Investment Law, the establishment of an enterprise approved by the MIC must be approved before it can officially cease business, and the taxation department must check the tax status. He said that due to the COVID-19, some companies are reducing the scale of production and are even forced to close temporarily or permanently, and some runaway mills do not pay workers' wages.

As of Jun 21 2020, 100 garment and textile companies and 63 other companies have closed, and more than 54,000 workers have lost their jobs. Now, 101 companies have resumed production and over 15,000 workers have returned to work.

The epidemic had a greater impact on Myanmar's economy, and the sharp drop in orders from EU and US has dealt a major blow to the future development of the apparel industry. The survey shows that 70% of apparel mills are not confident that orders will return to previous levels. Many

companies are also seeking new development paths, such as the production of masks and other epidemic prevention materials.

5. Indonesian textile industry enjoyed windfall profits during the outbreak.

Since Indonesia has not yet deeply integrated into the global supply chain, the global health emergency triggered by the coronavirus may not have a serious impact on the Indonesian economy.

As factories look for alternative materials from anywhere other than China, Indonesian textile and apparel mills have received new domestic and international orders, which has increased by about 10%. While the Asian textile and apparel industry is facing bankruptcy and layoffs, Indonesian textile and apparel mills have made huge profits due to delays in shipments caused by the outbreak and spread of the epidemic.

Sutanto, deputy chief executive officer of PT PanBrothers, headquartered in Tangerang, said the company's demand is rising, and the growth rate in the second and third quarters was 20% higher than expected. The textile-to-apparel company initially predicted that sales would increase by 15% in 2020. Iwan Lukminto, CEO of PT Sri Rejeki Isman, one of Southeast Asia's largest textile and apparel manufacturers, said the company's orders have also seen an additional 15% increase.

All these orders were from local apparel mills that produce garments for global brands. With the approval of the Indonesia-Australia Free Trade Agreement, sales of textiles and apparel are expected to rise, and the windfall brought about by the COVID-19 will follow. According to the "Indonesia-Australia Free Trade Agreement," Australia will cut 5% import tariffs on textiles and apparels.

6. Mills in Laos generally face shortage of orders.

Apparel industry in Laos is small but struggled the most during the pandemic. Xaybandith, chairman of the Lao Garment Industry Association, said that the old apparel industry is highly dependent on imports, and the closure of ports due to the epidemic has had a significant impact on the supply of feedstock for the industry. Imports from Thailand, China, Vietnam and other places are still relatively smooth, but import inspections are extremely strict. Since April, mills where there are employee dormitories or employees living near the mills can obtain the start-up certificate for

production, so the vitality of the entire industry has been seriously insufficient. Some hoped to find new exports by converting production of anti-epidemic materials, but due to various reasons such as feedstock and equipment, only three mills have successfully shifted production. Lao apparel mills are now generally facing a shortage of orders and will face greater pressure for future development.

7.Thailand's textile and apparel exports fell 17% year-on-year, and apparel mills mostly cut output.

Thailand has a relatively complete textile and apparel industry chain, but the impact of the epidemic on Thailand's industry cannot be underestimated. Jumnong, chairman of the National Textile Industry Federation of Thailand, said that the export of Thailand's textile and apparel industry has fallen by 17% year-on-year, while the imports have fallen by 19%.

Among them, imports from China decreased by 12%, and those from ASEAN decreased by 16%. Due to insufficient orders, most Thailand textile and apparel mills are currently operating by reducing production, and some only operate 4 days a week.

Printing and dyeing mills that were originally operating at full capacity are currently shut down for one day a week. At the same time, the collection of existing orders is also more difficult. However, the epidemic may also be a double-edged sword.

Some mills are looking for new ways in the crisis, developing antibacterial products and exporting them to Japan, gain better achievement. In 2020, some mills have looked for new opportunities and expanded their production capacity, and more than a dozen new mills have started operation. The ThaiTex project with government support is also actively supporting the development of the industry.

Source: ccfgroup.com– Aug 24, 2020

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How Much Will Trade Matter in the Presidential Election?

In the midst of the coronavirus pandemic that's wreaking havoc on the United States and the world, trade issues might not seem to be of upmost importance.

But as the presidential election draws near, experts on a Flexport webinar, "The State of Trade: What Comes Next? The Looming Election and the Politics of Trade," discussed why certain trade issues might just make a difference.

"It's a political season, so we want to talk about what politics means for trade and what trade means for politics," Phil Levy, chief economist at Flexport, said. "There's a conventional wisdom, which is that trade is not a huge issue in elections. You say it to appeal to certain groups, but it doesn't matter that much to them."

What history shows

However, he said there have been recent times where trade issues crept into the fore. This included then-Vice President Joe Biden's decision not to run in 2016 over the thorny issue of the Transpacific Partnership (TPP) because former Secretary of State Hillary Clinton came out against it when she became a candidate, but then-President Barack Obama had championed the trade deal.

Then there was the midterm election in 2018, at which point the country was already embroiled in a trade war with China. It was just getting rolling, Levy noted, and a study showed that the tariffs both countries imposed "actually influenced the way people voted" and resulted in a loss of seats for Republican candidates.

"I think all of this shows...that there is certainly an intense, but small share of the electorate that does care about trade," Scott Lincicome, senior fellow in economic studies at the Cato Institute, said. "Typically, at least pre-2018, that leaned more protectionist...in order to cater to that small but intense minority. And because they know that most people don't care and don't vote on the issue, they think they can get away with it."

Historically, trade tends to be a "top down, rather than a bottom up, issue for the majority of the electorate," Lincicome said.

“As Trump rose to power in 2015 and 2016, you saw Republicans who used to be pro trade suddenly become anti-trade and you used to have Democrats in the last few years who used to be anti-trade are now suddenly very pro trade,” he said. “I would argue that much of these opinions reflects not some strongly held view on trade policy, but instead, signaling from political leadership.”

Michael J. Smart, managing director at Rock Creek Global Advisors, said he thinks trade is an issue that politicians have been able to use effectively to their advantage.

“Geography matters and Trump’s positioning and campaign rhetoric on trade in 2016 paid dividends in the industrial Midwest across Pennsylvania, Ohio, Michigan, Wisconsin, areas that have been most sensitive to import competition, particularly from China,” Smart said. “So yes, does trade matter. The other thing I would say is that politicians have been able to use very specific issues within trade policy to rally important stakeholders. It’s certainly been the case with unions who exercise a lot of influence on the Democratic side, both [with] mobilization and fundraising, but also a lot of folks in the NGO community who have seized on particular labor or environmental issues.”

On China and protectionism

Smart felt that there is agreement on China and the economic, commercial trade and investment-related challenges posed by the Chinese market.

“I think there’s a tremendous amount of bipartisan agreement, whether you’re talking about industrial subsidies, favoritism of state-owned enterprises, relatively high tariffs, theft of intellectual property rights, the diagnosis of the problem is very similar,” he said. “So, whether you have a second Trump term, or a first Biden term, after Nov. 3, I think the objectives will remain quite similar.”

He said the other area of agreement he sees is in buy-American requirements. Trump ran on such policies and sentiments, he noted, even if he hasn’t always followed through.

“In some of Biden’s initial statements, you also see a fair amount of sympathy for the idea that whatever we spend on procurement using taxpayer dollars should be spent in the United States,” Smart said.

As for areas of disagreement, he cited Europe as an example, noting that Trump has gone after the European Union on a number of fronts.

“I don’t think that Biden would do that to the same degree and that’s not how he’s talking on the campaign trail,” he said. “I would also say that he would be more inclined to embrace the idea of a multilateral trading system and solving issues at the WTO.

“During the course of the campaign you’ll also hear the Biden folks talk about things that we need to do at home, kind of an affirmative offensive agenda, to make the United States more competitive globally,” Smart added. “Whereas, I think on the Trump campaign, you hear more about how we are defending against the unfair practices of other countries.”

For his part, Lincicome said on the global stage, “the Trump administration is far more unilateralist, although they have made some overtures to the EU and Canada, but let’s face it, it’s very difficult to have any sort of agreement there when you’re also at the same time hitting your close allies with national security terrorists.”

On the other hand, he said, “I think the Democrats are going to try to play footsie with Trump’s trade war,” claiming that the trade war has failed, but they don’t want to take a position on the tariffs in particular and on removing them. Instead, Lincicome believe it will be “open to the imagination about how they would prosecute these trade conflicts better.”

Local or national

Levy asked Lincicome and Smart whether they thought trade issues were going to be a national or battleground debate, narrowly targeting the Blue Wall states of the industrial Midwest.

“I think the Trump campaign will make the argument nationally, but I think it’s going to resonate the most in the industrial Midwest, just as it did in 2016,” Smart said.

He said from Trump’s perspective, Biden supported the three most important agreements: the North American Free Trade Agreement, permanent normal trade relations with China when they came into the WTO, and TPP when he was vice president.

“I think that you could bet on the Trump campaign using those three issues, together with a soft-on-China message that he hopes will resonate with voters in those states, particularly, that have been impacted by competition from China,” Smart said.

Lincicome noted, however, that the Republicans did try this a bit in 2018 “and it wasn’t very successful.”

“I do wonder how effective this will be, particularly given that Biden and the Democrats seem all too willing to be very tough on China and to be economic nationalists in a lot of other ways,” he said. “The Democrats are going to say the China deal is a massive failure, and that China, basically, pulled one over on Trump, and that he sacrificed all of these important issues, particularly on human rights, in order to get some additional soybean sales that didn’t even materialize in the first place. And my guess is that that will be a very prominent part of their pushback against the idea that Trump is strong on China and Biden is weak.”

Probably most important are the tariffs that came during the U.S.-China trade war, which Lincicome doesn’t see going away.

Source: sourcingjournal.com– Aug 21, 2020

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Global exports of natural fibre apparels expected to drop

The global export of apparels of manmade fibres including men’s or boy’s overcoats, carcoats, capes, cloaks, anoraks (including ski-jackets), windcheaters, wind-jackets and similar articles, knitted or crocheted, other than those of heading has increased 18.94 per cent to \$1,282.49 million in the year 2019 from \$1,078.24 million in 2017.

Total exports rose 4.99 per cent in 2019 over the previous year and is expected to drop to \$1,240.90 million in 2022 with a rate of 3.24 per cent from 2019.

The global import value of apparels of manmade fibres was \$1,349.50 million in 2017, which jumped 21.56 per cent to \$1,640.51 million in 2019. Total imports grew 5.24 per cent in 2019 over the previous year and is

expected to drop to \$1,553.90 million in 2022 with a rate of 5.88 per cent from 2019, according to Fibre2Fashion's market analysis tool TexPro.

China (\$255.57 million), Vietnam (\$200.29 million), Jordan (\$96.45 million), Belgium (\$90.07 million) and Netherlands (\$71.43 million) were the key exporters of apparels of manmade fibres across the globe in 2019, together comprising 55.66 per cent of total export. These were followed by Cambodia (\$68.09 million), Germany (\$52.69 million) and Italy (\$42.10 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by Jordan (216.60 per cent), Netherlands (158.83 per cent), Belgium (77.59 per cent) and Vietnam (20.87 per cent).

US (\$536.85 million), Germany (\$100.58 million), Japan (\$99.40 million) and UK (\$88.98 million) were the key importers of manmade apparels in the globe in 2019, together comprising 50.34 per cent of total import. These were followed by Netherlands (\$78.28 million), Canada (\$63.35 million) and France (\$60.54 million).

From 2016 to 2019, the most notable rate of growth in terms of import value, amongst the main importing countries, was attained by UK (75.66 per cent), Japan (50.27 per cent) and US (7.21 per cent).

Source: fibre2fashion.com– Aug 24, 2020

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Australian Cotton report uncovers stories of giving

In a cotton industry first, a snapshot report outlining Australian cotton's significant social and economic contribution has been released titled "Cotton with a Conscience". The report found that not only did Australian cotton industry employs 12,500 people in rural areas, it also contributes on average \$1.8 billion a year to the national economy.

The report presents industry data and case studies from Australia's cotton growing regions, with the results highlighting an industry committed to communities in which it operates.

Report also suggested that the Australian cotton was a major social contributor to regional communities.

The industry was found to be a strong supporter of women, who were well represented on-farm and in jobs such as ginning, agronomy, research and marketing. The proportion of women working in key industry organisations was 60 per cent.

Cotton farmers made the vast majority of their business expenses (93 per cent) in rural towns and regional centres and 71 per cent made regular donations to local charities and programmes.

“As anyone who’s lived in a rural town knows, so much of their vibrancy comes from the people who volunteer their time and resources to make things happen,” Cotton Australia spokesperson Brooke Summers, said in a press release. “While this report really just scratches the surface, it is full of examples of how our farmers and industry groups are contributing to the social fabric of rural communities across NSW and Queensland.”

The Cotton with a Conscience report included 25 case study examples of how the cotton industry was giving back, from donating cotton towels to Wires during the recent bushfires and releasing more than 200,000 baby fish into rivers, to tackling issues like Aboriginal employment and rural mental health.

“For many years, the Australian cotton industry has worked hard to assess and report our environmental sustainability, but on the social side, there’s a great untold story,” Summers said.

“We’ve discovered our stakeholders are equally interested in the social contributions of our industry, particularly as there are some big challenges globally around cotton, including child labour and the exploitation of women in some countries.”

“It’s important that our supply chain partners, and consumers of Australian cotton know our domestic industry treats its workers fairly, provides safe workplaces and opportunities, and is doing its best to contribute in a positive way to cotton communities,” Summer said in the release. “We haven’t been very good at telling the stories of cotton’s social contributions, even though our farmers, local Cotton Grower Associations and industry groups have been doing great things for decades.”

Cotton Australia and the Cotton Research and Development Corporation are currently working on establishing industry-wide social targets and a follow-up piece of research that will provide further evidence and hard data around cotton's social and economic contributions.

Source: fibre2fashion.com– Aug 24, 2020

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Japan's cotton fabric imports surge 2.1 per cent

Data compiled by the Japan Spinners' Association based on statistics released by Ministry of Finance, Japan reveals that the country recorded a 2.1 per cent Y-o-Y growth in its cotton fabric imports during January-June '20 period against the same period of 2019.

The country imported 117.08 million square meters of cotton fabric imports during the period. The country's imports from China surged 29.40 per cent on Y-o-Y basis to 59 million sq. mt. This is over 50 per cent of share in total import of Japan.

Indonesia was the second largest cotton fabric exporter to Japan in H1 '20 as the country imported 25.72 million sq. mt. of cotton fabric Indonesia marking 2.10 per cent yearly growth.

Pakistan was the third largest exporter of cotton fabric to Japan. However its exports declined by 16.70 per cent to 21.61 million sq. mt. However, during this period, Japan's import of cotton/polyester blended fabrics decreased by 29.20 per cent to 31.70 million sq. mt.

Source: fashionatingworld.com– Aug 24, 2020

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Vietnam: Vinatex's revenue, profit projected to plummet this year

The revenue and profit of state-owned Vietnam National Textile and Garment Group (Vinatex) will fall significantly this year, according to the company, which expects total revenue this year will reach VNĐ14.6 trillion (\$632 million), down from last year's figure of VNĐ20.14 trillion. Its profit is projected to drop by half to VNĐ381.6 billion from 2019's number of VNĐ765.5 billion.

According to chief executive officer Le Tien Truong, Vinatex has fulfilled half of the year's total revenue goal but there is still a long way to go to reach the profit target.

Total revenue dropped nearly a quarter year on year (YOY) to VNĐ7.04 trillion in the first six months and profit fell a fifth YOY to VNĐ276 billion.

The prolonged US-China trade war has hurt domestic fabric companies, including two affiliates of Vinatex, he said at the annual shareholders' meeting recently.

In addition, the company had no earnings in April as it had to scale down production due to social distancing measures and the spread of the coronavirus, he was quoted as saying by Vietnamese media reports. Selling financial investments helped the company offset losses in its core business, he added.

In the six-month period, Vinatex recorded VNĐ69 billion worth of income from selling financial assets, up 25 per cent YoY. Its financial expenses were halved to VNĐ88.6 billion from VNĐ174 billion.

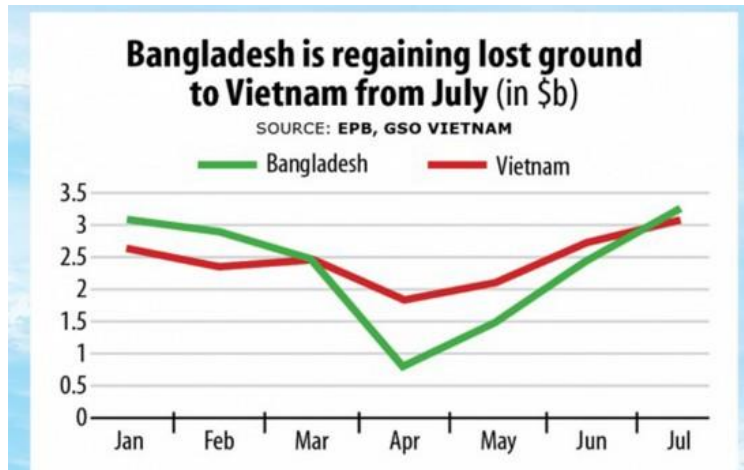
Vinatex's expects its earnings will recover and hit the level of 2019's figures in the middle of the 2020-25 period. To achieve that target, Vinatex will optimise its governance system, improve its competitive competency and build an environmentally-friendly supply chain using Industry 4.0 technologies.

Source: fibre2fashion.com– Aug 24, 2020

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Bangladesh still in second spot in global apparel trade

Officially, Bangladesh is still the second-largest garment exporter worldwide and it is expected that the country will be able to retain its second position globally because of the regular flow of work orders with the reopening of the stores in the western world.



Between January and July, Vietnam, Bangladesh's main competitor in global apparel trade, exported textile and garment items worth \$16.2 billion. In that time, Bangladesh's apparel exports stood at \$15.2 billion.

This might give off the impression that Vietnam has usurped Bangladesh as the second-largest supplier of apparel in the world.

But there is a caveat: Vietnam's amount is counted for two items, textile and garments, while Bangladesh's amount is counted only on one item, garment.

So, Bangladesh is still far ahead of Vietnam in terms of garment export worldwide and still the second-largest exporter.

"You are not comparing apples with apples but apples with oranges," said Arshad Jamal Dipu, vice-president of the Bangladesh Garment Manufacturers and Exporters Association.

According to the latest data from the World Trade Organisation, which is of 2019, Bangladesh retained its second position in garment export, grabbing 6.8 per cent of the market share while Vietnam took 6.1 per cent.



In 2019, Bangladesh exported garment items worth \$34 billion and Vietnam exported garment items worth \$31 billion, the WTO data also said.

It may be noted that Vietnam exported about \$9 billion

worth of textile in 2019 as per the WTO report, Dipu said.

"So, if the textile export value can somehow be excluded from Vietnam's textile and clothing export, then Bangladesh would remain the second," he said. Besides, there is no such authentic official data that proves that Vietnam has taken over Bangladesh to be the second-largest clothing exporting country.

"We are still in the middle of 2020, so we have to wait until July 2021 for the WTO data for 2020," he said. However, the data that is being referred to in media reports these days to draw a comparison between Bangladesh and Vietnam is a misleading comparison.

Even if Vietnam takes over Bangladesh in the near future, it should not be a matter of surprise, because Vietnam has been registering higher export growth than Bangladesh and any other apparel exporting country in the past decade.

However, the question that may be asked is how Vietnam is being able to perform so well compared to Bangladesh. And the answers would suggest where Bangladesh should put its focus in the coming days, Dipu said.

The BGMEA vice-president also said there was no debate on the fact that Vietnam has a better country competitive position than Bangladesh. At least the World Bank's doing business index reveals that fact.

Vietnam's industry is dominated by foreign investors, which is not the case of Bangladesh, so they are ahead of in terms of technology, management know-how, efficiency and skills.

They do also need less lead time than Bangladesh since China being next door to them makes the import of raw materials easier. Furthermore, Vietnam has gained significant progress concerning design input and the making of patterns, which is one of the key success factors for them.

"And to be honest, Bangladesh lags way behind Vietnam in this respect."

Without making considerable advancements in the areas of pattern making and design development, it would be difficult for Bangladesh to move to the next level of apparel manufacturing.

Not only that, but Vietnam's progress and maturity in the area of economic diplomacy are also commendable. The country has already entered into free trade agreements (FTAs) and regional trade agreements (RTAs) with several trade partners including the Association of South-East Asian Nations (ASEAN) and the European Union (EU).

The recent EU and Vietnam FTA and EU Vietnam Investment Protection Agreements testify Vietnam's capability in dealing with a trade partner like the EU. "Bangladesh has to go a long way, especially when the least-developed country (LDC) graduation is a matter of time for us and we are going to lose trade benefits."

This will put the country's exporters in a disproportionately affected situation. "We have to improve the capacity of our industry. At the same time, we need better infrastructure to further increase country competitiveness, which can be achieved through the optimised cost of business and lead time. Those are long term steps, but we need to make progress faster."

Bangladesh needs diversification of markets and to draw more local and foreign investments in high-end backward linkage industries, especially textiles, and forward linkage activities like putting up design and innovation centres. Most of all, FTAs with right trade partners will be crucial for Bangladesh to keep pace with competitors, he said.

Moreover, the rebound shows that garment exports will also fare well soon, as the work orders are coming back to Bangladesh with the reopening of the economies and stores in the Western world, Dipu added.

Between 1 and 22 August, Bangladesh exported garment items worth \$2.4 billion, which is 45.8 per cent higher than that of the same period last year, according to data from the BGMEA.

"It is a matter of hope that the buyers started taking back the previous cancelled work orders," said Mohammed Abdus Salam, acting president of the BGMEA. So, the local suppliers are getting back their previous arrear payments.

The sector was mainly shocked when nearly 100 big companies in the US and the EU became bankrupt due to the coronavirus pandemic. However, in future, Bangladesh will face more competition from Vietnam because of the signing of the FTA between the EU and Vietnam, he added.

Vietnam has been moving very fast because they have a lot of facilities like many seaports, foreign direct investment (FDI) in textile and garment and advantages in lead time, none of which Bangladesh has, said Ahsan H Mansur, executive director of the Policy Research Institute (PRI).

Bangladesh should have encouraged the FDIs in textile and apparel items a lot earlier so that the country could earn more foreign currency and more employment generation and also technology transfer and technical knowhow.

Mansur went on to advise the government to engage the Association of Southeast Asian Nations, apart from traditional markets like the EU, the US and Canada, for increasing exports and enjoying tariff benefits.

He also recommended exploring the Asian markets like China, India and Japan more. The local garment manufacturers and exporters should also think about their product diversification.

For instance, Bangladesh's concentration is 74 per cent on cotton-made fibres whereas the global fashion trend has been diverting to man-made fibres.

So, Bangladesh should focus more on man-made fibre to make garment items for grabbing more of the market share worldwide, he said.

Source: thedailystar.net– Aug 25, 2020

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Bangladesh to benefit from US' shift of apparel sourcing from China: USFIA

The US buyers' shifting of apparel sourcing base from China offers an opportunity for Bangladesh to further develop its apparel industry especially the manmade fibre (MMF) segment, says a recent US study titled '2020 Fashion Industry Benchmarking Study' by the US Fashion Industry Association and University of Delaware (USFIA).

Citing US official trade statistics, the report says the value of Bangladesh's MMF apparel exports to the US enjoyed 5.5 per cent growth in the five months of 2020. In contrast, exports from China and Vietnam suffered a significant decline as value dropped 44.5 per cent and 8.8 per cent respectively over the same period.

Mahmud Hasan Khan, Managing Director, Rising Group, reiterated the bottlenecks hindering growth potential includes the absence of backward linkage industry and infrastructure.

The production of MMF items requires huge investment in backward linkage and there are few who want to invest amid the absence of required infrastructure including sufficient gas supply. In 2019, Bangladesh shipped apparel items worth \$5.93 billion to the US, of which cotton items were about 77 per cent.

According to Bangladesh Garment Manufacturers and Exporters Association (BGMEA), out of 430 spinning mills in Bangladesh, only 27 are based on synthetic and acrylic fiber, and rest are cotton spinning mills. Out of the country's 2.05 million tonne of fiber import in 2018, the share of cotton was 93.57 per cent, said BGMEA.

Source: fashionatingworld.com– Aug 24, 2020

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Bangladesh: Pre-shipment credit refinance relaxed for exporters

The Bangladesh Bank yesterday relaxed rules for availing pre-shipment credit refinance aiming at helping local exporters continue shipping products amid the coronavirus outbreak.

Previously exporting companies were eligible for the refinancing if they brought the overdue bill to Bangladesh within the four-month timeframe set by the central bank's Guidelines for Foreign Exchange Transactions.

Now the timeline has been extended to two years, according to a new guideline from the BB yesterday.

That means exporters seeking the refinancing facility will get an additional 20 months to bring in their export bills from foreign countries.

On April 5, Prime Minister Sheikh Hasina announced that the Bangladesh Bank will introduce a new loan facility titled pre-shipment credit refinance scheme involving Tk 5,000 crore for local exporters.

The revolving fund will have a tenure of three years, the guideline said.

Banks will borrow money from the fund at 3 per cent interest rate and can charge borrowers a maximum 6 per cent.

A maximum of 10 per cent of the commercial invoice value of exported consignment will be eligible for the scheme.

A single client may use the facility multiple times but they have to be availed in a single year.

Recently, the Bangladesh Bank has widened its export development fund from \$3.5 billion to \$5 billion. Banks will have to disburse the lion's share of the stimulus package from their own sources.

It also introduced international factoring, a development that can be viewed as a mode of accelerating the country's exports and reduce exporters' risk of collecting their products' worth.

This new method is a form of payment guarantee for exporters, according to a central bank notice.

Banks dedicatedly running foreign exchange related businesses will be allowed to let exporters ship goods on sales contracts under open account credit terms within the statutory period, if otherwise not extended, from the date of shipment.

Source: thedailystar.net– Aug 25, 2020

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Pakistan: Protecting the overlooked cotton-poor economy

Pakistan is the fifth-largest cotton producer in the world and cotton products account for more than 50 per cent of the foreign exchange earnings of the country. However, the quality of cottonseed is comparatively overlooked as fibre yield and quality of cotton production are not considered though these are of prime importance to fetch high prices in the market.

Pakistan was short of more than six million bales from the target for the 2019-20 crop which is equal to a financial loss of \$6 billion. The area under cultivation has fallen by 12pc in the last five years. During 2019-20, an area of 2.5m hectares was cultivated against the target of 2.9m hectares with the hope of production of 12.72m bales in the coming season.

The farmers are replacing area under cotton cultivation with sugarcane and rice for better incentives, especially in Punjab which contributes 65pc of the total cotton area. The government is providing support to farmers involved in the production of wheat (Rs19.3bn), rice (Rs11.4bn) and sugarcane (Rs4bn) but the cotton crop is neglected.

There are 95 sugar mills functional in the country and 40 are owned by politicians. In order to meet the demands of the increasing number of sugar mills in Punjab, sugarcane cultivation is being promoted despite the heavy water requirement compared to cotton which needs less irrigation.

Due to excessive production of sugarcane in Punjab's cotton zone, high relative humidity is created which is the main culprit that promotes pest attacks on the cotton crop in the region.

Mostly Bt cotton is cultivated across the country, which is based on outdated first-generation Bt technology against which insects have developed resistance. According to the 2019-20 report from the Punjab Agricultural Extension department, more than 80pc area of districts Multan, Vehari and Bahawalpur were infected with pink bollworm. For the last three years, the attack of pink bollworm, along with mealybug and whitefly has increased significantly.

The enormous application of old, ineffective, and in some cases adulterated, pesticides on Bt cotton has induced resistance in insects and destroyed the population of eco-friendly insects at a large scale. The frequent use of pesticides has increased the cost of production of cotton which is unaffordable for farmers. This is the right time to introduce the next generation Bt technology along with other genetically resistant resources the way advanced countries have already introduced third-generation products to save the cotton seed industry.

In the current season, the government has reduced germination standards for approved cotton seed from 70pc to 50pc on the request of seed companies who could not meet this criterion due to crop failure as a result of heavy rains, pink bollworm attack and high temperature in 2019. High day temperature above 40°C during June and July and night temperature about 29°C during June-September was one of the main reasons for the low yield of the cotton crop. There should be a paradigm shift in cotton breeding strategy to develop more climate-resilient varieties.

According to the Federal Seed Certification and Registration Department (FSC&RD), 44,766 tonnes of cottonseed were tested, out of which 68pc was approved for cultivation while the rest was rejected. The private sector has a prominent share of 30,481 tonnes (99pc) of certified and approved seed while the public sector contributed up to 16.27 tonnes in this season. The majority of the farmers in Punjab cultivated four approved varieties IUB-13, NIAB-878, BS-15 and FH-142 covering almost 75pc area while the remaining area is occupied by unapproved varieties. Cotton control ordinance or other regulatory measures should be stringently enforced to deter such unapproved varieties cultivation.

The quality of seeds creates a pathway towards a high yield but the unavailability of good quality cottonseed is the prime reason for poor germination and crop stand failure. Farmers have used high seed rate (more than 10kg per acre) of poor quality seed which only increases their input cost while low plant population is recorded in the fields.

Most of the seed companies have sold out their previously stored cottonseed this season. These seed companies have no proper infrastructure for cottonseed storage. And high intermittent rainfall during March to the first week of June 2020 hindered sowing. The delayed sowing due to rains, particularly in March, and the locust attack in May 2020 also affected the cotton crop.

Every stage of seed production is crucial for quality management. Conditions during development, pre- and post-harvest factors collectively determine the quality of cottonseed. Picking time is a critical factor for quality. Boll opening is the first indication for the time of picking. So, picking can start following a dry weather forecast after the opening of 80pc bolls. If opened bolls are left open for a long-time, they result in the poor quality of both seed and lint.

Seed cotton should be harvested at a low moisture content of up to 12pc as high moisture raises the temperature and accelerates cottonseed deterioration. Dusky cotton bug population predominantly increases in a humid environment before picking and it deteriorates seed quality by reducing oil content, seed weight and ultimately results in the decrease in cotton yield. Most of the seed industry people deal in cotton for both crop and seed purposes, utilising early pickings for lint and later pickings for seed which compromises the quality of cottonseed.

After picking, physical seed quality is affected by improper seed-handling during the ginning process. Seed cotton moisture content below 12pc not only provides good quality lint but also saves seeds from mechanical damage. Subsequently, the time of drying and seed moisture contents just before storage also affects the success or failure of the drying system.

Cottonseed should be dried to 8pc moisture by adopting quick and efficient drying methods. The deterioration process is also species dependent i.e. cottonseed, being high in oil, is more prone to deterioration than cereals. Furthermore, seed storage in conventional bags cannot maintain low moisture levels during storage due to direct contact with ambient relative humidity.

The Federal Seed Certification and Registration Department is responsible for seed inspection and quality assurance while the Punjab Seed Corporation and Sindh Seed Corporation are public entities involved in multiplication and marketing with the collaboration of research institutions.

The performance of these public institutions is badly affected due to the lack of trained manpower and stringent public sector policies though they are engaged in a commercial venture in a competitive market.

The government must sensitise the concerned departments for the provision of certified cotton seeds to growers to save the textile industry that has a major share in exports.

Source: dawn.com– Aug 24, 2020

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Rules of origin rejig may raise compliance burden for Indian businesses

Indian businesses depending on imports under free trade agreements (FTAs) will now closely look into their supplier's manufacturing process and ensure that minimum threshold value addition is met as the country unveils new framework for rules of origin.

“Trade will need to look at tariff shift and value addition, the two key elements of FTA, which are technical in nature, critically going forward to avail the benefit,” said Rahul Shukla, executive director-indirect tax at PwC.

All exporters may not have elaborate procedures and standard operating procedures to seek confirmations from their supplier, he added, which may lead to increased compliance burden.

India has notified new rules of origin that aim to provide more teeth to revenue authorities to check misuse of trade agreements to route third country goods. India is reviewing its FTA strategy to prevent their abuse.

Experts say the modified rules are set to increase dependence of importers on the suppliers. “These rules will increase dependence on exporter who may not share manufacturing or value addition details to keep commercial information confidential,” said Harpreet Singh, partner-indirect tax at KPMG India.

“Genuine importers may face difficult interpretation given that the onus to prove the country of origin is on the importer and elaborate documentation may be required in case processing/value addition on the product happens in multiple countries,” said Bipin Sapra, partner-indirect tax at EY India.

Source: financialexpress.com– Aug 24, 2020

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RBI should ensure MSMEs get ₹3-lakh-crore more loans at 3.5-4 per cent: Study

The measures taken by the Government through the Aatmanirbhar package to revive the MSMEs is commendable, but the impact and outcome at the ground level is uncertain.

To make a decisive impact, the RBI should mandate banks to disburse an additional ₹3-lakh crore as loan (as part of the Finance Minister's package) at rates not exceeding 3.5 to 4 per cent apart from ensuring better access to funds, focus on reducing the rural credit gap, moot a few more development finance institutions and ensure better cash flow among others, the Senior Vice President of Bangalore Chamber of Commerce and Partner, Deloitte Haskins & Sells LLP – K R Sekar said.

Sharing an impact analysis report on Aatmanirbhar Bharat, a study initiated by Bangalore Chamber of Commerce, Sekar said “access to banking credit has always been a challenge for MSMEs.

Though PSBs are now accelerating credit support to MSMEs, rural credit gap is significant. Around 51 per cent of MSMEs are in rural areas. The Government should therefore mandate banks to extend at least 25 per cent of their credit exposure to MSMEs.

Further, going by September 2019 numbers, it is clear that banks can give an additional ₹5-lakh crore to this sector,” he said, adding, “I am not advocating a loan mela, only suggesting measures to revive the trouble-stricken sector.”

According to a BizFund report, only 16 per cent of MSMEs in India receive formal credit, leaving the rest either under-financed or supported through informal sources.

“Cost of borrowing and assessing the credit worthiness of MSMEs has been the biggest impediment to the sector's access to credit, notwithstanding the perception of rising NPAs.

Incidentally, most corporates operate with MSMEs on credit basis, but do not pay on time, resulting in a cash crunch,” the senior VP of Bangalore Chamber noted.

The government should consider amendments to the MSME Act, such that all corporates remit their dues to the MSMEs within 10 days. This would help increase the cash flow, he said.

Suggesting the need for linking interest payments to cash flows to tide over the present difficult period, he said “a new debt instrument for repayment of debt should also be considered apart from modification in credit appraisal process and lending norms (including insistence of collaterals on the lines of the UK Sinha Committee report) and creation of 4 - 5 Regional Development Banks for MSMEs on the lines of SIDBI (Small Industries Development Bank of India).

“Such development banks with an exclusive focus on the MSME sector could be mooted jointly by the Centre and State.”

“Demand revival is equally critical; towards ensuring this, the government should look to increase the spend on “common man’s” infrastructure projects, such as road connectivity (both rural and urban), establishment of schools and hospitals through PPP (Public-Private-Partnership) model, reduce GST rate on select goods, and above all, consider incentivising MSMEs. Such initiatives would go a long way in ensuring social well-being, job creation and pepping up demand.”

Source: thehindubusinessline.com– Aug 24, 2020

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GST news: Textile ministry invites bids to conduct study GST rates: Report

Ministry of Textiles is planning to commission a study to understand if the Goods and Services Tax (GST) on textiles and apparels is adversely impacting domestic production and requires restructuring.

"We have received complaints that the GST rate on synthetic fibres is leading to an inverted duty structure, making imports cheaper than domestic manufacture.

To address the concerns, the Ministry has decided to appoint consultants who will assess GST rates on the value chain of textile," said a report by Hindu Businessline, quoting a government official.

The government taxes synthetic fibre at 18 percent, yarn at 12 percent and final output, including garments, at 5 percent. This creates an inverted tax structure where GST rate on inputs is higher than that on output.

In addition to hurting exporters, the inverted duty structure creates unfair competition between imports and domestic producers, said Sanjay Jain, former Chairman, Confederation of Indian Textiles Industries (CITI).

"The government needs to come up with measures to address such concerns and keep the industry afloat considering there is already a liquidity crunch in the market," Jain said, adding that capital blockage due to the inverted duty structure is leading to huge losses.

Appointed consultants would be asked to map various GST rates on products covering the entire value chain and gather industry representations and demands made till date, as per the Request for Proposal (RFP) circulated by the Ministry of Textiles.

They also have to find out if the taxes have affected the prices and thereby effected affordability for the buyer. The consultants would be required to recommend changes to the present tax and duty structure.

The agency is also expected to record interactions with respective representatives of the value chain/industry associations/with select stakeholders and industry representatives across the country to seek feedback/views on the subject to understand challenges in greater detail, the RFP said.

The Ministry has also invited bids for selection of a consulting firm for undertaking a study on Making Cotton Competitive.

The agency would be required to map the entire cotton value chain, including farming, production, productivity, and processing. They will also identify the problems faced by various players across the value chain and review the impact of existing assistance given to cotton farmers, processing and production entrepreneurs, as per the RFP.

Source: moneycontrol.com– Aug 24, 2020

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The silver lining in India's export performance

On 15 Aug, standing on the Red Fort ramparts, Prime Minister Narendra Modi reiterated his government's economic vision of self-sufficiency, adding that India would aim to become the supplier to the world. A day earlier, India had reported its latest trade numbers, and for the second successive month, India's goods exports were within touching distance of their pre-covid levels. In June 2020, India's exports trailed their June 2019 numbers by 12%. In July 2020, the gap to July 2019 was 10%.

On the face of it, these are not bad numbers for a segment that tumbled 60% in April and is trying to claw back lost ground. But two caveats are called for. One, India's exports have had a difficult time in recent years. In 2019-20, the year against which current performance is being benchmarked, India's exports fell 5%, shows data from India's central bank.

Two, India has swung to extremes during the pandemic. Data from the Organisation for Economic Co-operation and Development (OECD) on 25 countries for which recent monthly exports numbers are available shows India suffered the second-largest monthly drop in April, the worst month of the pandemic. Subsequently, it was ranked third in monthly increase in May and seventh in June. In other words, India's exports are recovering, but they are doing so on a low base, and fundamental issues on how to become more competitive globally remain.

Becoming more competitive is a long-term task. In the near term, the objective would be to at least revert to the old normal, and the recent trade data suggests reasons for hope. After the sharp plunge in April, recovery in exports has been stronger than in imports.

More encouragingly, the exports recovery in May, June, and July appears to be broad based. The ministry of commerce breaks up trade data across 98 product categories. We have segregated this into three buckets based on year-on-year changes: positive growth, moderate drop (up to 20%) and severe drop (higher than 20%).

The number of categories in the first two buckets has increased consistently: 10 in April, 36 in May, 67 in June and 80 in July. In 14 of these categories, exports have increased for three successive months. Prominent among them were pharmaceuticals (\$1.6 billion in July), iron and steel (\$1.3 billion), cereals (\$813 million), and aluminium (\$445 million).

In comparison, the rebound in imports is not only relatively muted, but also less broad based. Against 81 of 98 categories for exports (75% of total in value terms), only 35 categories in imports (40% of total in value terms) were present in the top two buckets in June. This variance in recovery between exports and imports can also be seen at the very top. Of the top 10 export categories by value in March-June 2019, 5 categories grew on a year-on-year basis in July 2020. For imports, that ratio was 1 in 10 categories.

A deceleration in goods imports at a time exports are rising faster suggests that domestic demand in the country is recovering much more slowly compared to other countries. In July, there's been positive growth in exports to north-east Asia (including China and South Korea) and Asean countries (including Malaysia, Singapore and Vietnam). By comparison, exports to North America, European Union and West Asia have shrunk.

Even though India has been aiming to reduce its import dependence on China, the dependence on our northern neighbour has only grown since the pandemic began. China is the leading importer to India, accounting for 13.8% of India's imports in 2019-20. It was followed by the US, with 7.5% share. During the pandemic, as India's imports shrunk, China's monthly share has ranged between 16-21%.

These are unusual months, and the months ahead will show where these numbers stabilize. Longer term, the government has been vocal on viewing foreign trade strategically. It wants India to be stronger in exports and reduce its dependence on imports. In recent weeks, there's been executive action to discourage specific items of defence machinery from all countries and certain products sourced majorly from China.

It is prudent to exercise caution in such import bans. Weak imports in some categories can also impact exports, as some imports serve as intermediates for exports. A case in point is gems and jewellery, a leading foreign trade item for India and a big source of employment in the country. Indian companies import uncut gems and process it into jewellery for export. At present, both imports and exports here are severely curtailed.

Success on the trade front is ultimately a function of competitiveness, and India has much work to do on that front.

Source: [livemint.com](https://www.livemint.com) – Aug 24, 2020

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India-Philippines talks next month can pave the way for FTA: Official

India and the Philippines are set to hold talks on economic aspects in September which can pave the way for a bilateral Free Trade Agreement (FTA), a senior official from the Southeast Asian country has said.

Many sectors will feature in the meeting of the joint working group on trade and investment established by both the countries, said Eugenio C Elevado Jr, commercial counselor for the Philippine Trade and Investment Center in New Delhi.

He was speaking at a webinar on exploring business opportunities between the two countries, organised by World Trade Center Metro Manila and World Trade Center Mumbai.

The two countries can partner to expand their share in the global healthcare business process management sector pegged at USD 5.8 billion, Elevado said, as per a statement issued by the organisers of the webinar.

Stating that the sector will be among the ones to be discussed at the upcoming parleys in September, he said "the meeting can be a significant step towards signing of an FTA between the two nations."

He further said Indian companies can invest in sectors such as metals, automobile, agriculture and infrastructure in the Philippines.

Amid the COVID-19 pandemic, Indian companies can partner with companies in the Philippines by bringing in capital and technology in the healthcare and tele-medicine sectors, he said.

He listed out pharmaceuticals as a sector where both the countries have competitive advantage.

Source: cnbctv18.com– Aug 24, 2020

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Indian textiles sector wage bill fell by 29%: CMIE

Salaried jobs in India, which were estimated at 86.1 million in fiscal 2019-20, fell to 68.4 million in April this year and their count by July had fallen further to 67.2 million, according to the Centre for Monitoring Indian Economy (CMIE), which recently said that within manufacturing, textiles has seen the biggest hit as its wage bill fell by 29 per cent.

As textiles is a labour-intensive industry, this sharp fall in the wage bill implies a very sharp fall in employment in the industry, CMIE noted. The same also holds true for the leather industry, which recorded a 22.5 per cent fall in its wage bill in the June 2020 quarter.

Salaried jobs are preferred forms of employment for most people. These jobs offer better terms of employment and also better wages. Households with salaried jobs are better placed to build savings and plan a sustained improvement in their standard of living. Such households are also better placed to borrow and service their borrowing because of the steady nature of their earnings, CMIE said.

In India, salaried jobs have stagnated in recent times. In 2017-18 they grew by 1.6 per cent then in 2018-19 they grew by a meagre 0.1 per cent before contracting by 1.8 per cent in 2019-20. As a result, salaried jobs in 2019-20, at 86.1 million were lower than their level of 86.3 million in 2016-17. This is before the lockdown hit salaried jobs.

While informal jobs have returned and even increased after being hit by the lockdown, formal jobs have not. Non-salaried forms of employment have increased from 317.6 million in 2019-20 to 325.6 million in July 2020. This implies a growth of nearly 8 million jobs or an increase of 2.5 per cent in informal employment, CMIE observed.

However, salaried jobs have declined by 18.9 million by the same comparison, or, declined by a whopping 22 per cent during the lockdown.

In terms of percent change between 2019-20 and July 2020, the fall in salaried jobs is almost uniform across rural and urban regions. The fall was 21.8 per cent in rural India and 22.2 per cent in urban India. But, urban India has more salaried jobs than rural India.

Of the 86 million salaried jobs in India in 2019-20, 58 per cent were in urban India and 42 per cent in rural India. As a result, the impact of the fall in salaried jobs is far greater in urban India than in rural India.

Loss of these urban salaried jobs is therefore likely to have a particularly debilitating impact on the economy besides causing immediate hardship to middle class households, CMIE said.

Source: fibre2fashion.com– Aug 24, 2020

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How augmented reality can boost online apparel sales

By tapping into the \$2.4 trillion apparel industry, brands are transforming the online shopping experience through AR

Among all industries right now, few may be as open to innovation as the apparel industry. Indeed, the \$2.4 trillion industry has always been a hotbed for new trends, whether in aesthetics or e-commerce.

With such a drive for all things new, fashion is now moving towards the latest in tech: augmented reality. From gaming, augmented reality has moved to the retail and e-commerce industry where it is a great tool for attracting new customers.

This technology is gaining popularity across the globe. Augmented reality is much more than just overlaying camera images with generated three-dimensional objects. It's an instrument that can help brands significantly improve their marketing strategies and ensure a higher revenue. By applying AR to their potential customer's shopping experience, brands are succeeding in moving users further down the sales funnel.

Augmented reality and the apparel industry

Technological advancements like augmented reality in the apparel industry are transforming the online shopping experiences. Aiming to increase online retail revenue and simultaneously deliver customer-first experiences, AR enables shoppers to view products in real life, integrating in-store try-before-you-buy behaviour with the digital extension and, therefore, drive online sales.

Also, as we know more retail stores are temporarily closed due to the Covid-19 pandemic, this is the best time when apparel brands must navigate towards representing themselves to mobile and online shoppers. Many are switching to AR, which is helping to increase engagement and conversion and is becoming both more accessible to brands and familiar to customers.

How are marketers leveraging AR to boost sales?

AR brings value to the customer shopping experience

Augmented reality can help online stores provide their customers with a more profound and realistic shopping experience. On the other side, this technology allows online stores to offer their customers vibrant, unforgettable, and fun emotions that are much richer than those we all have experience in bricks and mortar stores. AR can provide amazing visual information which improves consumer attitudes and purchases intentions, thus massively driving the sale.

E-commerce integrations

Bringing AR out of apps and onto e-commerce sites opens the technology up for more adoption. Now, merchants can add 3D models to product pages, including the ability for them to request any product to be 3D modelled starting at \$100 for simple products, on all major browsers and devices. Customers can twist and turn the 3D models to inspect the products or view the object using AR.

It has been estimated that viewing 3D products in AR should result in an increase of conversion rates. It also has been found that visitors interacting with a 3D model are more likely to add the items to their cart and most of them are more likely to place an order.

Virtual try before you buy

One of the things that prevent people from buying clothes online is the fact that it might not fit them. Returning an item is not only an inconvenience for the customer but can also cost a retail company massively. In order to eliminate the inefficiency of not being able to try clothes on, online, Augmented Reality has now appeared in the form of virtual fitting rooms. Stores with the virtual fitting room function on their apps will allow users to try the products, before buying.

Offering online customers a seamless experience of trying products and see how they look on them, encourages purchase completions and reduces returns. This new ability could be the missing piece which will let users accurately assess the size and fit. In the apparel industry, this new technology could be transformative and has the potential to dramatically boost eCommerce adoption by consumers.

Virtual fitting rooms are still a work in progress and still have a long way to go, but are something worth considering if you're thinking of incorporating AR into your online store experience.

Augmented reality is an effective marketing tool with immersive technology. Apparel brands are recognizing the impact of augmented reality on how they can showcase and market their products. Therefore, one thing is clear for an e-commerce site: augmented reality can help enhance the shopping experience of customers and affinity for the brand. And that's what matters the most.

Source: financialexpress.com– Aug 23, 2020

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Credit guarantee scheme for sub-debt may benefit MSMEs...

The newly-framed Credit Guarantee Scheme for Subordinate Debt (CGSSD) can be a workable scheme for small MSMEs provided both bankers and the promoters of such stressed enterprises fulfil their side of the bargain.

Though the government has clearly gone out of the way and sweetened the deal for promoters of such stressed MSMEs, many MSME promoters see the stipulation requiring promoters to bring in 10 per cent of the sub-debt as margin money as daunting in the current trying Covid-19 times.

Bankers take larger exposure

The bankers, on the other hand, say that it is they who are going to take a larger exposure, when they take up “restructuring” of the MSME.

Giving an example, a former chief executive of a public sector bank said that if total package for restructuring an MSME is say ₹100, then the bank is asking the promoter to bring ₹10 (while the bank itself will bring ₹90).

The main objective of this scheme is to facilitate loans (personal loan) through banks to the promoters of stressed MSMEs for infusion as equity/ quasi equity in the business eligible for restructuring as per RBI guidelines. The maximum sub-debt eligible under the scheme is equivalent to 15 per cent of his/ her existing stake (equity plus debt) or ₹75 lakh, whichever is lower as per the last balance sheet.

To support the promoter, who may find it difficult to give this ₹10 in current Covid-19 times, the government has now through the CGSSD told the banks to fund another ₹9 (give as loan to the promoter) and ask the promoter to fork out just ₹1 towards sub-debt. In effect, the bank will give ₹99, while the promoter puts in ₹1. If the promoter can't pitch in this ₹1 also, then the restructuring itself should not be done as the business itself will not be viable, the former banker said.

Beneficial for MSMEs

Anil Bhardwaj, Secretary General, Federation of Indian MSMEs (FISME), said that the scheme will be beneficial for those MSMEs that are planning restructuring and need to infuse more capital. "Generally, when a unit is stressed, it is difficult for banks to provide additional funds without a corresponding equity increase. Under this scheme, the promoter of an MSME can access funds (from banks) to be used as equity guaranteed under the scheme," he said.

KV Srinivasan, Director and CEO, Profectus Capital, said that though it is a well thought out scheme, a lot would also depend on the assessment of bankers and their readiness to monitor and provide advisory to the small units.

Ashok Saigal, Co-Chairperson, CII MSME committee, said, "The scheme might not be very helpful as there's a lot of paperwork involved. On the other hand, medium scale industries who have a large outstanding from long-term projects might get some relief."

S Rajagopal, Executive Director, Cotton Textiles Exports Promotion Council, said the scheme is being operated through Scheduled Commercial Banks and most of the MSMEs are having their accounts with co-operative banks, which are outside the purview of the scheme. If co-operative banks are included under the scheme, then it will benefit a large number of MSMEs, he said.

Darshan Upadhyay, Managing Partner of Stratage Law Partners, said that it is too early to say whether this has benefited either party. “In current circumstances and in the absence of economic revival, the promoters may still find it difficult to take on the additional burden,” he said.

Source: thehindubusinessline.com– Aug 23, 2020

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The missing ‘large’ in MSMEs: A globally-competitive Indian mittelstand is the need of the hour

Micro, Small and Medium Enterprises (MSMEs) have been the favourite ‘step-child’ of the makers of India’s industrial-policy, paradoxical as it may sound. Favourite because they find mention in every discussion on industry and coverage in every budget—they have even had their own ministry since 2007, to address specific needs of the segment. Step-child because it is a sector where we have failed to make bold policy-moves to make it more productive and competitive, despite it contributing 20% of the GDP and employing about 110 million workers. At the core of this lack of competitiveness is a structural issue—quite simply, our MSMEs are not becoming ‘larger’ and more dynamic, with 99% of the estimated 60 million being micro-enterprises with limited aspirations.

The ‘step-child’ status has finally begun to change under the present NDA government, with a minister and secretary that are both senior and heavyweight. The need for change was felt acutely as the human and economic costs to MSMEs from COVID-19 become clear. Recognising this, the government included MSMEs as the only industry group (till now) supported directly in the financial package announced to fight the crisis. While it is unfortunate that it took a pandemic to bring this kind of focused attention on the fragility of this sector, it is imperative that we not only keep this focus but also expand the agenda to address the structural challenge posed by 99% of the units being sub-scale, with low productivity.

Take, for instance, India’s largest textile cluster vs Bangladesh’s largest. More than 70% of the units in Tirupur are micro-enterprises with less than 10 employees while only 20% of the units in Narayanganj in Bangladesh have less than 10 employees, thereby making the cluster more competitive and helping Bangladesh’s exports grow faster than India’s (I must mention here that Bangladesh has other advantages also, but this structural

difference is critical). A rough analysis suggests (it is difficult to be completely accurate as every country measures MSMEs differently) that India has perhaps the highest share of micro-enterprises among MSMEs compared to other large industrial economies.

While there is no robust data for India, productivity data from manufacturing MSMEs in OECD show that the productivity of medium firms (50-250 people) could be as much as 80-100% higher than that of micro firms (<9 employees). Growth in scale allows them to invest in people (to improve skills), in better technology & processes, and in innovation. The most-competitive of them grow from their small beginnings to become world-beaters. This push to grow and improve capabilities and productivity is central to dynamism of any country's industrial structure.

This dynamism of micro-enterprises has been one of the less-reported policy levers behind China's rise as an industrial powerhouse, with this being usually attributed to the success of large coastal SEZs with liberalised regulations, tax benefits and duty-free imports in attracting foreign capital and technology.

A closer look at the history of China's industrial growth shows that its rural industrialisation policy, launched in 1979, saw such micro-enterprises—called 'town and village enterprises (TVEs)'—as important vehicles of the transformation of the rural hinterland into industrialised areas. China changed ownership laws to allow private investments in them, allowed and enabled them to access credit, encouraged them to hire local agricultural workforce who were supported by a massive increase in investments in vocational education to re-skill them. By 1995, these TVEs had grown in scale and competitiveness, and employed over 135 million people—thereby becoming a dynamic part of China's industrial structure.

Why are 99% of India's MSMEs micro-units, most being destined to remain so? To my mind, there are two parts to the answer to this, starting with our policy-legacy of highly restrictive asset-based definition (which has only recently been relaxed), coupled with a mindset, and concordantly, policies, to support the 'small is beautiful' narrative. Second, our overly complex regulatory regime doesn't differentiate enterprises on their scale, other than the really tiny ones, in terms of compliance needs. For example, if a unit has more than six employees, the trade union law becomes applicable, allowing employees to unionise. If a unit has more than 10 employees, the Factories Act is applicable. Small enterprises thus face the same multitude of regulatory requirements as larger ones, and end up having compliance costs

account for a higher percentage of revenue. For the tiny/micro units, there is simply no incentive to grow and enter the formal economy. It is too costly. No wonder, then, Tirupur's textile units prefer to stay micro-enterprises.

Today, this structure has become a vicious cycle holding the sector back. As most MSMEs are micro with low assets, over 90% of them are outside the formal credit system, unable to access funds to improve capabilities and grow. Unable to invest and improve productivity, they remain uncompetitive, able to survive only by remaining outside the formal tax structure, perpetuating the cycle of being sub-scale, with poor productivity and low competitiveness.

To break this unfortunate cycle of low productivity, we need three policy interventions. The first intervention has to be to get most of the MSMEs into the formal credit system. To do this, we have to look at different approaches that can help banks and NBFCs move away from asset-backed lending, towards some form of cash-flow-based lending. For example, small retailers, most of whom are micro-units, are outside the formal credit system, unable to invest, modernise and grow, given they lack fixed 'assets'. But, all of them are linked to, and sell, brands of well-known, large companies. Can banks and NBFCs work with these companies and use anonymised data on sales and credit-performance to develop credit-scores for lending to them? Similar innovative ways could help cover other micro-unit segments.

The second policy intervention, which has proven to be particularly difficult to design and implement, is to de-average and implement a simplified tax and regulatory regime for MSMEs, and reduce their cost of compliance. The third and final intervention, appropriate for the 21st-century digital era, is to develop a comprehensive 'digital platform' for the sector. This will call for a mandatory, unique identifier for all. The platform will have to be linked to different relevant databases to be able to provide services like digital lending, paperless filings for all regulations, micro-training modules for skill upgradation, micro-insurance products, e-commerce access, etc.

Given that this data would come from both the government (e.g. GST) and private players (e.g. discoms, if we want to have power consumption data as an element in developing the credit-rating), a comprehensive data protection and governance model will be needed to make this viable. Not easy, but the benefits certainly make it worth serious consideration.

A dynamic mittelstand—small and medium companies—is at the heart of Germany’s industrial competitiveness. As India launches the Atmanirbhar Bharat Abhiyan to reignite growth of the economy for a post-COVID world, building such a globally-competitive Indian mittelstand has to become one of the initiative’s core pillars. Only then can our industry improve and sustain its global competitiveness.

Source: financialexpress.com– Aug 24, 2020

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Experts stress the need to fall back on desi cotton varieties

With stagnant yields, rising cost of production and resistance in pink bollworm, India now can look back at the desi cotton varieties, experts say. At a webinar on ‘Bt cotton – Myths and Reality’ held on Monday, Keshav Kranthi, who is currently with International Cotton Advisory Committee (ICAC), said Bt-hybrid technology has not been providing any tangible benefits to the cotton farmers.

Bt cotton supposedly helped in the reduction of insecticide use. But the use of insecticides only went up as pink bollworm developed resistance to the technology.

“Cotton yields are the lowest in the world in Maharashtra, for example, despite being saturated with Bt hybrids and highest usage of fertilisers,” Kranti said.

“Cotton yields rank 36th in the world and have been stagnant in the past 15 years. Insecticide usage has been constantly increasing after 2005 despite an increase in area under Bt-cotton,” he said.

The webinar was organised by the Centre for Sustainable Agriculture. Peter Kenmore, former FAO Representative in India, said that Bt cotton is an ageing pest control technology.

“It follows the same path worn down by generations of insecticide molecules. Corporate and public policy actors then claim yield increases, but deliver no more than temporary pest suppression, secondary pest release and pest resistance,” he said.

Andrew Paul Gutierrez, a cotton systems ecologist, pointed out that India could have easily learnt from the mistakes that happened in California in the 1960s and 70s, where the pest outbreak was mainly insecticide-induced.

“The long season Bt cotton introduced in India was incorporated into hybrids that trapped farmers into biotech and insecticide treadmills,” he said.

Source: financialexpress.com– Aug 24, 2020

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Job and house: Apparel makers, Sonu Sood in unique bid to bring migrants back

A partnership between apparel manufacturers and Bollywood actor Sonu Sood, with the Noida Authority in an important supporting role, has created what could possibly become a template for large industrial clusters looking to bounce back from the lockdown – a symbiotic model that seeks to revive both the employer’s business and the employee’s trust.



2L WORKERS NEEDED NOW

WORKERS IN NOIDA TEXTILE INDUSTRY

Before lockdown:
More than 9 lakh

After lockdown:
2.5 lakh

Immediate requirement:
2 lakh

HOW THE APP WILL HELP

- ▶ The portal – pravasirojgar.com – will collect complete details of the applicants along with their skills and contact numbers
- ▶ NAEC will launch a portal on September 5 for industries looking for workers in Noida
- ▶ The job requirement will be matched with the skills of applicants on the [pravasirojgar](http://pravasirojgar.com) portal
- ▶ Establishments will be asked to provide accommodation to workers
- ▶ Two to three workers will share a room

“Gradually I want to cover the entire north India and create a similar model. In the next phase, we will launch the scheme in Punjab or Rajasthan. A guy living in Jharkhand will ultimately have to go to NCR or Mumbai in search for green pastures... Expectations of workers have changed and better living conditions will improve the overall productivity of the industry”
Sonu Sood, Actor

Noida Authority flats in Sector 122 will house the migrant workers

The initiative, which the actor launched on Monday by announcing he was offering accommodation for 20,000 workers in Noida, essentially allows migrant workers to return to the city with the assurance of a job and a subsidised house. Sood, who is offering the accommodations through his Pravasi Rojgar portal that he

started to reconnect millions of jobless migrant workers with employers, told TOI Noida was a pilot project and he was looking to replicate this in other cities.

Desperate to get skilled workers back to shop floors with the festive season closing in, the Noida Apparel Export Cluster (NAEC) approached Sood last week with the proposal. The assurance of immediate housing for about 1,500 workers in flats built by the Noida Authority convinced Sood to launch the project. NAEC is in talks with the Noida and Greater Noida Authorities to find more subsidised accommodations. They are also looking at privately owned buildings in villages like Salarpur, Gijhor, Barola, Mamura and others as well as Khoda Colony.

Sood told TOI, “When I was sending off migrant workers, I always wondered whether they will come back to the big cities again. Gradually, I started getting feedback from many of them who were interested in getting back. But all of them aspired for better standards and living conditions.

The workers stayed in highly unhygienic conditions, often in highly crammed rooms. I was looking for people and industrial bodies who were eager to do something more than giving employment to workers. I went through the NAEC’s proposal and agreed to step in. For a start, helping 1,500 jobless workers is a great idea.”

The association went to Sood, hoping to use his database of workers, after coming up against various roadblocks. Convincing workers to return, and assure them there wouldn’t be another lockdown, proved difficult. They also realised finding a place to live while pandemic restrictions remain was among migrant workers’ main concerns. Besides, NAEC had received a list of 65,000 garment industry workers from the state government in June but could reach only a small percentage of them.

“Migrant workers were apprehensive of moving back to cities since a majority of them had given up the rooms or houses they had taken on rent. Besides, guidelines kept changing every now and then and workers were not keen on coming back because they were worried about another lockdown,” NAEC president Lalit Thukral said.

Under the one-district-one-product scheme, Noida was declared the ‘city of apparel’ because of its huge garment industry. Around 3,000 apparel units are based in Noida and Greater Noida. The collective turnover of the industry is around Rs 24,000 crore, of which exports alone are worth Rs 20,000 crore, source said.

These units, at peak levels, have employed 9 lakh workers to handle cutting, designing, pattern-making, stitching, finish pressing, hemming and pasting jobs. However, at present, the total number of workers employed is less than 2.5 lakh, most of whom either live in Noida are from neighbouring districts. Before approaching Sood, NAEC met Noida Authority officials to discuss a housing solution for workers they hoped to woo back. Noida Authority had vacant houses in Sector 122 but the rules did not allow it to lease those buildings out, though they had not found takers for years. The issue was escalated to Lucknow.

On August 18, Noida Authority revised its policy. “We identified 512 vacant units in a scheme which was commissioned in Sector 122 for rehabilitating slum dwellers. A decision to lease them out to industrial bodies for a year for monthly rent ranging between Rs 2,800 and Rs 6,000 was taken at the recent board meeting,” said officer on special duty Kumar Sanjay.

The Bharatiya Mazdoor Sangh said the offer of accommodation would reassure workers. Its president CK Saji said, “It is certainly a welcome step and giving accommodation to workers is an extremely thoughtful idea. I really appreciate Sonu Sood’s initiative. But a private person or private organisation will only be able to help a limited number of people. Total number of migrant workers in India is nearly 11 crores and without institutional or government support, it will be difficult to reassure them.”

NAEC is in the process of setting up its own portal to cater to demands of industrial units in its aegis. Manoj Sahu, an exporter and a member of the association, said, “Sonu Sood will collect details of migrants and what skill they possess and provide that to us. Our portal will cater to industries that are in need of skilled workers. By the first week of October, we hope to receive the first batch of workers.”

The units have to scale up operations since domestic demand around Dussehra and Diwali will go up and after that, exports to the US and European countries are expected to pick up around Christmas.

Source: timesofindia.com– Aug 25, 2020

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Textile cluster inaugurated in Rai, Sonipat

The first cluster 'Rai Textiles & Allied Products Pvt ltd' under the Mini Cluster Scheme of Haryana government has been started in the district.

The mini cluster is supported by the Haryana government and it was inaugurated by R K Rana, Joint Director, District Industries Centre (DIC) on Friday.

While sharing the information about the cluster a Sonipat-based businessman, Rakesh Chabra said, "Haryana Government launched the Mini Cluster Scheme in its Industrial Policy of 2015. In this scheme the government share will be 90 per cent of the cost of Machines. The MSMEs of same trade & same industrial area can make a Mini Cluster."

"Total number of MSMEs shall be minimum 10 but preferably it should be 15. Considering plant and machinery, the project cost can be upto Rs 2 crore," he added.

He further said that after getting the sanction approved the machines are purchased by the government E tender system.

"90 per cent of the cost of the project will be granted by the Haryana government and 10 per cent have to be contributed by the other members. This scheme is based on the Government of India scheme of making clusters that cost is upto Rs 15 crores," he avowed.

The Mini Cluster scheme of Haryana has got much appreciation from the central government. This time in the new Draft of Industrial Policy 2020 Haryana government has proposed to increase the project cost upto Rs 5 Crores.

He also informed that there will be one cluster in each district of Haryana for one product and the remaining fourteen clusters have already been started or will start in a few days.

Source: knnindia.co.in– Aug 24, 2020

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India's unemployment rate falls to 7.46%

The country's overall unemployment rate fell to 7.46% for the week ended August 23 from the nine-week high of 9.1% recorded in the previous week, driven by a fall in the rate in rural India.

The urban unemployment rate, however, rose to its highest in six weeks to 9.89%. According to the Centre for Monitoring Indian Economy (CMIE), the rural unemployment rate fell to 6.32% for the week ended August 23 from 8.86% recorded a week earlier

Buoyed by a hectic sowing activity and jobs offered under the rural employment guarantee scheme, MGNREGS, the unemployment rate in rural India steadily plummeted to 6.34% for the week ended July 12 from 17.92% for the week ended May 31, but it had a topsy-turvy journey since then – rising to 7.66% for the week ended July 26 and then falling to 6.47% in the next week and further moving up to 8.86% for the week ended August 16.

“Many of the returned migrants have either on their own or due to desperate calls made by labour supply contractors have started returning to the urban areas to reclaim their jobs or search for jobs as production activities have increased considerably and the urban informal sector, including the trading sector, is gradually returning to normalcy.

Hence, the pressure on the rural labour market is easing though the unemployment rate will see considerable reduction when khariff harvesting will take place around October. The decline in unemployment is partially due to a decline in Covid threat probability,” XLRI professor and labour economist KR Shyam Sundar said.

In urban India, the unemployment rate had been steadily decelerating from 25.14% for the week ended May 31 to 8.73% for the week ended August 2; but since then the graph is on the rise to 9.31%, 9.61% and 9.89%, respectively in the subsequent weeks.

After clocking 23.5% in April and May, the overall pan-India unemployment rate first dropped to 17.51% in the first week of June and then it took a steeper fall to 11.6% in the second week.

It further came down to 7.4% in July, lower than the average unemployment rate of 7.6% during the entire 2019-20. For the week ended August 2, it stood at 7.19%; but since then it had been on the rise again to 8.67% for the week ended August 9 and further to 9.1% for the week ended August 16. The unemployment rate in February and March was 7.8% and 8.8%, respectively.

Source: financialexpress.com– Aug 25, 2020

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Crushed by the pandemic, Tiruppur textile owners seek government intervention

COVID-19 has been a death knell for 10,000 textile factory owners in Tiruppur as they have not been paid for goods worth Rs 10,000 crore (US\$1.35 bn) exported to different countries. This has drained Tiruppur of all its liquidity, says Raja M Shanmugham, President, Tiruppur Exporters Association. Besides domestic supply, the lockdown has also affected new and existing orders, he added. Factory owners are also been pressured to give discounts to clients in order to support businesses.

Many factory owners have been directed by the Centre and the state to take care of the basic needs of laborers besides paying them wages regularly. Though factory owners are trying to help these laborers as much as possible, expecting them to pay for their non-working days is unethical, opines Shanmugham. He urged the government to provide monetary assistance for workers.

Measures to curb the spread of coronavirus

Shanmugam urged the government to take a few steps to contain the virus spread. These include: providing monetary benefits to laborers; introducing special measures to prevent all industries – micro, macro, small-scale, large-scale – from being victimized in this process; instructing banks to forgo at least 1-2 per cent of interest rate and further reducing this by 2-3 per cent on all term and working capital loans; extending this scheme for one year and instructing the Employees' State Insurance Corporation (ESI) to pay one month's salary to all ESI card holders. The money for the non-card holders should be deposited in their Jan Dhan accounts.

Leveraging PPE demand

Realizing the business potential and growing demand for PPE production, over 100 factories in Tiruppur switched to producing masks and other personal protective equipment. These factories have received a number of orders from hospitals and civic bodies in Tamil Nadu and also from other states in the country. They are each producing at least 50,000 masks everyday by using about 200 tailors, adds Shangmugham.

Earlier the machines in these factories used to be placed close to each other. But factory owners are now placing them a few meters apart. Every time an employee enters a factory, owners ensure they sanitize their hands. Putting their concerted efforts to stop the spread of Coronavirus, owners have also disinfected the entire factory space. Leading industrialists say, the lockdown has broken the supply chain making raw material procurement a huge challenge for factory owners. They believe it will take more than a year for the industry to revive once the health crisis is controlled.

Source: fashionatingworld.com– Aug 24, 2020

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