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INTERNATIONAL NEWS

Global trade to grow 7-9% in 2021: Moody's

Moody's Investors Service on Friday said it expects global trade to grow by 7-9% in 2021, following a 9% contraction in 2020 and that trade volumes will not reach their pre-Covid levels before 2022.

"We expect global trade to grow by 7%–9% in 2021, following a 9% contraction in 2020," Moody's said in its Global Trade Monitor-May 2021.

The credit rating agency said that though continued vaccination rollout and policy measures will support the economic recovery, boosting manufacturing activity and trade flows, the risk of new virus variants, a resurgence of infections and new restrictions persists.

While Coronavirus-induced supply chain disruptions will subside as the global economy recovers but government "buy national" strategies and new sanctions will add to disruptions in supply chains for medical supplies and strategic sectors.

"Companies will focus on multi-supplier, multi-source and reshoring strategies," Moody's said. It said a pick-up in activity and stronger demand across developed countries have continued to drive improvement in emerging markets activity, even as countries battle new waves of infections.

In emerging markets, high-frequency alternative trade indexes suggest an ongoing but uneven recovery in activity although slower vaccination rates and the spread of new variants pose ongoing risks to the economic and trade outlook.

In advanced economies, Moody's said high-frequency alternative data point to an ongoing recovery in trade flows, which is supported by an uptick in manufacturing activity across advanced economies

"The pick-up in economic activity remains robust despite a spike in infections and targeted lockdowns, which supports our view that the impact of the renewed restrictions was more muted than the worst shock in Q2 2020, and the recovery in developed countries has resumed," it said, adding that the risk of setbacks lingers as infections continue to resurge and new virus variants emerge.

As per Moody's, Big Tech will remain a source of disagreement between the US and its trading partners, even as the US re-joins OECD digital tax negotiations. In March, the US announced retaliatory tariffs against Austria, India, Italy, Spain, Turkey, and the UK, while forgoing tariffs against the EU.

Source: economictimes.com – May 07, 2021

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UK freeports blow as exporters face tariffs to 23 countries

Companies in freeports will not get to enjoy the full benefits of the new tax-efficient zones if they are exporting to certain countries including Canada, Norway, Switzerland and Singapore, the government has admitted.

Prime minister Boris Johnson and chancellor Rishi Sunak have declared that eight new English freeports — announced in the Budget — will be a “transformational” benefit from Brexit.

But officials disclosed on Sunday that recent post-Brexit trade agreements with 23 different countries include clauses which specifically prohibit manufacturers in freeport-type zones from benefiting from the deals. Emily Thornberry, shadow trade secretary, said the clauses could easily have been removed during the trade discussions. “On the surface of it, this looks like a catastrophic blunder by a minister stuck in her silo,” she said.

“As a result, I fear that manufacturers in towns, cities and regions across our country who have succeeded in bidding for freeport status risk missing out on access to key markets.”

Typically, freeports are set up to allow companies to receive components and ingredients from abroad without paying any duties — including tariffs, VAT or excise duties — through a process known as “duty drawback”. But businesses in freeports which enjoy those advantages will be obliged to pay tariffs when exporting their finished products to any of the 23 countries in question, unlike companies elsewhere in the country.

The trade department said there had not been any “error” but admitted that the so-called “duty exemption prohibitions” would apply in respect of those countries. “It is not uncommon for free trade agreements to have these provisions,” the Department of Trade and Industry said. “Where these provisions apply, businesses can choose to either benefit from the duty drawback, or the preferential rates under the free trade agreement — provided they meet the rules of origin test under that agreement — depending on what suits them best.” Sam Lowe, senior research fellow at the Centre For European Reform, said the clauses went against the political “narrative” that eight new freeports announced in the spring Budget would be economically transformative.

“I’ve always thought they were largely pointless anyway,” he said. “It is absolutely the case that if you produce certain products in freeports you will not be able to take advantage of many of the free trade agreements.”

Britain’s exports of goods to the 23 countries concerned were worth £35.56bn in 2019, almost 10 per cent of the UK’s total goods exports around the world in that year, according to research by the Labour party. Recommended UK trade Freeport advantages for business are ‘almost non-existent’ Thornberry said trade secretary Liz Truss should have been aware of the clauses when she struck recent agreements with countries including Canada, Singapore and Mexico.

“It would have taken an hour of discussion and the stroke of a pen to explain the UK’s freeports policy to negotiators from these countries and remove the prohibition clauses from those agreements, and I cannot understand why Liz Truss failed to do that,” she said. “I’ve written to Liz Truss asking her to clarify the situation, and if it needs fixing, I’ve urged her to go back to the negotiating table immediately with these 23 countries and get these clauses removed before Britain’s freeports come into operation later this year.”

The new freeports in the Budget are at Teesside, London Gateway, Liverpool City Region, Humber, Felixstowe, Southampton, Plymouth and East Midlands Airport. The issue does not apply to the UK’s trade deal with the EU, which is by far its largest market for exports.

Source: ft.com – May 10, 2021

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China trade surges as global demand recovers from coronavirus pandemic

China's exports surged 32.3 per cent over a year earlier in April as global consumer demand strengthened, while imports rose 43.1 per cent.

Exports rose to USD 263.9 billion, in line with the previous month's growth but down from the explosive 60.6 per cent rise in the first two months of 2021, customs data showed Friday.

Imports increased to 43.1 per cent, accelerating from March's 38.1 per cent expansion.

Exporters have benefited from the relatively early reopening of China's economy and demand for Chinese-produced masks and other medical supplies while some governments are re-imposing anti-virus curbs that limit business and trade.

Traders are watching for signs of what President Joe Biden might do about reviving tariff war talks with Beijing.

Source: business-standard.com – May 07, 2021

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US job growth misses all estimates in April; unemployment rate at 6.1%

U.S. job growth unexpectedly softened in April from the prior month, suggesting that difficulty attracting workers is slowing momentum in the labor market.

Payrolls increased 266,000 after a downwardly revised 770,000 March increase, according to a Labor Department report Friday that fell well short of projections. Economists in a Bloomberg survey projected a 1 million hiring surge in April. The unemployment rate edged up to 6.1%, though the labor-force participation rate also increased.

US job growth misses all estimates in April; unemployment rate at 6.1%
Treasury yields plunged, while inflation expectations spiraled downward and dollar turned sharply lower. U.S. stock futures maintained gains. The eurodollar market pushed back its pricing for a Federal Reserve rate increase to mid-2023.

The disappointing payrolls print leaves overall employment more than 8 million short of its pre-pandemic level and is consistent with recent comments from company officials highlighting challenges in filling open positions.

In an interview with Bloomberg Television, Minneapolis Fed President Neel Kashkari said the data justified why the Fed is continuing to deliver stimulus. “Today’s jobs report is just an example of we have a long way to go and let’s not prematurely declare victory,” he said.

While job gains accelerated in leisure and hospitality, employment at temporary-help agencies and transportation and warehousing declined sharply.

Fed Chair Jerome Powell said last week the dichotomy likely reflects a combination of a skills gap, child care obligations and lingering virus fears.

Some firms indicate enhanced unemployment benefits and the latest round of pandemic-relief checks are discouraging a return to work even as job openings approach a record.

On an unadjusted basis, payrolls rose by more than 1 million last month. Seasonal adjustments usually call for a large hiring gain in April, which may in part explain why the headline number fell short of forecasts.

Average hourly earnings rose 0.7% in April from a month earlier, to \$30.17. The wage data for April suggest that the rising demand for labor associated with the recovery from the pandemic may have put upward pressure on wages, the Labor Department said in a statement.

A separate measure of compensation that isn't subjected to shifts in industry employment -- the employment cost index -- rose 0.9% in the first quarter. That was the largest quarterly gain since 2007, according to the Labor Department's data last week.

Average weekly hours increased to match the highest in records dating back to 2006.

Labor force participation, a measure of the percentage of Americans either working or looking for work, rose to 61.7% in April from 61.5%, likely supported by increased vaccinations that helped fuel the reopenings of many retail establishments, restaurants and leisure-facing businesses.

Workforce participation for men age 25 to 54 increased last month, while edging lower for women.

Source: business-standard.com – May 07, 2021

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USA: Retail Cargo Imports Set New Record as Port Congestion Eases

Cargo imports at key retail goods container ports hit a new record this spring and first-half volume is expected to be around 33 percent higher than last year as the economy continues to recover from the pandemic, according to the monthly Global Port Tracker report released Friday by the National Retail Federation (NRF) and Hackett Associates.

U.S. ports covered by Global Port Tracker handled 2.27 million 20-foot container or its equivalent (TEU) in March. That was up 21.2 percent from February and set a new record for the number of containers seen during a single month since NRF began tracking them in 2002. The previous record of 2.21 million TEU was set in October.

March volume was up a record 64.9 percent year-over-year but the growth rate was artificially high because many Asian factories had shut down due to the pandemic at that point last year and most U.S. stores were being ordered to close.

“Despite the continuing pandemic, most consumers...aren’t hesitating to spend,” Jonathan Gold, vice president of supply chain and customs policy at NRF, said. “More spending translates into more merchandise arriving at our ports, as retailers continue to meet increasing demand. The cargo surge that began last fall doesn’t show any sign of stopping. Unfortunately, disruption and congestion issues are also continuing.”

Global Port Tracker forecast first half cargo container imports to be up 33.9 percent from the same period in 2020. As with March, the growth is skewed over the sharp decline in imports during the first half of 2020. But the six-month total of 12.7 million TEU would put 2021 on track to beat 2020’s full-year total of 22 million TEU, which was up 1.9 percent over 2019 despite the pandemic.

April cargo imports were projected at 2.17 million TEU, up 34.5 percent year-over-year. May shipments are forecast to jump 44.9 percent to 2.22 million TEU, June is seen growing 29.7 percent to 2.08 million TEU and July is projected to be up 12.2 percent to 2.15 million TEU. Going into the second half of the year, August cargo imports are forecast to increase 6 percent to 2.23 million TEU, September to grow 1.3 percent to 2.13 million TEU.

The ongoing high cargo volume reflects the recovering U.S. economy, Global Port Tracker said, noting that gross domestic product (GDP) grew at an annual rate of 6.4 percent in the first quarter and some economists are predicting 13 percent GDP growth in the second quarter.

“Growth that fast is a clear indication that U.S. economic output has almost recovered to its level before the pandemic struck,” Hackett Associates founder Ben Hackett said. “Retail sales numbers show consumers are spending a large portion of their stimulus checks, as well as savings that accumulated while staying home rather than going out and income from new jobs.”

Hackett said congestion at the twin Ports of Los Angeles and Long Beach—the nation’s largest port complex—has begun to ease as carriers have shifted vessels to the Pacific Northwest or to the East Coast via the Panama Canal. But some ships are still facing delays to unload as ports work at capacity and Covid infections impact workers. Shortages of containers and other equipment and operational issues also continue to slow down the supply chain.

Global Port Tracker provides historical data and forecasts for the U.S. ports of Los Angeles-Long Beach and Oakland, Calif., and Seattle and Tacoma, Wash., on the West Coast; New York-New Jersey; Port of Virginia; Charleston, S.C., Savannah, Ga., and Port Everglades, Miami and Jacksonville, Fla., on the East Coast, and Houston on the Gulf Coast.

Source: sourcingjournal.com – May 07, 2021

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Covid-19 Lockdowns Heighten Garment-Worker Woes

Asia's lockdowns are taking their toll on the region's garment workers, who account for more than 60 percent of the 40 million people who produce the world's clothes and shoes.

Though the Philippines, which was primed to launch a 10-year roadmap to revive its textiles industry before Covid-19 nipped plans in the bud, appears well-situated to wrest market share from high-risk hotspots in China and Myanmar, the Southeast Asian nation's recent lockdown due to mounting coronavirus infections is likely to roll back any gains from the shifting spend.

International buyers, particularly from the United States, have moved roughly \$500 million worth of orders for babywear, athletic wear, dresses and intimate apparel to the Philippines in recent months, Robert M. Young, president of the Foreign Buyers Association of the Philippines, said in a virtual forum in late April, citing the ongoing coup in Myanmar and a desire by buyers to diversify as key reasons for the reallocation.

"This translates to additional foreign revenue earnings [and] significant employment and livelihood that will somehow snowball already to related industries such as transportation, packaging, food and other sectors," Young said.

The country's garment industry experienced a sharp contraction in its workforce last year after exports from the Philippines tumbled more than 40 percent in the first half of 2020, the International Labour Organization wrote in a brief in October. Plunging orders from the West, coupled with disruptions in critical raw-material imports, forced exporters to slash more than 21,000 jobs, or one-fifth of the 112,000 workers employed by companies that belong to the Confederation of Wearables Exporters of the Philippines, the trade group said in September.

With retail in the United States and others slouching toward recovery, the country was poised for a rebound. Driven by North America's predicted 11.4 percent import growth, exports from Asia are expected to rally by 8.4 percent this year after flatlining in 2020, the World Trade Organization said in March. Initial signs were promising: Apparel imports from the Philippines ticked up 6.7 percent in value to \$59.82 million in the first

quarter of 2021, according to the U.S. Commerce Department's Office of Textiles and Apparel.

The quarantine, which will run through May 14 in metropolitan Manila and four adjacent provinces, may have knocked this trajectory off course, however.

The Philippines, which has recorded more than a million cases and nearly 18,000 deaths as of Friday, is battling one of the worst waves of the contagion in Southeast Asia. Shipment delays, prompted by strict lockdown protocols, could slow down business, especially since the Philippines imports some \$500 million worth of textiles from countries such as China and Korea every year.

“We could have solved [the supply-chain constraints] actually a long time ago if the government just listened to our suggestion that the textile industry should be revived,” Young told BusinessMirror last month. “We do not have a textile industry. Textile is the backbone of the garment industry.”

The bottleneck goes both ways, too. Garment manufacturers are experiencing delays of up to 45 days in their shipments, according to Young. While some suppliers might have to air freight orders to meet deadlines, it's not a sustainable solution. “We are not willing anymore because we can't afford the air freight,” he said. “It is so expensive—that's 10 to 15 times the cost of the sea freight.”

Young expects domestic exporters to drop \$600 million worth of orders if the state of affairs persists.

Cambodia eyes 80 percent rule

Meanwhile, in Cambodia, businesses in low-risk “yellow” zones are easing back into work after a three-week lockdown in the capital of Phnom Penh put 500 garment factories on pause, leaving many of their 500,000 workers without money to pay rent and electricity bills or buy food. The government had promised \$75 cash payments to families under quarantine, but officials rescinded the offer after 10 days, saying the money would be used to support food donations and vaccination drives. Residents have criticized the distribution of food and other aid as inadequate, however.

The Southeast Asian nation was relatively unscathed by the coronavirus last year, but the number of infections took a sharp turn from roughly 460 in late January to more than 17,600 Friday, with 114 deaths.

While “red” and “orange” zones, which show higher infection rates, will stay under lockdown until May 12, “yellow” zone factories with at least 80 percent of their workers fully vaccinated will be able to start back up, said Ken Loo, secretary-general for the Garment Manufacturers Association in Cambodia (GMAC). Others will be able to operate at only 50 percent capacity, he added. The Labour Advisory Committee has also recommended that factories implement 50 percent rotational shifts over the next two weeks.

“GMAC, in coordination with the Royal Government, is working to have workers vaccinated as the suspension of production affected not only businesses but the livelihoods of tens of thousands of workers,” Loo told the Khmer Times. “The decision to only allow factories with a minimum of 80 percent of employees vaccinated to completely reopen will push efforts to make sure everyone is fully covered so that the sector can come back online as quickly as possible.”

The nation’s garment industry is a backbone of its economy, employing 600,000 people and accounting for 16 percent of Cambodia’s gross domestic product and 80 percent of its export earnings. The ASEAN+ 3 Macroeconomic Research Office, or AMRO, an independent monitoring organization, warned Thursday that pandemic-induced business closures and job losses could leave “lasting scars” on Cambodia’s productive capacity and economy without effective fiscal policy.

With continued fiscal stimulus, however, AMRO projects the nation’s economy to grow by 4 percent in 2021. “The recent spike in community cases underscores the need for the government’s strong response to contain the pandemic and speed up the vaccination rollout to achieve herd immunity,” Seung Hyun Luke Hong, AMRO lead specialist, said in a statement.

Holiday anxiety in Bangladesh

Bangladesh, whose lockdown will run through at least May 15, has kept its garment factories running, but it will face a major test with the upcoming Eid-ul-Fitr holiday from May 12-13, when most workers return to their hometowns to mark the end of the holy month of Ramadan.

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) has directed its members to urge their workers to stay in their workplaces to mitigate the spread of infection. Though daily infections in the South Asian country have fallen by half since a peak nearly a month ago, the Bangladesh government has asked businesses to restrict days off for employees to no longer than three. The nation recorded 1,822 new cases Friday, its lowest in 40 days.

“We have requested owners to ensure three-day leaves, and ensure all workers stay in their workplaces to protect themselves from Covid-19,” Syed Nazrul Islam, first vice-president of the BGMEA, told the Dhaka Tribune.

Islam said both the BGMEA and union leaders are hopeful they will be able to pay wages, bonuses and other allowances by May 10 according to the Labour Ministry’s instructions, though he cautioned that the industry was in a delicate state and that government assistance will continue to be crucial.

The BGMEA, the Bangladesh Knitwear Manufacturers and Exporters Association and the Bangladesh Textile Mills Association have written to lawmakers requesting loans with favorable terms that would enable them to pay salaries, bonuses and allowances for April, May and June.

“Bangladesh’s garment industry exports garments at a lower price than other countries to maintain export potential in the world market for which profit in this sector is very low. Garment owners are forced to take orders facing loss in most cases.

And, employees in this sector are paid after receiving payment from the buyers and incentive for cash assistance,” the letter, dated April 24, read. “The exporters now are unable to apply for cash assistance due to non-repatriation of export value. Many buyers are also completing the payment at a discounted rate, making it harder for the institutions to solve the liquidity crisis.”

Source: sourcingjournal.com– May 07, 2021

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Denim apparel imports by US increase by 0.61% in FY21 Q1

Global blue denim apparel imports by the United States in the first quarter surpassed the same period in 2020 by 0.61 percent to a value of \$701.84 million, according to data from the Commerce Department's Office of Textiles & Apparel (OTEXA)

As per Sourcing Journal, Mexico was the top sourcing spot in the first three months of the year, with shipments rising 4.75 percent to \$145.48 million, according to OTEXA, while imports from Bangladesh increased 7.99 percent to \$133.27 million.

Other winners among the major production countries were China, with imports up 5.96 percent to \$71.95 million; Pakistan, with an increase of 8.86 percent to \$68.4 million; Nicaragua, up 26.24 percent to \$29.32 million, and Turkey, with a gain of 31.39 percent to \$13.79 million.

The Western Hemisphere overall saw imports grow 4.73 percent to a value of \$185.56 million in the period, which included a 14.08 percent from Central American Free Trade Agreement countries.

Shipments from Sub-Saharan Africa countries also increased, with an overall gain of 18.66 percent to 32.89 million, led by upticks from Ethiopia, Kenya and Tanzania.

For the 12 months through March, Bangladesh held a 20.35 percent market share, followed by Mexico at 16.95 percent, Vietnam at 12.74 percent, China at 11.97 percent and Pakistan at 9.17 percent.

Source: fashionatingworld.com– May 08, 2021

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Xinjiang firms make strong push at Hainan expo, eye exports

Constant smears, sanctions and suppression from the West against Northwest China's Xinjiang Uygur Autonomous Region, which target the region's pillar industries and aim to strangle local economic development, have not and will not dent local firms' push and confidence in their products or disrupt their pace going global, the Global Times learned during the ongoing China International Consumer Products Expo (CICPE), which runs from Friday to Monday in Haikou, South China's Hainan Province.

Over 600 cotton flowers were packed in an exquisite way and dispatched to visitors passing by the booths of Xinjiang firms as a souvenir. Visitors surrounded staff, stretching out their hands trying to get one. Some visitors who got the cotton flower quickly held it up and took selfies with the Xinjiang booth as a backdrop. Meanwhile, staff of ethnic minority danced to the music.

The white and high-quality Xinjiang cotton has been recognized by more consumers following recent Western attacks on the product, and it has become a highlight for the region during the expo. Five clothing and textile firms from Xinjiang participated in the trade fair, demonstrating the entire industry chain from raw materials to finished garments.

Yi Jing, deputy general manager of Siwei Textile from Awati County, Aksu Prefecture of Xinjiang, told the Global Times during the expo that she has read recent media reports regarding the West's attacks on Xinjiang cotton, but the US sanctions and boycotts from some foreign companies did not affect her business.

The company is a composite technology-based textile firm integrating cotton purchasing, processing, spinning and weaving.

"We currently have 350,000 spindles and 1,050 air-jet looms, with an annual output of 150 million meters of fabric, which is still in short supply. The production has been scheduled to the end of June this year," Yi said, noting the CICPE has provided a good opportunity to introduce high-quality products made in Xinjiang to business people from home and abroad.

Xinjiang long-staple cotton, of the world's top quality, is grown in the county where Yi's firm is based. This type of cotton produced in the region accounts for about 93 percent of China's total output.

The long-staple cotton fiber is long and can be spun into high-count yarn. After a garment is made, it has a fine hand feel, good air permeability and a high level of comfort.

As China's top cotton production base, Xinjiang's annual cotton output is about 5.16 million tons, accounting for 87 percent of China's cotton output, and equivalent to 62 percent of national cotton consumption. Nearly 600,000 local people are now employed in the cotton industry.

Statements by Western companies including Swedish fashion retailer H&M and American sporting giant Nike claimed that they would not source cotton from Xinjiang citing the so-called "forced labor" situation. The incident sparked furor among Chinese netizens in March, who called for boycotting products of these brands.

At a press conference held in Beijing on April 30, officials from Xinjiang admitted that due to sanctions from the US and Western countries, some companies in Xinjiang saw decreases of overseas orders and some had difficulties regarding foreign exchange settlements.

However, they also said that these sanctions will not stop companies in Xinjiang as they are turning the pressure into a drive to promote quality and modern technologies.

Eyeing the globe

A total of 184 firms from Xinjiang participated in the mega-expo including 48 firms from the Xinjiang Production and Construction Corps. They cover a wide range of sectors such as textiles, agricultural products, to cultural and creative products and other fields. Almost every company interviewed by the Global Times during the expo expressed their strong will to expand their presence in overseas markets.

Due to Xinjiang's landlocked geographical location, local companies take the expo as an opportunity that cannot be missed out to attract investment and explore export markets.

Huang Jinzhi, head of Gelinkai Eco Fruit Co, a firm mainly selling raisins and other fruits and can process nearly 1,000 tons of grapes each year, told the Global Times during the expo that she wanted to "test the waters" at the Hainan free trade port to see if any business opportunities can help open the market.

"We do not engage in low-end markets, but only produce high-quality products, which have been sold to first-tier cities such as Beijing, Shanghai and Guangzhou [capital of South China's Guangdong Province," Huang said.

Holding full confidence in Xinjiang-produced fruits, she hoped to explore export businesses via platforms like CICPE and the Canton Fair.

For Liu Yucai, a sales manager of Huihua Shengguo based in Qinghe County, Altay Prefecture, in northern Xinjiang, the journey to the Hainan consumer goods expo was a challenging one.

Qinghe County is located on the northeastern edge of the Junggar Basin and borders Mongolia. It only exited the ranks of impoverished counties in 2017.

"Our area is relatively remote and it is more difficult to attract investment, so I hope to take advantage of such a good platform to promote the company and products to the outside world," Liu told the Global Times at the booth.

His firm is mainly engaged in the research and development as well as production of sea-buckthorn products, including sea-buckthorn juice, raw juice, essential oils, capsules, tea, jam and dried fruits.

"We had exported sea-buckthorn berries to Russia, Kazakhstan and other countries. In the future, we hope to sell our products with added value abroad instead of just selling raw materials," said Liu.

China will not compromise on Xinjiang affairs, anti-China forces' attempts to use Xinjiang-related issues to thwart China's development are doomed to fail, analysts said, noting that the region will embrace long-standing prosperity with the development of the Belt and Road Initiative (BRI) and national support.

"The all-round opening up of Xinjiang, the advancement of the Belt and Road Initiative, and the fact that trade via China-Europe freight trains are growing at 170 percent annually have all paved a solid foundation for Xinjiang firms to go global," Yi of Siwei Textile said.

Vice Chairman of Xinjiang Uygur Autonomous Region Zhao Chongjiu said Friday at a promotion event during the CICPE that Xinjiang is open and inclusive. It borders eight countries, has 18 ports open to the outside world, and has launched platforms such as the China-Eurasia Expo and the Xinjiang International Dance Festival.

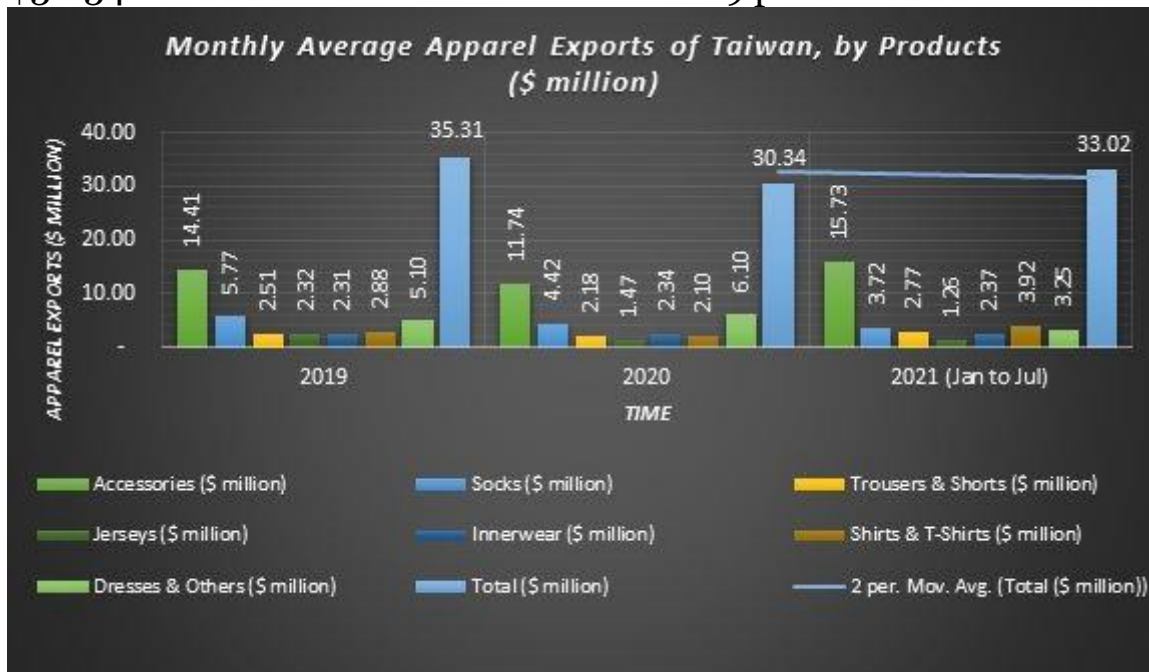
In August this year, Xinjiang will also hold the 2021 Eurasia Commodity and Trade Expo virtually.

Source: globaltimes.cn– May 09, 2021

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Taiwanese apparel exports to increase in 1st half of 2021: TexPro

The apparel exports of Taiwan are expected to increase in the period between January 2021 and July 2021 to reach a monthly average of \$33.02 million. The country exported apparel worth \$423.68 million in 2019, which dropped by 14.05 per cent to \$364.13 million to reach a monthly average of \$30.34 million in 2020 due to the COVID-19 pandemic.



The drop was not as significant as compared to the downfall in other major countries due to the efficient policies introduced by the government and industry stakeholders.

Taiwan is one of the major exporters of technical textiles across the world. The manufacturers use technologically advanced machineries and equipment in their textiles and apparel plants. With new innovations, Taiwanese textiles industry is a major supplier for the world's sportswear industry.

Accessories, socks, trousers/shorts, and shirts/t-shirts accounted for 40.82 per cent, 16.34 per cent, 7.12 per cent and 8.17 per cent in 2019, and 38.69 per cent, 14.55 per cent, 7.17 per cent and 6.93 per cent in 2020, respectively. These items collectively account for more than 65 per cent of total apparel exports of the country, according to Fibre2Fashion's market analysis tool TexPro.

Taiwan's exports of accessories declined in 2020 by 18.55 per cent. But they are expected to increase significantly by 33.97 per cent to a monthly average of \$15.73 million during January 2021 to July 2021 from a monthly average of \$11.74 million in 2020. Exports of socks and jerseys are expected to decrease in 2021. On the other hand, exports of trousers/shorts and shirts/t-shirts are expected to rise in the coming months.

China, the US, Vietnam, Indonesia and Hong Kong are the major export destinations, accounting for more than 60 per cent of Taiwan's total apparel exports.

Source: fibre2fashion.com– May 07, 2021

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UK launches Textile 2030 project

The UK government has launched a new project that aims to transform its fast fashion culture into one where products are made sustainably and then re-used or recycled.

Known as Textile 2030, the project will be developed by the University of Leeds School of Design with support from clothing brands such as John Lewis, Primark, Sainsbury's and Marks & Spencer, and recycling organizations who will set targets, measure the impact of products and track progress towards national targets as part of the initiative.

The project aims to cut carbon by 50 per cent, limit global warming to 1.5°C, in line with the Paris Agreement on climate change, achieve Net Zero by 2050 at the latest and reduce the aggregate water footprint of new products sold by 30 per cent.

This target-based approach will be used so that textiles businesses set tough targets, measure impact and track progress on both an individual business basis, and towards national targets and public reporting.

Source: [fashionatingworld.com](https://www.fashionatingworld.com) – May 08, 2021

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Australian exporters hope growing rift with China will ease, eye opportunities in Chinese market

Despite downward spiraling bilateral relations between China and Australia that have caused many uncertainties for Australian exporters, they hold hopes that the growing rift will be eased as their commitment to the world's second largest economy remains.

A dozen Australian firms, led by the Australian Trade and Investment Commission, engaged in various sectors from high-end health care, skin care, to food and wine, attended the ongoing China International Consumer Products Expo (CICPE), which runs from May 7 to 10 in Haikou, capital of South China's Hainan Province.

One obvious change the Global Times spotted during the mega expo is that Australian wine exporters or brands dwindled starkly compared with their wide presence in the China International Import Expo (CIIE) held in Shanghai last November.

Wine products from other foreign countries such as France, Spain, Italy and New Zealand seem to take a dominant presence at the expo, revving up efforts to expand their presence in the Chinese market as they have sniffed the business opportunities left by Australian wine, which has been under swift pressure since November when the preliminary anti-dumping rate of up to 212 percent was announced by Chinese authorities.

In March, China started to impose anti-dumping duties from 116.2 percent to 218.4 percent on Australian wine. According to the ruling, dumping and subsidies have occurred in imported Australian wine, which caused substantial damage to the Chinese wine industry.

Luis Lei, general manager of a wine trading firm based in Xiamen, East China's Fujian Province, which is mainly focused on shipping Spanish and Chilean wine to the Chinese market, told the Global Times on Saturday at an exhibition booth that the previous market share scenario that overseas wine shares in China has greatly changed since the end of last year: as Australian wine shipments to China plummeted, French and Chilean wine sales are soaring, quickly filling up the market void.

“We have seen that imported wine in the Chinese market has been on a downward trend since 2019, but robust growth momentum has started

since the start of the year with China's consumption market returning to pre-virus levels," Lei said, calling the current consumption rise as "revenge" to release pent-up demand during virus-plagued 2020.

Australian winemakers shipped A\$12 million (\$9 million) of wines to China in the four months from December to March, down by 96 percent from A\$325 million a year earlier, according to industry body Wine Australia.

China accounts for 39 percent of Australia's AU\$3 billion wine exports, more than the combined value of the next four biggest markets – the US, UK, Canada and New Zealand.

Ivy Yao, chairman and co-founder of AU Life International, an Australian based e-commerce platform provider, told the Global Times on Saturday that Australian wine products under one of the company's subsidiaries have suffered a big export decline to China, 90 percent so far this year on a yearly basis.

"Our shipments to China and sales climbed each year with double-digit growth since 2015 when the China-Australia Free Trade Agreement was nailed down which set China's tariffs at zero for a majority of Australian goods," Yao said.

Facing the geopolitical dispute between the two countries, Yao said the firm will not back down on the presence of Chinese consumption which is at the prime of rise and upgrade.

To cushion the impact on its wine business, Yao said the firm is exploring exporting grape-related products like grape juice to China and transferring its original grapes to a third country.

Also, it launched ready-to-eat products with Australian grain-fed beef by partnering with enterprises in Central China's Hunan Province. The latter helps make the Australian imported product more catered to Chinese consumers regarding flavor. "Different from wine, our other products like dairy and healthcare goods are not affected regarding business," she added.

Blackmores, the Australian health supplement maker that entered China in 2012, has treated the market as a significant pillar of growth strategy, with the company booking a 25 percent increase in revenues from the country in the second half of 2020. The current dynamics between the two countries will not cause us to change its business layout in China, Kitty Liu, managing

director of Blackmores China, told the Global Times in an interview during the expo.

“The huge potential of consumption upgrade the country is now onto... In particular, Chinese consumers tend to spend more in the health and nutrition sector in the post-virus era. Our focus is long-term operation in the market which has become our biggest overseas market now, and we will continue to invest in social impact in the years to come,” she noted, adding that the firm is planning to cooperate with domestic medical universities on clinical research around eye health.

From zero to over 100, the number of domestic business partners that a wool firm from Melbourne, Australia – Champion Wool Factory – has joined hands with has been on a quick rise since 2018 when the Australian firm attended the first CIIE in Shanghai.

Eric Dong, its CEO, told the Global Times on Saturday that visitors’ enthusiasm for Australian-made wool products that it exhibits has far beat his expectations for the expo in Hainan.

“China-Australian trade and economic relations are highly complementary. The current challenge will bring some uncertainties and concerns but I hope it’s temporary,” Dong said.

Source: hellenicshippingnews.com– May 10, 2021

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Bangladesh: Apparel adopts new tech to go green

Gas heat recovery has become the name of the game for efficiency in the textile and garment industry to remain competitive in business and for a green transformation to save the environment and the next generation.

A majority of the big spinning, dyeing, washing and weaving mills have adopted new heat recovery technologies to utilise waste heat energy from gas burners installed to run the factories.

Previously, the burner exhausts used to be released in the air but now the millers capture it to boil water and run air conditioning and other purposes for which they can save both energy and money. The waste heat recovery system offers textile industries an economic and green solution to save valuable energy.

The system extracts and reuses waste energy from industrial processes instead of dissipating it into the environment, according to the Partnership for Cleaner Textile (PaCT), a programme led by International Finance Corporation (IFC). Launched in 2013, the PaCT focuses on reducing the environmental impact and resource consumption of Bangladesh's textile sector.

The PaCT said more than 338 factories are using the waste heat recovery systems and gas consumption has annually reduced by 1.26 per cent to 12,74,983 cubic metres from 12,91,122 cubic metres. Industry operators said the recovered heat can be used for onsite power and steam generation and preheat combustion air.

"By using exhaust gas boilers, we have reduced natural gas consumption and increased engine's overall performance and annual savings of \$1.04 million," said MA Jabbar, managing director of DBL Group, a leading textile and garment group.

The DBL's 90 MW natural gas engine's current efficiency is 56 per cent and it is working on the heat recovery to increase it to 61 per cent.

"I regularly review our energy efficiency level every month for further improvement to save the environment and also continuation of production," said Jabbar, adding that he plans on solar energy accounting for 10 per cent of the group's power consumption by 2025.

One of the processes involve converting the exhaust fuel into steam which is fed into a turbine to produce electricity, said A Matin Chowdhury, managing director of Malek Spinning Mills.

However, these steam turbines can only convert 35 per cent of the steam into electricity, he said.

Wherever the industry uses captive power units, steam can be additionally generated for various other uses, such as for chillers, dyeing and availing hot water, which would have otherwise required consuming additional gas, he said.

The overall gas consumption in such industries attains efficiencies of 81 per cent to 86 per cent. Where combined cycle power plants are run, the efficiency is higher, at 47 per cent to 52 per cent, Chowdhuy said.

Chowdhury said he has been making savings capturing waste heat energy from gas usage in his three units including Knit Asia, Salek Textile and JM Fabrics at Shafipur in Gazipur.

He produces 50 tonnes of fabrics a day to produce garment items at Knit Asia.

Md Anarul Islam Sarker, deputy general manager for utility and maintenance at Fakir Apparels, operates four natural gas-fired generators to run facilities.

The generators emit large volumes of exhaust gases at high temperatures, which the company is utilising to run boilers and produce steam for garment ironing, dyeing and finishing units.

The waste heat recovery system has significantly reduced the company's energy and boiler fuel demand by 27,456 kWh/year and 2,595,840 m³/year, respectively.

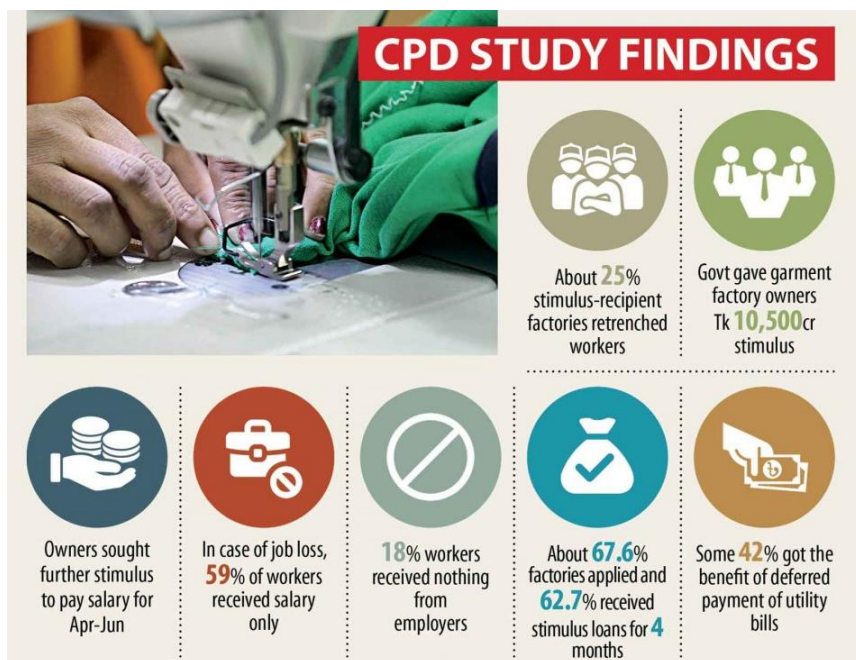
The factory is said to be enjoying \$208,615 in annual savings from waste heat recovery, on which it invested \$177,000, Sarker said.

Source: thedailystar.net– May 10, 2021

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Bangladesh: Whom were the RMG stimulus packages for?

It is disappointing to know that 25 percent of garment factories which received stimulus packages during the pandemic on the condition that they would not lay off workers have not complied with this condition. A study conducted by the Centre for Policy Dialogue (CPD) revealed this and other related findings. The survey from the study was conducted amongst 102 employers, 301 employed workers, and 100 unemployed workers from the garments industry of Dhaka and Gazipur districts.



While workers were laid off throughout last year, April and May saw the highest rates of job loss. 59 percent of those who had lost jobs received only their salary, while 18 percent were laid off empty-handed and with no aid that they could fall back on from their employers. Those who were

unemployed tried to survive on temporary and low-paying jobs. With the absence of unemployment insurance, charity helped them stay afloat but that is certainly not a feasible nor permanent solution. It was also seen that female unemployed workers received a disproportionate amount of support from NGOs and the government, compared to their male counterparts.

Though 62.7 percent of the factories received government support for four months, 25 percent of them still laid off their employees. This happened during the pandemic, when there was already so much uncertainty, and many garment factory workers had to come back into the city after having left for their hometowns. Though 82 percent of the factories said they have a set of guiding principles to operate by, one can only wonder what they entail as they have not been made public.

It is no secret that factory workers have very little space to voice their opinions and complaints in the RMG industry, and so it is easier for unscrupulous owners to get away with not paying workers' dues or firing them. Only an external higher authority can stop them.

So, whose fault is it that a breach of conditions occurred on the factory owners' end? While the conduct of foreign buyers during the pandemic was highly condemnable, we believe it was the duty of the recipient factories to not lay off their workers (a condition they had agreed to in exchange for the subsidies) and the responsibility of the government to ensure that the factory owners were fulfilling all conditions.

As such, we would urge concerned authorities such as the DIFE, Bangladesh Bank, BGMEA, BKMEA, and the labour and employment ministry to hold factory owners accountable when it comes to fulfilling conditions so that the taxpayer-backed stimulus packages benefit the workers as intended.

Source: thedailystar.net– May 10, 2021

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Vietnam: Flourishing exports in textile and garment, leather and footwear industries

According to the latest report on trade and industrial manufacturing in the first four months by the Ministry of Industry and Trade, the textile and garment, leather and footwear industry in the first four months has reached \$15.9 billion.

This is a positive sign as some of Vietnam's major export markets gradually recovered while Vietnamese companies have taken better advantage of new free trade agreements.

Especially, the export turnover of the textile and garment sector was estimated at \$9.51 billion, up 9 per cent over the same period in 2020, while fibres of all kinds increased by 43.4 per cent to \$1.64 billion (the same period last year was only \$1.14 billion); and fabrics and other technical fabrics increased by 35.7 per cent, reaching \$215 million.

Export orders also soared in the leather and footwear industry, reflected by an export turnover of \$6.392 billion, up 18.7 per cent against the \$5.38 billion of the corresponding period last year. In April, the production index of textiles increased by 2.7 per cent over the previous month and by 17.3 per cent over the same period in 2020. The index for the garment sector increased by 3.9 and 29.4 per cent, leather and related products by 1.8 and 29.3 per cent.

For the first four months, the production index of the textile sector increased by 7.8 per cent over the same period, garments increased by 9.5 per cent, leather and related products increased by 11 per cent. Some products achieved good growth in product volume against the past year, such as fabrics made from natural fibres (up 10.1 per cent), production of textiles from synthetic fibres and synthetic fibres (up 6.4 per cent); casual clothing (up 8.9 per cent), and leather footwear (up 13.3 per cent).

In 2021, the textile and garment sector targets \$38-39 billion of export turnover, while the leather and footwear industry has set a target of over \$20 billion.

Source: en.vietstock.vn – May 8, 2021

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Pakistan: Weekly Cotton Review: Trading volume remains low

In the local cotton market during the last week, trading volume remained very thin due to the lack of interest in buying by the textile and spinning mills. The rates of cotton remained stable amid prevailing bearish trend, and fluctuated international market.

Another reason of the low trading volume was that ginners had left the stock of only 40 thousand bales. Hardly any deal took place. Focusing the cotton crop of next season, both private and public sector organizations are giving awareness to the people regarding this.

The rate of cotton in Sindh is between Rs 10,200 to Rs 10,500 per maund while in Punjab it is between Rs 11,000 to Rs 11,300 per maund. Balochi cotton was sold in between Rs 12,500 to Rs 13,000 per maund.

The Spot Rate Committee of the Karachi Cotton Association stabled the rate of cotton at Rs 11,300 per maund. Chairman Karachi Cotton Brokers Forum Naseem Usman told that fluctuation was seen in the international cotton markets. He said we can say that Rate of Promise (Waday Ka Bhao) was stable.

According to the weekly USDA export report over all exports witnessed a decline of 17 percent as compared to last week. This time export orders of 63700 bales were signed out of which Pakistan was number one importer with 16200 bales and Bangladesh was number two with 15800 bales.

According to the information received from India, the demand of cotton decreased by 8 percent due to lock down in many places. The demand of cotton after decreasing is 38,000,000 bales. According to India's Central Textile for Production and Consumption, this year export of cotton will be decreased.

Last year India's closing stock was 98 lac bales which will be 11,800,000 bales till September 2021 after increasing. This year India's cotton production is expected to 36,000,000 bales which is 11 lac bales less as compared to last year's production of 37,100,000 bales. This year cotton sowing in India was less as compared to the expectations due to the long strike of farmers due to this the rate of cotton in India increased by Rs 700 per candy.

The rate of cotton remained stable in Brazil, Central Asian States and Argentina despite of the fact that new crop of cotton has started arriving in Brazil. In addition, cotton prices in the international cotton market this year, especially in the United States, are higher than last year, so local textile mills will be careful to import cotton in large quantity.

In the country, the sowing of cotton this year is taking place in large area in Lower Sindh and cotton sowing has also started in some areas in Punjab province.

Phutti will start arriving from the lower areas of Sindh till end of the May. It is expected that one or more ginning factory in Sanghar will resume its operations on the start of June. This year government is running a campaign against substandard pesticides and seeds and arrested many culprits involved in the selling of the business of substandard pesticides and seeds.

Pakistan Cotton Ginners Association is holding meetings in different areas and ginning factories in order to create awareness among them regarding increasing the production of cotton and they are being encouraged to sow as much cotton as possible this year in order to increase the country's cotton production to some extent.

The bank officers along with the PCGA task force are visiting different areas and guiding the farmers regarding issuance of Kissan card so that they can get subsidy.

Regional Committee for Cotton and Textiles, led by former president FPCCI and chairman of the Businessmen Panel Mian Anjum Nisar, called on Muhammad Asim, in-charge of Monsanto and Bayer Crop Science Regulatory Science Team Pakistan at his Lahore office.

The difference between cotton production in Pakistan and India came into effect in the meeting. Pakistani cotton production has not been even a quarter of the Indian cotton. India using Monsanto technology increased its cotton production from 10 million bales to 40 million bales and Pakistan still has 5.6 million bales of cotton.

The committee was briefed on the details of Monsanto's dealings with the Pakistani government in different periods since 2007 and said their affairs in Pakistan could not move forward if the legal requirements were not met.

Muhammad Asim also briefed about the affairs of Snefa, a company set up by five major textile groups in Pakistan. Chairman Anjum Nisar said that due to the decline in cotton production we are losing billions of Dollars in foreign exchange which is a tragedy.

FPCCI will make every effort to increase cotton production. He said Convener Committee on Textile Malik Talat Sohail will present budget proposals to the finance minister after consultation with the stake holders. He further said that we will continue our efforts in order to make a policy in the light of our recommendations.

Source: breccorder.com– May 10, 2021

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EU-Pakistan face-off

ACCORDING to the European Commission Directorate-General for Trade, the 10 largest trading partners of the European Union with their total trade (sum of imports and exports) in millions of euro for calendar year 2020 are China with Euros 586 Billion being the largest trading partner of EU followed by USA at 555, UK 444, Switzerland 251 and Russia at 174 billion.

The EU is Pakistan's most important trading partner, accounting for 12.8% of Pakistan's total trade in 2015 and absorbing 23.7% of Pakistan's total exports. In 2016, Pakistan was the EU's 41st largest trading partner in goods accounting for 0.3% of EU trade.

The European Parliament this week adopted a resolution calling for a review of trade relations with Pakistan and ending its eligibility for the Generalised Scheme of Preferences (GSP) status. It was overwhelmingly passed — 662 to 3 — with 26 not voting.

EU-Pakistan bilateral trade relations are governed by the Cooperation Agreement from 2004 balancing bilateral trade and investment is also part of the EU-Pakistan 5-year Engagement Plan from 2012. Pakistan is a major beneficiary of the trading opportunities offered by the EU Generalised Scheme of Preferences (GSP).

From 1 January 2014 Pakistan benefits from generous tariff preferences (mostly zero duties on two thirds of all product categories) under the so-called GSP+ arrangement aiming to support sustainable development and good governance.

In order to maintain GSP+ Pakistan has to keep ratification and effectively implement 27 core international conventions on human and labour right, environmental protection and good governance. Pakistani exports to the EU are dominated by textiles and clothing, accounting for 82% of Pakistan's total exports to the EU in 2016.

Pakistan's imports from the EU mainly comprised of machinery and transport equipment (40.2% in 2016) as well as chemicals (19.5% in 2016).

From 2006 to 2016, EU imports from Pakistan have almost doubled from €3,319 to €6,273 million.

The growth of imports from Pakistan has been particularly fast since the award of GSP+ (€5,515 million in 2014). The EU and Pakistan have set up a Sub-Group on Trade to promote the development of two-way trade.

The Sub-Group on Trade – set up under the auspices of the EU-Pakistan Joint Commission – is the forum for discussions on trade policy developments more broadly and also aims to tackle individual market access issues which hamper trade between the two parties.

While Pakistan's economy holds considerable potential, high costs of doing business, complex regulation and infrastructure bottlenecks all have a detrimental effect on trade and growth. Pakistan's trade regime and regulatory environment still remain comparatively restrictive.

Textiles and clothing account for over 80% of Pakistan's exports to the EU. While the textiles and clothing industry are the backbone of Pakistani exports, relying so heavily on one product category carries risks for Pakistan. Trade diversification would play an essential role in this respect.

The granting of GSP+ preferences in 2014 should stimulate Pakistan's efforts towards diversification. As a result of GSP+, more than 78% of Pakistan's exports enter the EU at preferential rates.

Around 80% of the textiles and clothing articles imported to the EU from Pakistan enter the EU at a preferential tariff rate. Around a quarter of these imports are bed linen, table linen and toilet and kitchen linen. The EU supports Pakistan's integration into the world economy and its sustainable economic development by granting it GSP+ trade preferences.

This represents almost 20% of Pakistan's exports globally. The GSP+ preferences also helps Pakistan diversify its export basket. In order to maintain GSP+ Pakistan has to keep ratification and effectively implement 27 core international conventions on human and labour rights, environmental protection and good governance.

This is closely monitored by the European Commission and also under a permanent scrutiny by the EU Member States and European Parliament, as well as civil society. Pakistan has bilateral and multilateral trade agreements with many nations and international organizations.

It is a member of the World Trade Organization, part of the South Asian Free Trade Area agreement and the China–Pakistan Free Trade Agreement.

Fluctuating world demand for its exports, domestic political uncertainty, and the impact of occasional droughts on its agricultural production have all contributed to variability in Pakistan's trade deficit. The trade deficit for the fiscal year 2013/14 was \$7.743 billion, exports were \$10.367 billion in July–November 2013 and imports \$18.110 billion.

Pakistan's exports continue to be dominated by Manpower export in the gulf countries, cotton textiles and apparel. Imports include petroleum and petroleum products, chemicals, fertilizer, capital goods, industrial raw materials, and consumer products.

On 12 December 2013, the European Union granted GSP Plus status to Pakistan until 2017, which enabled it to export 20% of its good with 0 tariff and 70 percent at preferential rates to the EU market. This status was given after the European Parliament passed the resolution by 406-186 votes.

In the first week of May 2021, the EU parliament, however, adopted a resolution by a over whelming majority of 662 to 3 votes (with 26 absentees) to review the GSP+ status to Pakistan. This has come at a critical time when Pakistan is trying its best to remain afloat with weak economy and being over-burdened with foreign loans.

The EU resolution has come at a time when Pakistan is desperately trying to increase its International trade. No doubt grant of GSP+ status to Pakistan by EU was big factor in improving the foreign exchange reserves of the country and would certainly harm Pakistan if the same is withdrawn.

Pakistan needs to engage with EU countries individually and EU parliament members at a proper forum to address their concerns. Sooner it is done the better. Needless to say there may be some nefarious designs of enemies of Pakistan at play who want to cripple Pakistan economically.

They need to be told that Trade and Religion-bias are two separate fields. Mis-conceptions about some one's religion must not and should influence trading between countries.

True, Europe believes and practices freedom but that freedom should not be a license to hurt other's religious beliefs.

A false and fabricated move of “Islam phobia” is presently under way, globally, to criticize Muslims and Islam.

It is time for Scholars, writers and intellectuals and saner elements to remove these misgivings. Islam is religion of peace and believes in human dignity.

It reminds me of the historic and excellent speech of H.E King Abdullah of Jordan at European Parliament in 2015, where he received an standing ovation after addressing the misconceptions about Islam and telling the audience what it means to be a Muslim. It is a must see video on YouTube.

Source: pakobserver.net– May 10, 2021

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Pakistan: The fuss about GSP+ (or you don't know what you got until its gone)

The expression out of the frying pan and into the fire may be considered apt for Pakistan as it faces a potential threat to its exports to the European Union just as the country had begun to recover from the impact of the Covid-19 pandemic.

“Notwithstanding, the recent rise in Covid cases, Pakistan has been showing signs of a fragile economic recovery with a gradual resumption of economic dynamism,” according to a new World Bank report. The Covid-19 outbreak dealt a devastating blow to the world economy as global trade came to a grinding halt with economies going into lockdown. Even though Pakistan did not escape unscathed, it managed to rebound fairly quickly aided by the textile industry that received hefty orders from international buyers.

With factories in China, India and Bangladesh lying closed to curb the spread of Covid-19, Pakistan received the bulk of export orders from the US and Europe. This story is best told by trade numbers. As the Pakistani government imposed a lockdown in March, exports of the textile group plunged 61 per cent to \$403.8 million in April 2020 from \$1.04 billion in March 2020.

However, the following month saw a quick recovery as textile units were allowed to reopen and exports from the sector reported a steady increase. In May 2020, exports from the textile group recorded an 86 per cent jump to \$751.1 million from the preceding month. By the end of the year, exports in this segment were back to the pre-pandemic levels of over \$1 billion a month.

These numbers are crucial to understand the revival of the economy in terms of trade and why the latest development comes as a threat. Now, in a hit to the beleaguered economy, the European Parliament has called for a review of Pakistan's GSP+ status, which gives concessions on exports to EU, on grounds of abuse of blasphemy laws in the country. The resolution stated that the European Parliament “calls on the Commission and the European External Action Service (EEAS) to immediately review Pakistan's eligibility for GSP+ status in the light of current events and whether there is sufficient reason to initiate a procedure for the temporary withdrawal of this status and the benefits that come with it, and to report to the European Parliament on this matter as soon as possible.”

The EU is a major export destination and a very important trading partner for Pakistan as it absorbs nearly 34 per cent of the country's total exports to the world. Due to the GSP+ facility, nearly 80 per cent of Pakistan's exports enter the EU at a preferential rate.

Around a quarter of the items imported to the EU from Pakistan are from the textile sector, like bed linen, table linen and toilet and kitchen linen. The textile industry contributes over 60 per cent to the country's exports. Hence, it is no surprise that the business community is alarmed over the development and the sector underperformed at the Pakistan Stock Exchange in the previous week.

But before we delve further in to this, let us talk about the GSP+ scheme.

A supporting hand

The Generalised Scheme of Preferences (GSP) is an initiative of the developed countries by which they seek to support developing economies in achieving sustainable growth through trade. The goal is to help developing countries implement the sustainable development agenda to promote values of human rights, core labour standards, environmental protection and good governance.

The EU's GSP has three arrangements; standard GSP for low and lower-middle income countries, GSP+, and Everything but Arms (EBA). Under the general GSP arrangement the EU grants tariff reductions for products covered by around 66 per cent of tariff lines and originating from low-income or lower-middle income countries, which do not benefit from other preferential access to the EU market.

Under the EBA arrangement, the EU grants duty-free, quota-free access for all imported products except arms and ammunition from countries classified by the UN as Least Developed Countries (LDCs).

For countries benefiting from the special incentive arrangement (GSP+), the EU eliminates tariffs for products covered essentially by the same tariff lines.

Beneficiaries of GSP+ are required to implement 27 international conventions related to human rights, labour rights, protection of the environment and good governance. Once the status is awarded, the EU monitors the beneficiary countries to ensure compliance with the

international conventions through visits, dialogues and exchanges of information. Subsequently, the commission publishes a report every two years to review the progress made on the agreement.

Pakistan was awarded the GSP+ facility in January 2014 and has since then witnessed a rapid rise in its trade with EU. According to a report on EU's assessment of Pakistan for GSP+, EU imports from Pakistan doubled from €3.6 billion to €6.8 billion from the period of 2008-2018. The growth of imports further accelerated following the award of the facility with a 30 per cent increase seen between 2014 and 2016. According to the Pakistan Business Council's (PBC) report on 'Pakistan's performance under the EU GSP+ program: 2014 – 2019', "Under GSP+, EU's imports from Pakistan have risen from \$7.2 billion in 2013 to \$9.7 billion in 2019 – an increase of roughly 34.7 per cent."

Under this facility, Pakistan has been granted duty-free market access for more than 6,300 tariff lines. The EU, which is one of the major trading partners of Pakistan, accounted for 46.8 per cent of the country's total trade in 2019. Moreover, it is Pakistan's third largest import partner after China and the UAE. Based on this assessment of the PBC, one can safely say that the GSP+ status has had a positive impact on our country's exports as the last six years have witnessed an overall favourable trend in EU imports from Pakistan.

"Even though Pakistan's exports to the world, on average, declined by 0.6 per cent from 2014 to 2018, EU's imports from Pakistan witnessed an increase in CAGR of 3.2% during this period. This shows that Pakistan has been able to maintain its favourable position in the EU market," the report adds. In its last compliance review in 2020, the EU extended Pakistan's GSP+ status for another two years, making the country eligible for availing preferential duties till 2022.

Untapped potential

To understand the role of GSP+ in Pakistan's exports and impact on the economic situation if the status is withdrawn, The Express Tribune spoke to a few experts on the matter. Pakistan Business Forum Vice President Ahmad Jawad said that despite getting zero concession on many items under GSP+ status, the country was unable to fully take advantage of this facility due to which there may not be as much of an adverse impact.

He said that only the textile sector was able to increase its exports by around \$2-3 billion but the potential for exports from other sectors like agriculture and other items were not tapped. “Even the horticulture sector, despite fulfilling the EU’s requirement, was not able to make its footprint in the European market.”

Jawad said that envoys from different European countries, time and again, urged the businessmen to tap potential sectors under the extended facility, particularly kinnows, as there was a market for such products. However, we were unable to make our place in the European market and even though it is a major export market for the fruit, the quantity exported remains very small, he added. “We have not really taken advantage of the benefit that we could have gotten from the GSP+ status. The total advantage that we get from the facility currently is \$2-3 billion, which is far below potential,” Jawad added.

Commenting on the reasons for this, he said that there was a lack of proper export strategy for the EU. “Ideally, what should have happened was that when we got GSP status, we should have identified a marketing strategy and held road shows as Europe is a very big market. But our ministries and foreign missions did not work on this front,” he lamented. He said that there was a lot of focus on promoting textiles, due to which other sectors like leather, halal meat and jewellery, were neglected.

Not only were the other sectors neglected, the textile sector was also unable to adapt to the changing demand of its market. Findings of PBC’s report highlighted that an analysis of EU imports from Pakistan showed that most of the items fell in the retreat segment. According to the Export Products Dynamics (EPD) Matrix, retreat is when items have a lower share among world’s imports and the exporting country also exports those items in smaller quantities. Pakistan is neither exporting items that are imported by EU in high amounts nor is it focusing on items that have witnessed a high growth among EU imports. The lack of effort to keep up with the changing dynamics, has led Pakistan to miss out on opportunities to increase market share as well as to have a strong presence in items which are in growing demand in the EU.

So, in spite of the tariff advantage, Pakistan’s share in the EU’s global imports stands at 0.16% (in 2013, this number was 0.12%). “Hence, GSP does not have that much advantage in our exports. It is more symbolic; even if \$2-3 billion is lost from this, it will not have a lot of overall impact,” said Jawad. However, he was of the view that an incentive such as the GSP+

status could help drive up exports if the government focused on pushing all the sectors otherwise we will not be able reap dividends from the GSP facility “Only getting the facility renewed will not be of any use to us.”

Federation of Pakistan Chambers of Commerce and Industry (FPCCI) President Mian Nasir Hayyat Magoo echoed similar views saying, “There will be a difference of \$1-2 billion maximum [if the status is withdrawn] but that too will not be felt immediately.” He said that currently the world was facing a pandemic and countries had limited options for supply. India is embroiled in a devastating second wave of Covid infections and Bangladesh also had started losing orders so someone had to fill the gap. He said that initially there will not be any major difference, though there may be some impact later when other countries start recovering.

Karachi Chamber of Commerce and Industry (KCCI) President Shariq Vohra said was of the view that in terms of numbers there would not be a great difference but this does come as a hit to the country’s exports. “Pakistan has not been able to take advantage of what the GSP plus has offered. The categories offered under this facility are more than 300 and we are exporting just a few. We have not been able to fulfil the true potential.”

He said that the latest decision to review the GSP+ status will definitely dent our exports. “Firstly, there is a very important thing called perception. When they say Pakistan’s GSP status has been withdrawn, there will be a negative message going across the globe about the country. So it will definitely hurt Pakistan’s exports.”

[Click here for more details](#)

Source: tribune.com.pk– May 08, 2021

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Pakistan Large-scale Manufacturing (LSM) sector posts 9% growth

Big industries posted 9% growth during the first nine months of current fiscal year but the index slid for the second successive month, suggesting an uneven growth momentum due to disruptions caused by the pandemic.

The Large-scale Manufacturing (LSM) sector registered a cumulative growth of 9% in July-March of current fiscal year, reported the Pakistan Bureau of Statistics (PBS) on Friday.

March was the second successive month when the index dropped over the previous month, again slipping below pre-Covid levels and standing at 155.6. On a month-on-month basis, the LSM sector showed a contraction of 7.7% in March over February 2021.

Out of 15 major sectors, nine sectors recorded positive growth while the output of six sectors, being monitored by the federal and provincial governments, dropped in the first nine months of current fiscal year, according to the PBS.

The government had expected 2.5% contraction in the LSM sector in the current fiscal year, according to the Annual Plan 2020-21, which will now be positive at the end of the year. This will also contribute to the overall economic growth that is now projected at around 3%.

The LSM sector recorded a 22.4% year-on-year growth in March due to closure of businesses in March last year, when Pakistan had imposed lockdown after the respiratory disease started spreading.

On a year-on-year basis, the petroleum sector posted 2.8% growth in March over the same month of previous year. Provincial bureaus reported a growth of 4.2% in 11 sectors that they monitored.

The Ministry of Industries, which followed the output of about 15 sectors, reported 15.4% growth in March over the same month of preceding year.

Pakistan needs 7-9% annual economic growth to reduce poverty and unemployment and growing public debt, according to a Pakistan Institute of Development Economic study.

Data collected by the Oil Companies Advisory Committee (OCAC) showed that 11 types of industries registered average growth of just 0.7% in the first nine months of current fiscal year.

The Ministry of Industries, which monitors 15 industries, reported 6.9% growth in the LSM output. Provincial bureaus reported a growth of 1.5% in 11 sectors during the July-March period, according to the PBS.

Sectors that posted growth during the July-March period included textile, which grew 5.9% and non-metallic mineral products, which registered a 24.3% growth.

The fertiliser sector grew 5.7% whereas the food, beverages and tobacco group output increased 11.7% in the nine-month period. Manufacturing of chemical products increased 11.7%, automobiles 23.4% and iron and steel 1.7%. The pharmaceutical sector registered a growth of 12.6% and output of the coke and petroleum sector increased 12.4%.

The sectors which registered a dip in their production included electronics, whose production decreased 21%, leather products, down 38%, engineering products 25.5% and wood products 45.8% during the July-March period.

Rubber production decreased 13% and paper and board production fell marginally during the nine-month period.

Source: tribune.com.pk– May 08, 2021

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NATIONAL NEWS

A stitch in time? Why the Govt needs to iron out the issues in PLI scheme for textiles

One of the largest in the world, the Indian Textile & Clothing (T&C) industry adds about 12% of export earnings to the country's export basket. This sector is majorly being driven by labour force and it helps in providing over 100 million direct and indirect employments.

In the global market, during the period 2013-19, the exports of India in the T&C sector have been stagnant in the range of \$34-39 billion. On the other hand, India's imports have been increasing rapidly from \$5.5 billion to over \$8 billion in four years.

India Textile and Apparel Exports and Imports (USD Billion)

Further India's export market share across T&C segments within the total exports by Asia Pacific (APAC) countries shows that India is relatively strong in the upstream segments of raw material and yarn spinning whereas its market share is much lower in fabrics and finished goods that have a higher value.

This significantly limits the value of India's export. In comparison, China has higher share than India in all segments, but it has a much higher market share in higher value downstream products - fabrics, apparel and made-ups (especially in 2012 before China started focusing on upstream products).

India and China Market share across T&C segments within APAC exports. Further the large part of India's exports in the apparel sector is cotton garments, while globally consumption is geared towards man-made textiles.

India and China market share in APAC exports by fibre type and segments. Undoubtedly the textile sector has been identified as thrust the sector amongst the selected 13 sectors for which the Production Linked Incentive scheme (PLI) scheme has been proposed by the government of India.

Coverage of the scheme and products proposed

The above statistics clearly indicate the need for specific push for certain segments within the textile sector. Accordingly, the budgeted outlay under

the PLI scheme for the textile sector has been provided only for apparels/made ups made from man-made fibres (MMF) and technical textiles

to an extent of Rs 10,683 crore. This clearly means that the scheme doesn't cover cotton garments/apparels for instance. The scheme will be implemented by the Ministry of Textiles (MoT) and is expected to be made effective shortly.

With the introduction of such a scheme, the foremost intention of the Government is to boost the country's export value by building large scale production of downstream products, which has higher value. The scheme would enhance India's manufacturing capabilities by increasing investment and production in the textile apparel sector, especially in the MMF segment and technical textiles.

Key features of the proposed scheme

It is expected that the scheme may cover approximately 40 products categories under MMF and about 10 in the technical textile segment. The MMF category largely covers garments covered in Chapter 61 and 62 of the Customs Tariff Act like jerseys, pullovers, trousers, socks and shirts of man-made fibres.

The technical textile category may cover products like diapers, adhesive dressings, bandages and safety airbags, as covered under some specific HSNs under chapter 30, 39 or 59 of the Customs Tariff Act.

It is likely that benefits under the scheme would be available for both greenfield as well as brownfield investments. However, the sub-conditions for each category would be different.

It appears that minimum investment of Rs 500 Crore is expected for a project to be qualified under greenfield category. In addition to the above, the most critical condition of achieving 50% growth on a year-on-year basis, is expected to be set, for claiming the incentives.

Depending on the type of investment i.e. greenfield or brownfield, the rate of incentives would fall in the bracket of 11% to 3% on a year on year basis for 5 years. These rates would be applied on the incremental revenue assuming the condition of yearly growth is maintained.

Industry expectations

While the scheme would be a huge impetus for new investments, there is a need to consider some important issues as highlighted by various industry players and experts as under:

Limited product coverage: The proposed list of products covers only the apparels and not the fabric which is still majorly imported. The scheme doesn't cover synthetic fabrics such as viscose, polyester and nylon, which is a major input for apparels covered under the scheme.

This is also true for Geotextiles, agrotextiles and also the Hygiene segment. In the Technical textiles, a proper boost to the same can be provided only by encouraging investments in the fibres and filaments used for producing the end products like safety air bags in cars, diapers, sanitary napkins, surgical materials etc. Merely including the end-product may not enable more investments in this sector.

Investment threshold: The T&C sector can be forked in multiple segments and each of them contributes to the sector individually. Below figure picturizes value addition of each segment.

Estimated share of value addition by segments.

Generally, no single company in India may invest in the entire value chain from yarn to fabric to apparel unlike a few large players in China. Each process of the manufacturing is done by multiple players in India. Therefore, the condition of investing Rs 500 Crore for greenfield investment seems very difficult to achieve and clearly seems that this condition should be eased out the way it has been done for some other sectors.

Growth pattern

It would be difficult to maintain a growth pattern of 50% on a year-on-year basis which would involve more investment in terms of machinery and capturing more market in given time.

This is far more than what is envisaged for the PLI schemes of any other sector. The investment to growth in revenue ratio for the textile industry doesn't justify the expectation of either the investment criterion or the revenue growth criterion.

While the government is discussing various representations from industry in all earnest to make the scheme being successful, it would be interesting to look at the products and the eligibility criteria which gets notified in the final scheme so as to achieve real growth for the sector.

Source: economictimes.com– May 08, 2021

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India, EU to conclude trade, investment pacts simultaneously: Piyush Goyal

Commerce and industry minister Piyush Goyal on Saturday said India and the European Union (EU) will begin negotiations for separate bilateral trade and investment agreements simultaneously under a comprehensive Free Trade Agreement as investments are an area of the EU's interest while India is keen to get more market access for its goods and services there. The minister said trade and investment go hand in hand, and the two sides are committed to conclude the two pacts together at an early date.

“We have decided to launch negotiations for a balanced, ambitious, comprehensive and mutually beneficial agreement on trade and investment. These will be separate agreements and negotiated in parallel track simultaneously,” Goyal said at the EU-India Business Roundtable organised by CII.

ET had reported in January that keen to accelerate investments, technology and capital flows from the EU, New Delhi wants an investment deal and trade deal to happen parallelly and independently unlike earlier when the two were negotiating the Broad-based Trade and Investment Agreement (BTIA) whose negotiations were suspended in 2013.

“We are also committed to conclude them together at an early date,” Goyal said, adding that investment and trade go hand in hand.

As per the minister, the two sides must look at a comprehensive dialogue for a comprehensive FTA covering all the tracks of trade in goods and services, and investment protection.

“This will benefit both sides immensely,” he said.

On goods, Goyal said bilateral trade is balanced and complementary with a “highly diverse and technologically advanced” basket of goods. India's key exports to the EU include engineering goods, ready made garments, gems and jewellery, and pharma while imports are medical devices, alcoholic beverages and aircraft.

Pandemic impact

Goyal said that India is going through a severe second wave of the Covid-19 pandemic and ramping up production capacities.

“We are ramping up our vaccine production so that we can expand vaccination coverage to other countries across the world through high quality affordable vaccine and other medical supplies,” he said, appreciating the supply extended by Europe during the pandemic.

Reliable supplier

Goyal said that countries are looking for trusted trading partners amid the pandemic and given India’s track record, it will be the EU’s “most natural and reliable ally, partner and friend”.

Noting that high cost of production high in Europe but competitive and reasonable costs in India, give European business an opportunity to produce in India, he said: “We can create a win-win partnership”.

“As the world moves away from over-concentrated risky supply chains, I’d like to ensure that you can trust India to provide a multitude of investment and manufacturing opportunities,” he said, adding that by emphasising on global

quality and productivity standards, India is “looking at changing the entire landscape of a billion people to align ourselves with the developed world”.

He said investments are protected in India and there is no compulsion for any company to transfer their technology when they come to India.

Source: economictimes.com– May 09, 2021

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Exports rise 80 pc to \$7 bn during May 1-7

Continuing a positive growth, India's exports grew by 80 per cent to \$7.04 billion during the first week of this month, according to preliminary data of the commerce ministry.

Exports during May 1-7 last year stood at \$3.91 billion and \$6.48 billion in the same week of May 2019, data showed.

Imports too rose by 80.7 per cent to \$8.86 billion during May 1-7, 2021 as against \$4.91 billion in the same period last year and \$10.39 billion in 2019.

India's exports in April jumped nearly three-folds to \$30.21 billion from \$10.17 billion in the same month last year.

Major export commodities which are recording healthy growth include gems and jewellery, jute, carpet, handicrafts, leather, electronic goods, oil meals, cashew, engineering, petroleum products, marine products and chemicals.

Federation of Indian Export Organisations (FIEO) President S K Saraf said that the exports growth is encouraging and order books of exporters are healthy.

"I will urge the government to look into the issues of MEIS (merchandise export from India scheme). RoDTEP (remission of duties and taxes on export products) rates should also be announced immediately to further push the shipments as profitability of exporters are getting impacted," he said.

Source: financialexpress.com– May 09, 2021

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Imports allowed without executing bond

The Central Board of Indirect Taxes and Customs (CBIC) has allowed importers to get shipments cleared without executing a bond in view of the lockdown-like restrictions in various parts of the country.

Importers could, instead, furnish an undertaking in lieu of the bond for customs clearance and subsequently replace it with a bond by 15 July, CBIC said in a notification on Saturday.

Businesses availing various customs duty concessions while importing goods for export production are required to furnish a bond as part of their commitment to meet the export obligation in future years. However, movement restrictions in different parts of the country and the need for urgent customs clearance prompted the government to accept an undertaking in lieu of the bond of a limited period.

CBIC said the relief was granted in view of the representations it received seeking relief and has told field officers to issue suitable communication to guide traders and businesses in availing of this relief. CBIC has in the last few weeks granted several concessions, including customs duty relief, to medical supplies used in the treatment of coronavirus cases. India has received medical aid from across the world, including from the US, the UK, Russia and several EU member nations, to fight the pandemic.

Imports are now being cleared throughout the day on high priority after the government issued necessary protocols and assigned nodal officers in several locations to help importers.

The government last month exempted basic customs duty and agriculture cess on a host of products, including medical oxygen, oxygen generators and concentrators, ventilators and cryogenic transport tanks.

It also reduced the integrated goods and services tax (IGST) on imported oxygen concentrators meant for personal use from 28% to 12% for a limited period. Over 238,000 people have so far lost their lives due to coronavirus infection, official data showed.

Source: livemint.com– May 09, 2021

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Indian industry will welcome resumption of India-EU FTA talks: CII

Implementation of the proposed free-trade agreement between India and the European Union (EU) will benefit both the sides and the domestic businesses will welcome the resumption of formal negotiations on the long-stalled pact, industry body CII said on Saturday.

The proposed Broad-based Trade and Investment Agreement (BTIA) between the two sides has been stalled since May 2013 as both sides are yet to iron out differences over several issues. The BTIA is a kind of comprehensive free trade agreement being negotiated by the two sides.

Speaking at the EU India Business Roundtable, CII Director-General Chandrajit Banerjee said that BTIA will really benefit the EU with better access to the huge and rapidly growing Indian market and India with technology and innovation access.

“Several rounds (of talks) held until 2013, but the negotiations could not be completed as differences remain over some key issues. But Indian industry will welcome a resumption of formal negotiations for the BTIA and is ready to support the negotiations in any way possible,” he said.

He also said that both the regions need to focus on investment facilitation and protection. Speaking at the function, Markus J. Beyrer, Director General of Business Europe Confederation of European Business, said he completely agreed with CII Director General on resuming the FTA talks.

Confederation of Portuguese Business President Antonio Saraiva informed that CII has inked an MoU with them to increase business cooperation between the two countries. India’s exports to EU member countries stood at about USD 54 billion in 2019-20, while imports aggregated at USD 52 billion.

Source: financialexpress.com– May 08, 2021

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Forex reserves surge by \$3.91 billion to \$588.02 billion

The country's foreign exchange reserves swelled by USD 3.913 billion to reach USD 588.02 billion in the week ended April 30, 2021, RBI data showed on Friday.

In the previous week ended April 23, the reserves had risen by USD 1.701 billion to USD 584.107 billion. The forex kitty had touched a lifetime high of USD 590.185 billion in the week ended January 29, 2021.

In the reporting week ended April 30, 2021, the rise in reserves was on account of an increase in foreign currency assets (FCAs), a major component of the overall reserves.

FCAs rose by USD 4.413 billion to USD 546.059 billion, as per the weekly data by the Reserve Bank of India (RBI).

Expressed in dollar terms, the foreign currency assets include the effect of appreciation or depreciation of non-US units like the euro, pound and yen held in the foreign exchange reserves.

Gold reserves declined by USD 505 million to USD 35.464 billion in the reporting week, according to the central bank data.

The special drawing rights (SDRs) with the International Monetary Fund (IMF) rose USD 3 million to USD 1.508 billion.

The country's reserve position with the IMF increased by USD 2 million to USD 4.99 billion in the reporting week, the data showed.

Source: financialexpress.com– May 07, 2021

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Managing FX risks on imports

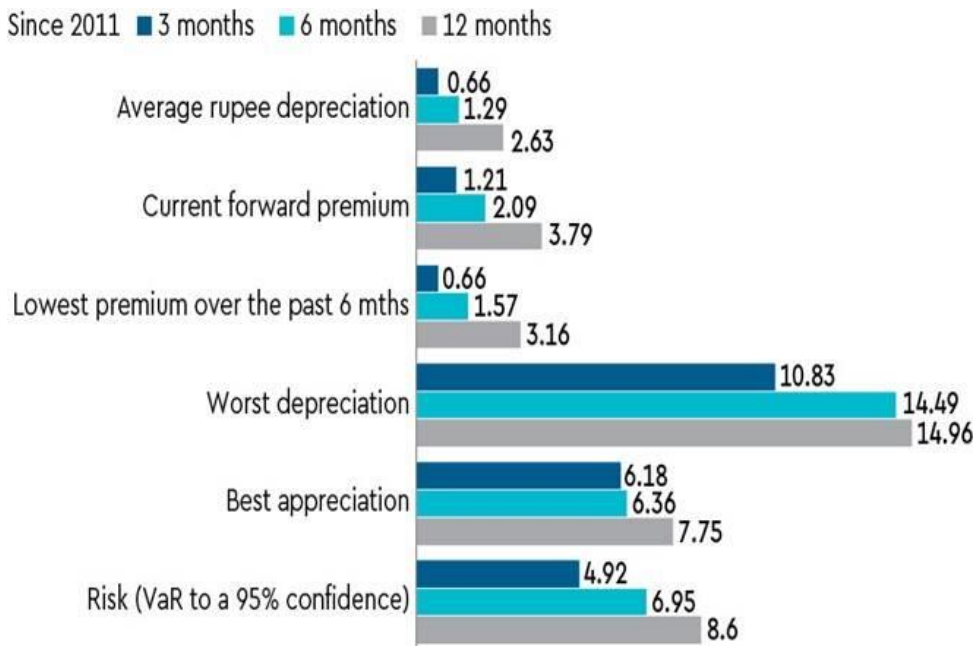
In many a sense, exporters have an easier time of FX risk management as compared to companies with imports because the market structure is skewed in their favour—with rupee interest rates higher than those in most invoicing currencies, there is a nice forward premium available for selling forward and eliminating (or reducing) risk. That many exporters choose not to sell, or sell inadequately—always waiting for the Godot of a rupee collapse—is another matter.

For importers, the situation is reversed—they have to pay the premium to eliminate risk. And, of course, nobody likes to pay. And while there is always the threat of a sharp rupee decline at any point, history shows that on average the rupee falls by less than the forward premium, so, there is an intuitive reason for staying unhedged.

Of course, staying unhedged exposes the company to risk and, to my reckoning, few companies build any estimate of this risk into their business plans. The accompanying graphic shows the risk carried by unhedged import exposures to different tenors.

The numbers indicate that while the premiums are, in general, higher than the average depreciation, they are substantially lower than the worst depreciation (to tenor) that we have seen over the past 10 years, and quite a bit lower than even the risk on an open exposure. Value at Risk (VaR) to a 95% confidence is a well-established risk measure; it is a number that tells you that there is a 5% probability that an unhedged exposure will end up costing more than the VaR figure. Thus, the analysis shows that there is a 5% chance that an unhedged 6-month exposure would lose more than 6.95.

Thus, in developing its business plan, companies should use [spot + VaR] to price its imports to different tenors; in my experience, few companies do that. An alternate approach would be to set a risk limit above the forward rate on the date of formation of the business plan AND have a disciplined risk management process in place to use this risk limit as a stop loss. Contrariwise, we have found that most companies use ad hoc processes for pricing their imports in their business plans.



Most importantly, few companies link their risk management process to their budgeted FX rates for imports. Indeed, operationally, too many companies identify their import risk only on the basis of

confirmed purchases – which are generally not much further out than 3-4 months. This results in 8-9 months of exposures being unmonitored at any point in time, which, as we see from the table represents a huge risk of 7-8 rupees, or around 10%! It's hard to imagine any board being comfortable with that, and audit committees need to review their hedge policies to ensure that the risk being carried is within the board's comfort level.

Of course, identifying exposures as risk beyond 3 months doesn't mean simply hedging them out. Given the reality that on average the rupee falls less than the premiums provides an opportunity to save at least some part of the hedging cost while ensuring that the risk is contained.

For exposures identified out to 6 months, we have developed a sliding stop loss model that has saved around 1% a year in hedging costs on average. To be sure, the results are volatile and, as often as 60% of the time, the model loses money as compared to hedging on Day 1; however, its worst case loss is an increase in cost of 4% pa which is way lower than its best gain, which was nearly 15% pa. Like any stop loss model, the goal is to limit losses and enable the exposure to ride rupee strength for maximum gains.

For 12 month exposures, the model also works but results are a bit weaker—average gain is just 0.65% pa; negative performance 55% of the time; worst case cost increase 2.7% pa; best savings 7.5% pa. However, given that risk on a 12-month exposure is nowhere near twice the risk on a 6-month exposure, it may make sense to stay unhedged for 6 months with a, say, 3% pa stop loss and shift to the trailing model after that.

For shorter tenor exposures, our regular MHP-I (Mecklai Hedge Program – Imports) provides excellent value, racking up cost savings of 1.77% pa since, again, 2017; importantly, at this tenor the program is negative just 25% of the time. Given the continuing huge volatility of the rupee, these are, to my mind, excellent savings.

Source: financialexpress.com– May 08, 2021

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MSME seller count jumps nearly 5X in 12 months amid Covid on Modi govt's e-commerce marketplace

The Modi government's e-commerce portal Government eMarketplace (GeM) for micro, small, and medium enterprises to sell goods and services online to government departments and organisations has recorded a 4.75X jump in its seller-count over the past 12 months.

From around 3.76 lakh sellers listed on the platform in May 2020, the total number has increased to 17.86 lakh as of May 9, 2021, according to GeM statistics. In fact, it nearly doubled from 9.44 lakh as of January 12, 2021. Out of the total seller base, the share of MSE sellers has increased from around 1 lakh to 6.91 lakh during the said period and grown from 4.1 lakh sellers in January this year.

The jump in seller base has come amid the Covid pandemic last year for which a separate category of Covid-related goods and sellers was created on the platform. Sellers selling medical supplies under the Covid category on the GeM portal had increased from 10,158 as of April 22, 2020, to 33,557 as of May 9, 2021, while the number of sellers selling auxiliary products grew from 15,998 to 35,009.

The MSME Ministry had in April last year urged sellers in manufacturing or supply of medical and related equipment to register as a supplier on the GeM portal to supply ventilators, N95 masks, disposable thermometers, alcohol-based hand sanitizer, protective gowns, soap, chairs, tables, bedsheets, computers, extension boards, and other medical and auxiliary products.

Moreover, for ease of purchase, GeM had enabled the 'staggered delivery' feature for buyers including government departments, organisations, PSUs, etc., to schedule the delivery of products for up to 1 year at the time of bid creation itself. GeM had crossed the 10-lakh-seller milestone within four-and-a-half years of its launch (August 2016) to become the largest e-commerce marketplace in the country.

As of January 27, 2021, 10,13,448 sellers and service providers were listed across over 13,000 products and 178 service categories. As of May 9, 2021, nearly 31.78 lakh products across 16,300 product categories and over 1 lakh service offerings across 186 service categories were listed. The total

transaction value on the GeM portal stood at Rs 1.14 lakh crore while MSEs' share in order value stood at 56.16 per cent.

Source: financialexpress.com– May 09, 2021

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Number of SMEs going for restructuring 2.0 could be lower as Covid maybe contained over 3 months: Crisil

The number of small and medium enterprises (SMEs) rated by Crisil opting for the restructuring window offered under the Resolution Framework 2.0 by the Reserve Bank of India (RBI) recently could be much lower than that are eligible, the credit rating agency said. “Crisil believes that the impact of the pandemic could be contained over the next 2-3 months. Therefore, the actual number of companies opting for restructuring could be much lower than that are eligible,” it said in a statement. Around 3,500 companies rated by Crisil are SMEs with bank loan exposure of up to Rs 25 crore while around 3,400 of them are standard accounts, which makes them eligible for the restructuring scheme.

Though localised at the moment, disruptions caused by the second wave of the pandemic have the potential to hit smaller businesses, which were yet to fully recover from the blow dealt by the first wave, the agency noted. “Four out of five companies eligible for restructuring have sub-investment category ratings, indicating their relatively weak ability to manage liquidity shocks. Restructuring 2.0 could provide interim liquidity relief to these companies to cope with near-term cash-flow mismatches,” said Subodh Rai, Chief Ratings Officer, Crisil Ratings.

The central bank had earlier this week announced measures to mitigate the impact of the pandemic on businesses and individuals, including restructuring window for small businesses. Individuals, small businesses, and MSME borrowers with aggregate exposure of up to Rs 25 crore would be eligible for consideration under the Resolution Framework 2.0 provided they have not availed of restructuring under any of the earlier restructuring frameworks (including Resolution Framework 1.0 dated August 6, 2020), and were classified as standard accounts as on March 31, 2021.

To incentivise credit flow to MSMEs, RBI had also allowed scheduled commercial banks in February this year to deduct credit disbursed to new borrowers from their net demand and time liabilities (NDTL) for calculation of the cash reserve ratio (CRR). Governor Shaktikanta Das had announced an extension of this exemption, which is currently available for exposures up to Rs 25 lakh and for credit disbursed up to the fortnight ending October 1, 2021, till December 31, 2021.”

According to Crisil, a third of its rated SMEs had cushioned their liquidity last fiscal year by availing the loan moratorium. While this relief was supported by a bounce-back in demand, which limited the number of companies opting for restructuring under the Resolution Framework 1.0, the resurgence of the pandemic and absence of any moratorium this time, the resilience of these SMEs will be tested.

Source: financialexpress.com– May 09, 2021

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10% of drivers, helpers of commercial vehicles have left for their native places: IFTRT survey

Almost 2-2.5 lakh drivers have Covid-like symptoms and viral infections, said the Indian Foundation of Transport Research and Training (IFTRT), based on a survey conducted on a sample size of 85,000 drivers and helpers conducted in the last one week using 50 resource persons.

If helpers were to be counted, 3.5 lakh drivers and helpers – that account for about 10 per cent of the total lot of drivers and helpers working at various locations – have left for their native places, it added.

“They have moved back to rural areas and smaller towns that do not have as much Covid-19 testing and treatment facilities,” said IFTRT, as it indicated that these are conservative numbers and the total number of truck, bus and taxi drivers suffering from Covid in the second wave and related viral fevers could easily be 4-4.25 lakh, based on present assessment from 75-100 transport centers.

Covid-like symptoms

When we conducted the survey, most of the people said that they are suffering from fever and cough and they fear it could be Covid. In 95 per cent of the cases, the drivers – who do not have a social security net – have been left to fend for themselves for medical treatment with meagre resources at their disposal.

This is despite each district having associations, unions of truck and bus operators, the IFTRT observed, as it urged the Centre, State and district authorities to set up vaccine and testing centres in transport depots.

IFTRT also called upon road safety NGOs – funded by the Centre and States – to take up the cause of hapless commercial vehicle drivers and helpers. The going away of 10 per cent of drivers and helpers has not impacted most of the routes, barring a few, as the capacity utilisation of trucks has also dropped to 60 per cent of fleet due to lower economic activity, added IFTRT.

Source: thehindubusinessline.com – May 09, 2021

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Power looms stop production in Erode district following COVID-19 restrictions

Over 50,000 looms have stopped production in the district; owners say they are unable to provide wages to workers but are helping with essentials

Over 50,000 power looms that were functioning in one shift for the past two weeks have halted production after the new restrictions to control the spread of COVID-19 pandemic came into force from Thursday.

About 55,000 power loom units function at Lakkapuram, Veerappanchatiram, Ashokapuram, Surampatti, Chithode, Rasampalayam and a few locations in Erode district providing jobs to over 50,000 workers and loadmen. Due to the night curfew imposed by the State government in the last week of April, the units started functioning in one shift instead of the usual two shifts. Hence, workers were provided jobs only for three days a week instead of six days.

L.P. Balasubramanian, secretary, Lakkapuram Power Loom Owners Association said that about 3,500 power looms functioning at Lakkapuram village have halted production. “Since owners could not provide wages, we are supporting workers with essentials,” he added.

B. Kandavel, coordinator, Tamil Nadu Federation of Power Loom Association said that all the textile merchants have downed their shutters and no orders were received from merchants from other States in the past two months.

“Since all spare parts shops and workshops are closed, we cannot run the units continuously,” he said and added that units have halted production till May 20. “We will decide on our next course of action based on the government’s regulations,” he said.

The coordinator said that fabrics worth ₹200 crore were stocked in godowns and added that they are facing difficult times.

Source: thehindu.com– May 09, 2021

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Indian fabric manufacturer Raymond's Q4 FY21 sales up 9% to ₹1,407 cr

Raymond Limited, an Indian textile and apparel company, has reported 9 per cent revenue growth to ₹1,407 crore in its fourth quarter (Q4) of fiscal 2021 ended on March 31, 2021, compared to revenue of ₹1,291 crore in the same period previous fiscal. The company's net profit for three-month period rose to ₹56 crore (Q4 FY20: loss ₹68 crore).

“The last financial year has been an unprecedented one and we have been able to conclude it on a positive note in Q4. The quarter witnessed topline growth mainly driven by Branded Textile along with strong momentum maintained in Engineering and Real Estate businesses and overall higher profit margins, led by focused efforts on reducing operational costs,” Gautam Hari Singhania, chairman and managing director at Raymond Limited, said in a press release.

Branded textile segment sales during Q4 FY21 rose 24 per cent to ₹722 crore, driven by higher sales in the trade channels due to higher number of wedding dates foreseen in April-June quarter of current financial year. Suiting business grew 24 per cent and B2C shirting grew 40 per cent over previous year led by good response for wedding collection bookings in February & March, as company reported in the release.

Whereas branded apparel segment sales were ₹175 crore, mainly due to our continued control on primary channel sales to ensure adequate inventory in the supply chain. Garmenting segment sales was ₹126 crore due to recovery in bulk business, with gradual opening up of global markets. High value cotton shirting segment sales grew 12 per cent during Q4 FY21 to ₹133 crore.

"We began the new fiscal with higher number of wedding dates and encouraging consumer footfalls in retail outlets. However, with the second wave of Covid-19 and its intensity, we are witnessing lockdowns across cities thereby impacting sales. We are continuously ramping up our omni-channel capabilities to help serve our consumers across India. With vaccination gaining pace, we expect businesses to regain momentum in due course of time," Singhania concluded.

Source: fibre2fashion.com– May 07, 2021

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