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INTERNATIONAL NEWS

US May Help Bangladeshi Garment Suppliers Pry Payments from Order-Cancelling Brands: Report

The Office of the U.S Trade Representative (USTR), the White House's trade negotiation arm, has reportedly agreed to assist the Bangladesh government with chasing down payments from American brands and retailers that have canceled completed and in-production garment orders due to the ongoing Covid-19 pandemic.

The assurance, according to a press release issued by the Bangladesh ministry of commerce Wednesday, came at a virtual meeting of the United States-Bangladesh Trade and Investment Cooperation Forum Agreement Council, the committee's fifth session since its establishment in 2013 to negotiate trade and investment between the two nations. Two-way trade in goods with Bangladesh, according to USTR, totaled $9 billion in 2019. (The USTR did not immediately respond to a request for comment.)

To date, predominantly Western businesses have canceled or suspended more than $3.1 billion in orders—or the equivalent of 981 million garments—from Bangladeshi factories, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the South Asian nation's largest trade group of apparel-factory owners.

With revenues for the apparel and footwear industries poised to shrink by up to 30 percent year over year, per McKinsey & Company, the BGMEA predicts an "irrecoverable loss" of $5 billion by the end of the year.

U.S. companies that have canceled complete and in-production orders without paying, demanded steep retroactive discounts or protracted payment terms in Bangladesh, Ethiopia, India and elsewhere include bankrupt J. C. Penney, Ross, Kohl's, Sears, The Children's Place, T.J. Maxx, Urban Outfitters Inc. and Walmart-owned Asda, according to the Worker Rights Consortium, a labor group that maintains a "Covid-19 tracker" to monitor corporate responses during the pandemic.

Many of these retailers have studiously ignored the growing public backlash as exemplified by the #PayUp social-media campaign. On top of that, there have been few if any legal consequences for renegers, who cite contractual force-majeure loopholes for their actions, though Sears owner Transformco is facing down a $40 million lawsuit from unpaid Bangladeshi suppliers.

The Penn State Center for Global Workers' Rights estimates that more than one-quarter of the country's 4.1 million garment workers have been laid off or furloughed due to the economic fallout, but even those who have jobs face a bleak future.

A July report by Clean Clothes Campaign, a consortium of workers'-rights groups, calculated that Bangladeshi garment workers lost a cumulative $501.6 million in March, April and May due to the industry's throttled cashflows. This week, a survey published the South Asian Network on Economic Modeling (Sanem) and Microfinance Opportunities found that one-third of garment workers in Bangladesh are the sole earners of their households, making them especially vulnerable to financial shocks, like those stemming from Covid-19, which could leave them starving and destitute.

On Wednesday, finance minister Mustafa Kamal said the government may consider another stimulus package for garment exporters so they can pay workers their August wages. Officials had announced in April a disbursement of 5,000 crore taka ($589 million) to export-oriented industries, charging factory owners 2 percent interest on the loan. Last month, it allocated another 3,000 crore taka ($354 million) to help export-oriented industries pay July wages. The government's total stimulus largesse has topped 1 trillion taka ($11 billion) for all industries.

Commerce secretary Mohammad Jafar Uddin led the 24-member Bangladesh delegation, and Chris Wilson, assistant U.S. trade representative for South and Central Asia, headed the 13-member U.S. delegation at the meeting, which raised the possibility of American entrepreneurs setting up manufacturing plants for the production of a possible coronavirus vaccine, which would make the drug more affordable for all parties.

Uddin also asked the Trump administration to reduce duties on export of apparel products to the United States, particularly since Bangladesh imports millions of bales of cotton—or roughly 11 percent of its annual cotton requirement—from the United States each year. The U.S. delegation, in turn, asked that American cotton imported by Bangladesh not be fumigated on arrival since it goes through the process before being shipped and double fumigation can deteriorate the fibers' quality.

Source: sourcingjournal.com– Aug 28, 2020

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Japan's textile and apparel exports drop 13 per cent

As per latest released statistics from Japan's Ministry of Finance, the country's textile and apparel (T&A) exports declined by 13 per cent on Y-o-Y basis to $3.29 billion during the January-June'20 (H1) period. Textile exports declined to $3.05 billion while apparel products declined by 8 per cent to $229.80 million.

Of all textile products, the export of textile fibers declined 5 per cent to $400.60 million. On the other hand, exports of rayon staple fibers surged significantly by 123 per cent to $96.29 million. Export of polyester staple fiber decreased by 13 per cent to $18.30 million and that of acrylic staple fiber declined by 23 per cent to $203.40 million

The value of Japan's yarn exports also dropped 19 per cent to $386.39 million. Of this, the value of Rayon filament yarn dropped by 28 per cent to $54.74 million while that of nylon filament yarn declined by 32 per cent to $62.62 million and polyester filament yarn export declined by 14 per cent to $42 million.

Furthermore, Japan's fabric exports also dropped by 23 per cent to $1.05 billion. Of this, exports of nonwoven and coated fabrics plunged by 4 per cent and 22 per cent, respectively, to $361.64 million and $179.60 million.

On the contrary, the volume of nonwoven fabric exports increased by 16 per cent on Y-o-Y basis in H1 '20.

Source: fashionatingworld.com– Aug 28, 2020

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Global exports of cotton fabrics significantly down

The global export of cotton fabrics has decreased 17.95 per cent to $32,990.56 million in the year 2019 compared to $40,206.37 million in 2017. Whereas, total exports slipped 18.17 per cent in 2019 over the previous year. Further, the exports is expected to move up to $34,925.72 million in 2022 with a rate of 5.87 per cent compared to 2019.

The global import value of cotton fabrics was $19,189.97 million in 2017, which dropped 13.27 per cent to $16,643.85 million in 2019, according to Fibre2Fashion's market analysis tool TexPro.

Total imports plunged 16.48 per cent in 2019 over the previous year and is expected to rise to $17,121.28 million in 2022 with a rate of 2.87 per cent from 2019.

China ($20,770.82 million), Pakistan ($2,050.20 million) and India ($1,942.07 million) were the key exporters of cotton fabrics across the globe in 2019, together comprising 75.06 per cent of total export. These were followed by Italy ($1,036.42 million), Turkey ($909.16 million) and Hong Kong ($645.09 million).

From 2016 to 2019, the most notable rate of growth in terms of export value, amongst the main exporting countries, was attained by China (47.80 per cent) and India (9.57 per cent).

Vietnam ($3,222.64 million), Cambodia ($925.06 million) and Indonesia ($737.76 million) were the key importers of cotton fabrics in the globe in 2019, together comprising 29.35 per cent of total import. These were followed by China ($708.42 million), US ($676.24 million) and Italy ($627.95 million).

From 2016 to 2019, the most notable rate of growth in terms of import value, amongst the main importing countries, was attained by Cambodia (73.27 per cent) and Vietnam (39.80 per cent).

Source: fibre2fashion.com– Aug 28, 2020

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Sustainability to lead fashion industry's recovery post COVID-19

COVID-19 has compelled the fashion industry to focus on the environment. In the last few months, the industry has set up several standards-setting bodies and working groups like Sustainable Apparel Coalition, Leather Working Group to improve its carbon footprint. However, these groups are likely to make a bigger impact if the industry agrees to certain common goals, says Brian Ehrig, Partner-Consumer Practice, Kearney.

The three goals for a green recovery include: redefining sustainability to allow for its objective measurement; amplification of R&D capabilities for material innovation and circular capabilities; and the adoption of digital-first practices across the value chain. Unfortunately COVID-19 has affected many fashion innovators. A study by Fashion for Good says, the pandemic has affected business development and financing of fashion innovators. It has halted many pilot projects, with 54 per cent innovators facing financial constraints.

Maxine Bédat, Founder, New Standard Institute, advises the industry to solve its sustainability problems by disclosing the carbon footprint of suppliers, setting public targets for reduction and reporting on progress.

A unified vision to circular economy

For long, industry groups have been uniting stakeholders across the apparel and footwear industries. However, these groups have separate visions for achieving a circular economy post COVID-19. The Sustainable Apparel launched the Policy Hub in May 2019 in partnership with the Federation of the European Sporting Goods Industry and Global Fashion Agenda, it aims to soon submit its final proposal for a green recovery plan to the EC and member states, after drawing on responses from organization members and interested individuals.

Before the pandemic, there was a year-on-year improvement in measurable sustainability progress of more than 500 facilities, reveals Higgs Index. However, COVID-19 impacted through canceled or suspended orders, said a SAC and Boston Consulting Group report in April. According to Amina Rava, CEO, SAC, two key needs that have emerged from the pandemic are: access to funding to reinforce sustainable practices, and an opportunity to integrate sustainability as a foundational part of rebuilding the industry.

In response to an appeal by EU environment ministers for the European Green Deal, a "green recovery alliance" was formed in April with 180 signatories across sectors, including fast-fashion giant H&M Group, furniture retailer Ikea Group, consumer goods company Uniliver and, nonprofit think tank The Ellen MacArthur Foundation. The informal initiative is led by Pascal Canfin, a member of the European Parliament's committee on environment and public health. The campaign calls for making the fight against climate change the core of economic strategy with emphasis on resilient, protective, sovereign and inclusive principles.

An end to green-washing

The campaign also calls for the establishment of green recovery investment packages at local, national and EU levels that would help a country transition to a climate-neutral economy protect biodiversity among other things. In these campaigns, the EU plans to include a comprehensive strategy for textiles and sustainable products that will strengthen extended producer responsibility and clear up strategy on the unintentional shedding of microplastics.

The proposed initiative will also end green-washing by stepping up EU's regulatory and non-regulatory efforts. It will also empower businesses to promote sustainable textiles to consumers and offer reuse and repair services.

Over 1.2 million citizens globally have joined campaigns advocating a green recovery in Europe, says the European clean transport campaign 'Transport and Environment'. April research from Kearney also shows that 48 per cent of consumers are now more concerned about the environment than they were at the start of the pandemic.

Source: fashionatingworld.com– Aug 28, 2020

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UKFT to represent industry on TAG

The UK Fashion & Textile Association (UKFT) has been asked to represent the industry on the new trade advisory group (TAG) to the Department for International Trade (DIT) for British Manufacturing and Consumer Goods. UKFT will provide knowledge and insight of the needs of the UK fashion and textile industry to inform the UK negotiating position.

This assumes significance as UK's trade talks with countries including Japan, the US, Australia and New Zealand are likely to intensify in the coming days. Separately, UKFT is also representing the industry to the group negotiating with the EU.

This will bring business closer to the negotiating table and help secure the best possible deals that deliver jobs and growth across Britain. UKFT's talks with Japan, the US, Australia and New Zealand are entering their crucial latter stages. Hence, it needs to step up engagement with vital industries to utilise their technical and strategic expertise.

UKFT is preparing its own updated guidance for members on trading with Europe after the end of the transition period, covering changes to tariffs, import and export documentation, labelling and more.

Source: fashionatingworld.com– Aug 28, 2020

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Zara selects Dlocal for e-commerce in Uruguay & Paraguay

Dlocal, an award-winning fintech company that specialises in cross-border payments for emerging markets, has announced that it is supporting Zara's e-commerce operations in Uruguay and Paraguay through the use of its payments platform. This provides an enhanced online shopping experience for the leading Spanish apparel retailer Zara's customers.

Leveraging Dlocal's 360 payments platform, Zara (Inditex) will be able to accept local credit card payments with the option of monthly instalments. The solution allows customers to pay with both international and locally issued credit cards from Mastercard, Visa and American Express, as well as other domestic cards such as OCA in Uruguay, according to a press release by Dlocal.

Local card acquiring is part of Dlocal's Payins solution that allows merchants to collect payments from their customers in emerging markets in their respective local currency. The major benefit for the merchant is the access to a variety of local payment methods as well as the possibility to receive funds in dollars, euros, or any other currency within the countries Dlocal operates in. Dlocal clients deploying the Payins solution see an average increase of 20 per cent in conversion rate.

With only a single integration to Dlocal's platform, the solution enables any merchant to immediately expand to all of the 19 emerging markets that includes Latin America: Argentina, Brazil, Bolivia, Colombia, Chile, Ecuador, Mexico, Paraguay, Peru, Uruguay; Africa: Egypt, Morocco, Nigeria, South Africa; and Asia: Bangladesh, China, India, Indonesia, Turkey.

"We are proud to have Zara as a customer, to provide their international shoppers with an easier and faster online checkout experience by offering them multiple local payments methods. We have extensive experience in Uruguay and Paraguay, supporting hundreds of clients between the two countries, and we look forward to putting that expertise to work in helping Zara achieve success in the region," Michel Golffed, VP growth, Dlocal said.

"Localised payments have been proven beneficial for global retailers fostering e-commerce. Uruguay, for example, is an e-commerce-friendly market with a strong economy that's projected to grow to $3.7 billion in 2021, with local debit cards making up about a third of the payments volume.

It's the same story for many other high-potential markets around the world. Offering localised payment options isn't a 'nice to have,' it's a prerequisite for success," Meirav Adi, VP sales, Dlocal said.

Source: fibre2fashion.com– Aug 29, 2020

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Gap reports 13% rise in comparable sales

Apparel retailer Gap reported a surprise 13 per cent rise in quarterly comparable sales as consumers stuck at home due to the COVID-19 pandemic bought more of its Old Navy and Athleta clothing online.

Its same-store sales rose by 13 per cent, compared with analysts' forecast of a 20.97 per cent fall, according to IBES data from Refinitiv - Gap Inc. People working or studying from home have been stocking up on comfortable "stay at home" clothes including fleece and activewear, boosting demand for the company's budget-friendly Old Navy brand, athleisure label Athleta as well as Gap clothing.

The San Francisco-based retailer oubled its e-commerce business for the quarter ended Aug. 1, with about 50 per cent online penetration, and added about 3.5 million new customers.

While the company expects demand for the two brands to fuel sales, it plans to close over 225 unprofitable Gap and Banana Republic stores globally as a part of its restructuring plan.

The back-to-school season, one of the busiest periods for the company, could extend longer and Gap is ready with the "right assortment" for kids whether they are learning at home or in a classroom.

Source: fashionatingworld.com– Aug 28, 2020

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Uzbekistan textile and garment exports increase by 112%

From January to July this year, Uzbekistan's textile and garment exports increased 112 per cent to $1 billion. This was due to its opening of new markets and developing new products. During the period, Uzbekistan exported textile and garment products to 57 countries and regions around the world.

The main destinations were: Russia which formed 39 per cent of the total exports from Uzbekistan, China which received 18 per cent of exports from Uzbekistan, Kyrgyzstan which accounted for 13 per cent of the exports and Turkey which received 12 per cent of the exports from Uzbekistan. In addition to traditional markets, Uzbekistan also exported to Hungary, Slovakia and Greece. With the support of the Uzbekistan Embassy in Kuwait, Uzbekistan realized exports to Kuwait for the first time this year.

Uzbekistan also optimized the export commodity structure of its industry by increasing the proportion of value-added finished products such as knitwear and ready-made garments to 51 per cent. It also started exporting new products such as protective masks and protective clothing.

Uzbekistan textile companies currently produce 6 million masks and 10,000 sets of protective clothing per day, and export them to Russia, Kuwait, Ukraine, Belarus, Georgia and other countries.

Source: fashionatingworld.com– Aug 28, 2020

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Bangladesh: 3.24 lakh RMG workers lose jobs amid virus outbreak

More than 3.24 lakh readymade garment workers have lost their jobs and 1,915 factories, mostly subcontracting ones, have been shut since the coronavirus outbreak began in the country in March this year, according to a Bangladesh Institute of Labour Studies' study report.

The study titled 'COVID-19: Decent Work in Readymade Garment Sector' found that 80 per cent of the workers had no savings while 27 per cent of the workers had reduced their food expenses as monthly wages became irregular during the pandemic.

The BILS on Thursday revealed the study report at a press conference held at the National Press Club in the city.

It said that RMG workers in the country had been struggling for their survival due to frequent retrenchment and factory lay-off amid the coronavirus pandemic.

According to the report, more than 26,000 workers were retrenched from 87 RMG factories during the pandemic.

In many cases, the workers' retrenchment took place without following labour laws and rules, the report said.

Citing a previous study conducted in 2019, the BILS said that 56 per cent of the RMG workers procured essential commodities on credit and 72 per cent had no ability to get proper treatment due to the low wages.

The coronavirus outbreak multiplied the crisis of the workers, it said.

Demanding government assistance for the workers, the study said although the country's export sector got Tk 50,000 crore as stimulus to fight with COVID-19 fallout, the benefit of the package was not transmitted to the workers.

It said that in most cases, the workers involved with trade unions were being retrenched and the applications for the trade union registration were being rejected without valid reasons.

BILS advisory committee member Naymul Ahsan Jewel read out the outcomes of the study at the press conference while BILS vice-presidents Anwar Hossain and Amirul Haque Amin, and IndustyriAll Bangladesh Council secretary general China Rahman, among others, spoke at the event.

Amirul said that factory owners, with the support of the government, were exercising the unilateral power of retrenchment of workers and factory lay-off without following any law but workers had no rights to be united to demand their lawful benefits.

He said that workers were facing three types of risk during the pandemic — risk of life, risk of termination and risk of not getting wages on time.

Amirul alleged that many factories were running their production without complying with the COVID-19 health guidelines.

China Rahman said women workers, especially pregnant ones, had been facing severe problems as factory authorities denied them joining work without giving their job benefits.

Source: newagebd.net– Aug 28, 2020

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NATIONAL NEWS

Blackswan event for textile, apparels: Here's how coronavirus affected exports, domestic sales

With coronavirus hitting the globe, virtually every industry has borne the brunt of the pandemic with lower sales volumes and hampered revenue flow. Textile and apparel industry is no different and has also reported significant reduction in sales starting from March when the government imposed coronavirus lockdown.

"Post lockdown announcement by the government of India, domestic retail sales came to a grinding halt. To add to the woes of regular garment manufacturers, international customers, who were also under lockdown, deferred orders from Indian suppliers," according to a recent webinar by CARE Ratings on the apparel industry. However, the issues for the textile industry do not end there.

Calling coronavirus a blackswan event for the textile industry, Sudeep Sanwal, Senior Manager, CARE Ratings said that "GDP of two major export destinations for Indian apparels manufacturers, ie, the United States and Europe, is expected to contract in 2020 which will further lower the demand for apparels".

These two destinations combined account for more than half of the apparel exports from India. Due to lockdowns, order cancellations took place in massive numbers which also led to pent-up inventories. Since, the fashion industry is highly dynamic in terms of styles, the unsold stock may soon go out of fashion which will lead to inventory losses for manufacturers.

The spring summer collection of most manufacturers also witnessed a significant hit. Also affecting the sales of the manufacturers was the fact that despite having ready clothing, logistics posed a problem.

Route ahead

While it has been almost six months since the coronavirus pandemic hit Indian shores, there is still no clarity as to when the situation will get better. Moreover, in the light of an economic slowdown, job loss, and salary cuts, discretionary spending is expected to remain low.

Keeping this in mind, retailers will now focus on liquidating existing inventories and will only start placing orders when the cash cycle starts to improve. In fact, retailers are likely to cut autumn/ winter orders by more than 50%. Retailers place orders for the upcoming fall, winter season in August. The companies hope for a sales revival only after late Q3 or early Q4.

Source: financialexpress.com– Aug 27, 2020

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Textile bodies urge removal of anti-dumping duty on viscose staple fibre

Major textile bodies in the region on Friday appealed to the Centre to remove anti-dumping duty on Viscose Staple fibre (VSF) to create a level playing for the entire textile value chain.

The removal of the duty will help a big section of MSMEs in their growth and the appeal was perfectly aligned with Atma Nirbhar Bharat Mission, Indian Texpreneurs Federation (ITF) said in its representation to the Union Textile, Commerce and Finance Ministries.

In a release, Southern India Mills Association Chairman, Ashwin Chandran also sought the removal of the duty and said Indian Man Made Fibre (MMF) products account for 20 per cent of the total Textile and Clothing (T and C) exports, whereas, in China and other textile exporting countries it is 80 per cent.

According to him,India is not able to make any progress in MMF T&C exports due to the raw material price disadvantage despite being the second largest producer of MMF in the world.

VSF is still given undue protection by way of anti-dumping duty that seriously affects the entire viscose staple fibre textile value chain, he alleged. Removing the duty on VSF will make the domestic VSF prices aligned with Global VSF prices making the entire Indian VSF textile value chain globally competitive and boost production and exports of these products, he said.

Source: thehindubusinessline.com– Aug 28, 2020

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World Bank suspends 'ease of doing business' report

Cites irregularities in 2018 and 2020 report

The World Bank Group has 'paused' the publication of the Doing Business report after irregularities have been reported regarding changes to the data used in the report.

A World Bank statement said, "A number of irregularities have been reported regarding changes to the data in the Doing Business 2018 and Doing Business 2020 reports, published in October 2017 and 2019. The changes in the data were inconsistent with the Doing Business methodology."

"The Board of Executive Directors of the World Bank has been briefed on the situation as have the authorities of the countries that were most affected by the data irregularities. The publication of the Doing Business report will be paused as we conduct our assessment," the statement said.

After the release of the October 2019 report, a statement from the Ministry of Commerce said, "India has recorded a jump of 14 positions against its rank of 77 in 2019 to be placed now at 63rd rank among 190 countries assessed by the World Bank.

India's leap of 14 ranks in the Ease of Doing Business ranking is significant, considering that there has been continuous improvement since 2015 and for the third consecutive year India is amongst the top 10 improvers."

"As a result of continued efforts by the Government, India has improved its rank by 79 positions in the last five years from 2014-2019," the official statement had said.

According to the now-withdrawn World Bank report, the economies with the most notable improvement in Doing Business 2020 were Saudi Arabia, Jordan, Togo, Bahrain, Tajikistan, Pakistan, Kuwait, China, India and Nigeria. In 2018-2019, these countries implemented one-fifth of all the reforms recorded worldwide.

Source: thehindubusinessline.com– Aug 28, 2020

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India to post strong growth pick up in 2020 H2: Moody's

India, China and Indonesia will be the only G-20 emerging economies to post a strong enough pick up of real gross domestic product (GDP) in 2020 second half, according to Moody's Investors Service, which recently retained its projection of 3.1 per cent growth contraction for India in 2020. For 2021, Moody's has projected Indian economy will grow at 6.9 per cent.

"The economic outlook of emerging market countries is more challenging than in advanced economies. In our baseline projections, China, India and Indonesia will be the only G-20 emerging economies to post a strong enough pick up of real GDP in the second half of 2020 and full-year 2021 to end next year above pre-coronavirus levels," Moody's said in the August update of Global Macro Outlook 2020-21.

An economic recovery is under way, but its continuation will be closely tied to the containment of the virus, the rating agency said.

Economic data show a quick rebound in goods consumption in a number of advanced economies. However, pandemic fears will continue to hinder a complete recovery. It projected a 4.6 per cent contraction for G-20 economies in 2020, followed by 5.3 per cent growth in 2021, a news agency reported.

With the exception of China, Moody's expects economic activity in every G-20 economy to fall this year.

It said in countries with existing banking sector weakness, such as India and Turkey, there is a risk of a self-sustaining negative loop in which adverse real economic developments and bank weakness reinforce each other and harm long-term productive capacity.

Moody's said disputes over trade, technology and foreign policy between China and some of its trading partners, including the United States, Australia, the United Kingdom, Canada and India, have escalated since the start of the pandemic.

The emphasis of various governments on shoring up domestic productive capacities can also be viewed as an attempt to reduce their co-dependence on the global economy.

"Over time, geopolitical tensions between competing powers could exacerbate in a less interdependent world. Asian countries are particularly vulnerable to changes in geopolitical dynamics. The rise in tensions between China and countries bordering the South China Sea and clashes on the border with India suggest that geopolitical risks are rising for the entire region," Moody's added.

Source: fibre2fashion.com– Aug 28, 2020

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What Indian states export to rest of the world

Maharashtra exports antacid tablet to 198 countries across the globe, while wooden furniture from Rajasthan reach 111 countries. These are some of the insights on comparative advantages of Indian states from the Export Preparedness Index report published by Niti Aayog on Wednesday.

While India's exports to other countries are available at the aggregate level, Directorate General of Commercial Intelligence and Statistics (DGCIS) under Ministry of Commerce and Industry does not make public a state-wise break up of source of India's exports.

The Niti Aayog report came out with a ranking of states in which Gujarat topped the list based on an assessment of export potential and performance of states. The coastal states dominated the ranking with six of eight coastal states featuring in the top ten rankings with Mahararashtra coming a close second behind Gujarat.

One item that fetches maximum foreign currency by a single state is cut and polished diamonds exported by Maharashtra to 77 countries valued at $23 billion followed by high speed diesel ($10.4 billion) exported by Gujarat to 48 countries.

Southern industrialised states like Tamil Nadu specialize in exporting motor cars, cotton T-shirts, dumpers and babies' garments, while Karnataka exports high-speed diesel, aviation turbine fuel and cotton T-shirts for men or boys. Kerala mostly exports gold jewellery, mineral oils and cashew karnel.

India's agri and marine exports are driven by states like Punjab, Haryana, Uttar Pradesh and Andhra Pradesh. Punjab exports mostly basmati rice, Uttar Pradesh excels in boneless meat, Andhra Pradesh aces it in export of shrimps and prawns. Apart from basmati rice and garments, Haryana, known for its auto industry, exports turbo jet engines and other auto parts.

Among other landlocked states, Telangana exports antacid tablets worth $850 million to 168 countries, apart from chemicals, crude granite and boneless meat. Mineral-rich states like Chhattisgarh and Jharkhand export metal and metal products like aluminum ingots and manganese ore, flat-rolled steel products among others. Odisha, another mineral-rich coastal state, exports mostly metal items such as aluminum ingots, ferro-chromium carbon, iron ore pellets apart from shrimps and prawns.

Among Himalayan states, Uttarakhand exports coins and lifeboats, Himachal Pradesh specializes in antacid, antibiotic and hypertension medicines, while Tripura exports onion and dried fish.

Among Union Territories, Delhi exports from turbo-jet engines to basmati rice and garments, while Goa and Pondicherry specialize in medicine exports.

Source: livemint.com– Aug 28, 2020

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India needs 90 mn non-farm jobs in 2023-2030: McKinsey

India needs to create 90 million non-farm jobs between 2023 and 2030 to absorb new workers and an additional 30 million workers who could move from farm work to more productive non-farm sectors, according to a report by the McKinsey Global Institute, which said annual gross domestic product (GDP) growth of 8-8.5 per cent will be required after the pandemic with continued strong productivity growth and faster employment growth than in the past.

"To absorb this influx, the country will need about 12 million additional gainful non-farm jobs every year starting in fiscal-year 2023, triple the four million non-farm jobs created annually between 2012 and 2018. If an additional 55 million women enter the labour force, at least partially correcting historical underrepresentation, India's job creation imperative would be greater," said the report titled 'India's Turning Point: an economic agenda to spur growth and jobs'.

"Choosing a high-growth path that creates 90 million gainful jobs requires India to simultaneously increase its rate of employment growth sharply and maintain its historically strong productivity growth. To achieve 8 per cent to 8.5 per cent GDP growth, net employment would need to grow by 1.5 per cent per year from 2023 to 2030, similar to the average net employment growth rate of 1.5 per cent that India achieved from 2000 to 2012, but much higher than the flat net employment (growth rate) experienced from 2013 to 2018," it said.

India will also need to maintain annual productivity growth at 6.5-7 per cent, which it achieved from 2013 to 2018, the report said. The two objectives—employment generation and growth—are not contradictory and "indeed, employment cannot grow sustainably without high productivity growth and vice versa", the report noted.

In the absence of urgent steps to spur growth, "India risks a decade of stagnating incomes and quality of life", the report said. Besides, in the high growth path, the manufacturing and construction sectors can accelerate the most.

A focused and enabling environment could potentially create 11 million new jobs in manufacturing, 24 million in construction, 22 million in the labour-intensive service sectors and 30 million in the knowledge-intensive service sectors, the report said and clarified that McKinsey looked beyond the pandemic with scenarios beginning in fiscal 2023, "assuming India takes steps to transition out of the covid-19 recession by then".

"If India fails to put in place measures to address pre-pandemic trends of flat employment and slowing economic growth and does not manage the crisis adequately, its economy could expand...with a decadal growth of just 5 per cent," it said underlining that in such a situation, the economy would absorb only six million workers compared to 60 million in the high-growth path, marking a decade of lost opportunity.

The McKinsey report said sector-specific policies for improving productivity in manufacturing and real estate, reducing the cost of doing business, unlocking supply in land markets, creating flexible labour markets, privatizing 30 or so of the largest state-owned enterprises can raise productivity and competitiveness.

Source: fibre2fashion.com– Aug 29, 2020

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Explained: Issues in GST compensation

With Centre-state friction over pending compensation payments under the Goods and Services Tax (GST) taking a new turn in the 41st GST Council meeting on Thursday, strain on the finances of states is likely to continue in the near term. Several states have opposed the two options to borrow that were proposed in the meeting as a way to bridge the revenue shortfall.

GST compensation payments to states have been pending since April, with the pending amount for April-July estimated at Rs 1.5 lakh crore. The GST compensation requirement is estimated to be around Rs 3 lakh crore this year, while the cess collection is expected to be around Rs 65,000 crore – an estimated compensation shortfall of Rs 2.35 lakh crore.
What was discussed at the meeting?

The legal opinion on borrowing was discussed. The opinion of the Attorney General of India was cited to buttress the argument that GST compensation has to be paid for the transition period from July 2017 to June 2022, but the compensation gap cannot be bridged using the Consolidated Fund of India. The AG has suggested the compensation cess levy can be extended beyond five years to meet the shortfall, Finance Secretary Ajay Bhushan Pandey said.

State Finance Ministers, barring a few including those of Assam and Goa, pressed for borrowing by the Centre to bridge the revenue gap. Towards the end of the meeting, the Centre offered two options.

The first was a special window to states, in consultation with the RBI, to borrow the projected GST shortfall of Rs 97,000 crore, and an amount that can be repaid after five years of GST, ending June 2022, from the compensation cess fund. A 0.5% relaxation in the borrowing limit under The Fiscal Responsibility and Budget Management (FRBM) Act would be provided, delinked from the conditions announced earlier as part of the pandemic package linked to the implementation of reform measures such as universalisation of 'One Nation One Ration Card', ease of doing business, power distribution, and augmentation of urban local body revenues.

The second option was to borrow the entire projected shortfall of Rs 2.35 lakh crore – both on account of faltering GST collections and the expected shortfall due to the pandemic – facilitated by the RBI. No FRBM relaxation has been mentioned for this option so far.

What are the views of the states on these?

Five states and Union Territories – Kerala, Punjab, West Bengal, Puducherry and Delhi – have voiced their concerns over the proposals.

KERALA: Finance Minister Thomas Isaac said enforcing a cut in compensation and bringing in a distinction between GST and Covid-related revenue loss is unconstitutional. He has said that the states' FRBM limit should be raised by at least 1.5 percentage points if the entire Rs 2.35 lakh crore has to be borrowed.

PUNJAB: Finance Minister Manpreet Singh Badal has said these options were thrust upon the states, and the borrowing would translate into "mortgaging of the future to live for the present".

DELHI: Deputy CM Manish Sisodia has said the Centre's refusal to pay states is the "biggest betrayal" in the history of federalism in India, and has expressed concerns about Delhi's inability to borrow via the RBI to bridge the compensation gap, given its status of a UT with state legislature.

WEST BENGAL: Finance Minister Amit Mitra said borrowing by states will increase their debt servicing liability, and any other interpretation of the compensation-related Section 18 of The Constitution (One Hundred and First Amendment) Act is unjustifiable. Section 18 of the amendment says Parliament shall, on the recommendation of the GST Council, provide for compensation to states for the loss of revenue arising out of implementation of the GST for five years.

States have asked the Centre for details of the two options. They will then have seven working days to get back with their views.
What is the significance of GST for states?

States no longer possess taxation rights after most taxes, barring those on petroleum, alcohol, and stamp duty, were subsumed under GST. GST accounts for almost 42% of states' own tax revenues, and tax revenues account for around 60% of states' total revenues.

Finances of over a dozen states are under severe strain, resulting in delays in salary payments and sharp cuts in capital expenditure outlays amid the pandemic-induced lockdowns and the need to spend on healthcare.

The Finance Secretary said GST collections had been severely impacted by the pandemic. Revenues are expected to be hit further; the economy is projected to record a recession this year. Union Finance Minister Nirmala Sitharaman on Thursday referred to the Covid-19 outbreak as an “act of God” that would result in a contraction of the economy in the current fiscal.

When did the issue of compensation to states arise, and how did it evolve?

Shortfall issues surfaced almost a year ago when payments due for August-September 2019 were delayed. Since then, all subsequent payouts have seen cascading delays.

The economic slowdown, which has been on for almost three years now, began to impact GST revenue collections in August 2019. The Centre first admitted to problems on compensation payment in the 37th GST Council meeting in Goa last September – it said the amount of cess available in the compensation fund at the end of February “shall fall short for payment of compensation for loss of revenue till the bi-monthly period of December-January”.

On November 27, 2019, the GST Council wrote to states that the GST and compensation cess collections in the previous few months had become a “matter of concern”, and that compensation requirements were “unlikely to be met”.

GST compensation payments had started getting delayed by then. Many state FMs had begun to express concerns over having to repeatedly ask for their share of revenues. The GST compensation payment of Rs 35,298 crore for August-September 2019, which was due in October, was paid in December. The Centre released another Rs 34,053 crore in two instalments in February 2020 and April 2020 as compensation for October-November 2019.

In June this year, Rs 36,400 crore was released as GST compensation for December-February, and the balance Rs 13,806 crore for March was released in July, taking the total compensation payout for FY20 to Rs 1.65 lakh crore.

Source: indianexpress.com– Aug 29, 2020

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Implications of India's rising Agri exports

India's export business has been among the worst hit by the ongoing pandemic. In the first four months of the current financial year, namely, from April to July, merchandise exports have fallen by over 30% over the corresponding period in 2019. But amidst this gloom, there is cheer in officialdom that exports of agricultural commodities have increased.

In July, several agricultural commodities, especially of food grains and oils, showed a spurt in exports. As compared to the levels in July 2019, exports of non-basmati rice rose by 48%, other cereals by 205% and oil seeds by nearly 33%. If we go back to the figures of the first quarter, namely April to June, for which further details are available, the trends in exports of food grains and oils become somewhat clearer. During this period, exports of several food grains increased significantly over the corresponding period in 2019.

Non-basmati rice exports increased by over 56%, wheat by 130%, and pulses by nearly 28%. Contributing to these trends are two factors; one, increase in supplies due to record food grains production, and two, deregulation of agricultural markets effected by the promulgation of three ordinances. The amendment of the Essential Commodities Act effectively deregulated the market for food grains, among others. The two other ordinances, the Farming Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020 and The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020 were introduced, according to the government, to scout for new markets, boost exports and double farm incomes.

Although the implications of these ordinances have been discussed threadbare, the ramifications of the emphasis on export-orientation of Indian agriculture have not been considered. This is a fundamental shift, for over the past five decades, agricultural policies have focused on the realisation of two critical objectives: food security, at the household level and for the country as a whole, and protection of rural livelihoods. The significance of this policy orientation of agriculture was realised even more during the country's tryst with economic liberalisation from the early 1990s, which overlapped with India joining the World Trade Organization (WTO). One of the most contentious issues in the WTO has been the liberalisation of the global market for agricultural commodities, an agenda supported by the US and the EU. India's stance in this regard was effectively articulated by the then Commerce Minister, Pranab Mukherjee, who argued in the 1994 Ministerial Meeting which launched the WTO that the Government of India was "firmly committed to protecting the interests of our farmers who constitute the country's life-line and to the objective of ensuring food security for our people".

By adopting this stance, the government was able to impose high tariffs on commodities that are vital for protecting domestic food security and rural livelihoods, and which continue till date. If such high tariffs had not been imposed, global agri-business could have easily swamped India's markets by exporting subsidised products from both the US and the EU, as they did in many other developing countries.

In the subsequent negotiations held for furthering the trade liberalisation agenda in the WTO, India, along with a group of developing countries (the G-33), strongly articulated the view that food security, rural livelihoods and rural development were the primary objectives of agriculture in developing countries. The G-33 argued that additional policy instruments must be agreed to by the WTO members for furthering these objectives.

This position became the effective counter to the pressures brought by the US, the EU and other agricultural exporters for unbridled opening up of agricultural markets. India maintained its longstanding policy focus on agriculture while negotiating bilateral free trade agreements (FTAs). This enabled the government to protect domestic markets from imports despite engaging with agricultural exporters like Thailand, Malaysia and Vietnam. Several ongoing FTA negotiations have not progressed simply because India has remained steadfast in protecting its domestic agricultural market, especially its small farmers from import competition.

The implications of the change in agricultural policies being ushered in by the government are not difficult to fathom. In India's bilateral FTA engagements as well as in the WTO, partner countries are unlikely to accept New Delhi's export-oriented stance, while its own market remains largely protected behind high tariffs. But before comprehensively opening India's market to imports, the government must have a plan in place to sustain domestic food security and also protect the livelihoods of the almost 60% of the workforce that is directly or indirectly dependent on agriculture.

Source: newindianexpress.com– Aug 29, 2020

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Weekend lockdowns mean big loss of business, rues retail industry

Supply chain, logistics are getting severely hit, says retail players

With the festival season approaching and more States imposing weekend curfews and partial lockdowns amid rising Covid-19 cases, the retail industry has raised concerns about their impact on operations, consumer sentiment and the recovery of the segment.

Retail industry players pointed out that weekend/partial lockdowns in many regions include shutting down of not only non-essential shops and warehouses but also essential shops and this is hitting business.

Supply chains disrupted

Harkirat Singh, Managing Director, Aero Club which owns the Woodland brand, said, "Sales during the weekend on an average contribute 45-50 per cent to the entire week's business. Hence, such lockdowns are hurting retail industry's business. Weekends are also important for supply chains and logistics purposes, which are also getting disrupted."

Festival season ahead

The festival season, which contribute nearly half of the annual revenues of retailers, is round the corner and if retail stores are not allowed to open on weekends, it will hit their business hard, he added.

As of date, more than 10 States have imposed weekend lockdowns to curb the spread of Covid. These include Punjab, Haryana, Madhya Pradesh, Uttar Pradesh, Nagaland, Assam, Chandigarh, Andaman & Nicobar, Jammu & Kashmir and Jharkhand. West Bengal, and Uttarakhand are imposing partial lockdowns. Some local level authorities are also imposing partial or weekend lockdowns in cities.

Arvind Mediratta, MD and CEO, Metro Cash & Carry India, said, “The weekend lockdowns are severely impacting the brick-and-mortar retail industry and the uncertainty also dampens consumer sentiment. Even as consumers are working from home, weekends are important for them to shop.”

Loss of taxes flagged

Industry bodies such as the Retailers Association of India (RAI) and the Shopping Centres Association of India (SCAI) have raised concerns with various State and local authorities regarding this issue. The RAI has also argued that the loss of sales due to weekend/partial lockdowns directly impacts the taxes collected by State governments.

Association CEO Kumar Rajagopalan said that the loss of sale on weekends is “exacerbating the financial woes of retailers”, who are struggling to pay rents, bank EMIs and salaries.

“Retailers are depending on the weekend business to recover from the financial stress they have been facing. Such restrictions at the local level throw a spanner in the wheel and result in a cascading effect that negatively impacts the entire value chain. Not only does it create uncertainties for retailers but also disrupts the supply chain. If the weekend business is lost then the hoped-for recovery from the festival season will become a distant dream,” he added.

SOPs for safe shopping

Amitabh Taneja, Chairman, Shopping Centres Association of India, said the SOPs developed by the industry are stringent to ensure social distancing and offer safe environment to consumers for shopping.

“There has to be a concerted effort to find ways in which businesses are allowed to operate while containment measures are implemented. Frequent lockdowns will end up creating a greater economic impact than what the first lockdown did,” he added.

Source: thehindubusinessline.com– Aug 28, 2020

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Cotton harvesting in Punjab to get delayed, picking begins from September 15

Cotton harvesting in Punjab, particularly the south Malwa region, is set to commence after September 15, a delay of two weeks than the usual practice.

Agriculture experts attribute the postponement in the raw cotton picking schedule to a delay in sowing period due to the Covid-19 outbreak.

Cotton is the economic lifeline of farmers in the semi-arid belt of south Malwa as the crop is sown in eight districts, mainly in Fazilka, Mansa, Bathinda and Muktsar. The sowing period in the state starts from April 18 based on the recommendations of agriculture scientists.

Amid the shortage of migrant farm workers due to the coronavirus outbreak, Punjab this year has set a record by bringing 5.01 lakh hectares under cotton cultivation, which is the highest since 2010-11 kharif or summer-sown crop season.

State agriculture officials and farmers are hopeful of a bumper crop this season. Chief agriculture officer (Bathinda) Bahadur Singh said normally cotton picking starts by the end of August.

"However due to pandemic, sowing began in the end of April and lasted till the first week of June. Braving challenging Covid time, our field teams ensured farmers get purchasing the right types of seed, and checking the crop regularly so that any pests spotted at an early stage can be managed accordingly," he said.

Bathinda is the leading district in cotton cultivation at 1.72 lakh hectares.

A progressive cotton grower from Bajak village Baldev Singh said this season there was no major pest attack and a high yield is expected.

"I saved on pesticides as there was no infestation of whitefly or other diseases in the crop fields," he said.

FAZILKA VILLAGES FLOODED

Cotton and paddy fields at about 50 villages near Abohar town are flooded after a breach was reported in an overflowing Abul Khurana drain last week.

Jalour Singh, who is officiating as Fazilka chief agriculture officer, said about 15,000-acre land had been affected and crop loss assessment is underway.

“Efforts are being made to drain out water from these villages located in the low-lying areas. Excess water may not impact the rice fields but cotton plants will be adversely affected if water is not drained out in the next 2-3 days,” said Singh.

The Cotton Corporation of India (CCI) to buy cotton from Oct 1: State cotton coordinator Rajnish Goel said as the CCI will commence buying cotton on minimum support price (MSP) from October 1, farmers should bring crop in the mandis with 8-12% moisture for the best price.

“A token purchase of 15 quintal cotton was recorded in Abohar on Monday. It was purchased by private traders at Rs 5,051 per quintal. But it should not be confused with regular cotton arrival. This is an annual feature as private buyers symbolically show cotton market functioning on before the rituals of shradh,” said Goel.

Source: hindustantimes.com– Aug 28, 2020

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