



ICG Newsletter October 2020

Global news during this past month for the retail, textile, apparel, footwear, and agriculture sectors continues to show challenging headwinds, a result of the Covid-19 health crisis.

AMERICAS

As the US continues to have challenges with the economic impact of the Covid-19 virus, many other parts of the global economy are seeing growth and opportunity.

US House of Representatives Passes Legislation Banning Product from Xinjiang Made with Forced Labor

The US House passed a bill 406-3 which bans the importation of any product made in Xinjiang Province, China which is made by forced labor, and requires companies to demonstrate with "clear and convincing evidence" that products from the region "are not made with forced labor". A companion bill has been introduced in the US Senate. This pending legislation comes on the heels of US Customs and Border Protection banning the importation of some products containing cotton, apparel, hair products, computer parts and other items. The bill also requires the US Secretary of State to determine if forced labor in the region is "widespread and systematic and therefore constitutes atrocities."

Source: <https://www.axios.com/xinjiang-uighur-forced-labor-house-bill-a96b0304-a4c6-4305-97a5-8679b7936987.html>



US Extends CBTPA Until September 30, 2030

The Caribbean Basin Trade Partnership Act (CBTPA) was extended for another 10 years as US Congress passed the enabling legislation on September 30, 2020. The bill was passed by the Senate on October 1 sending the bill to the President for his signature. The law allows duty-free and quota-free access to the US for certain products made in Barbados, Belize, Curacao, Guyana, Haiti, Jamaica, St. Lucia and Trinidad and Tobago.

Source: https://www.just-style.com/news/us-apparel-industry-urges-trump-to-sign-off-cbtpa-amid-expiry_id139720.aspx

J Jill Sales Drop 49%

Sales from the same period last year dropped 49% while the retailer was able to renegotiate terms with lenders which hold 70% of the company's debt. Bankruptcy seems to have been taken off the table for now, but several store closures are planned after most stores were closed for half of the year. The company hopes to end the year with 275 stores still running.

Source: https://www.retaildive.com/news/j-jill-sales-plummet-49/584674/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-09-03%20Retail%20Dive%20Newsletter%20%5Bissue:29487%5D&utm_term=Retail%20Dive

Nieman Marcus Emerges from Bankruptcy

The high-end retailer managed to shed \$4 billion in debt as it has three new owners and a new six-person board of directors. They also have a \$750 million fund to refinance a loan and bring liquidity to the company.

Source: <https://hypebeast.com/2020/9/neiman-marcus-exit-bankruptcy-new-board-dept-info>



Under Armour Revenue Down 41%; Eliminating 600 Jobs

With a \$183 million net loss for the period, Under Armour announced an additional 600 jobs to be eliminated, primarily in its headquarters. The company said it is fully committed to the performance athletic apparel sector by focusing on direct-to-consumer sales and building its brand.

Source: https://www.retaildive.com/news/under-armour-cuts-600-corporate-jobs-in-latest-restructuring-move/584913/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-09-09%20Retail%20Dive%20Newsletter%20%5Bissue:29561%5D&utm_term=Retail%20Dive

American Eagle Outfitters Closing More Stores

The company announced it will permanently close 40-50 stores this year in the wake of the pandemic-driven store closure but is also looking at possibly closing an additional 500 stores over the next two years as leases expire. While digital demand grew 48% in the second quarter, net sales fell 15% to \$884 million while sales at American Eagle fell 26%. The company noted several positive trends which they believe portends for a positive future for the company.

Source: https://www.retaildive.com/news/american-eagle-to-close-up-to-50-stores-this-year-eyes-hundreds-more/584972/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-09-10%20Retail%20Dive%20Newsletter%20%5Bissue:29591%5D&utm_term=Retail%20Dive

J Crew Emerges from Bankruptcy

J Crew announced on September 11 that it officially exited bankruptcy which it filed in May. The company turned \$1.6 billion in debt into equity as their lenders assumed control of the company with Anchorage Capital Group as the primary owner. Anchorage CEO, Kevin Ulrich said he sees "an immense opportunity for growth and expansion at each brand" of J Crew and sister company Madewell.

Source: https://www.retaildive.com/news/j-crew-looks-to-exit-bankruptcy-in-coming-weeks/584159/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-09-11%20Retail%20Dive%20Newsletter%20%5Bissue:29621%5D&utm_term=Retail%20Dive



OECD World Economy Slightly Better Than Previous Forecast

The Organization for Economic Cooperation and Development (OECD) forecast that the global economy will shrink about 4.5% versus the previous forecast of a 6.0% drop. China is the only economy which will grow slightly versus the other members of the G20 countries. All this is the result of economies recovering a bit better than expected and massive infusions of government resources to prop up country economies.

Source: https://www.business-standard.com/article/international/oecd-sees-world-economy-withstanding-coronavirus-better-than-forecast-120091601410_1.html

US Retails Slow in August

Sales at US retailers grew an astounding 8.4% in June but slowed to 0.9% in July and down again to 0.6% in August which was below the Refinitiv forecast of 1.0%. Retail sales in April hit a seven-year low. In 2019 9,302 retail stores closed but so far in 2020, over 8,000 stores have permanently closed with a projection that as many as 25,000 stores could close this year.

Source: <https://www.cnn.com/2020/09/16/business/retail-sales-data-august/index.html>

Imports Up but Caution is Advised

Imports jumped significantly in August that was higher than the same period last year as retailers restock for the holidays and to replenish inventory which was drawn down during the store closures caused by the pandemic. While the news is encouraging, several voices urged caution that "one good month does not a quarter make". There is still a great deal of uncertainty as trade battles continue, the pandemic has not been conquered and unemployment remains stubbornly high.

Source: https://www.supplychaindive.com/news/import-volume-swells-august-port-los-angeles/585392/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202020-09-17%20Supply%20Chain%20Dive%20%5Bissue:29727%5D&utm_term=Supply%20Chain%20Dive



Catherines Sold to Full Beauty Brands

The Ascena Retail Group, owner of Catherines, received bankruptcy court approval to sell Catherines to the Full Beauty Group for almost \$41 million. Full Beauty is buying the intellectual property assets and e-commerce business.

Source: https://www.wsj.com/articles/ann-taylors-parent-gets-green-light-to-sell-catherines-brand-out-of-bankruptcy-11600710797?mod=business_lead_pos12

Francesca's Issues Warning

Francesca's, a US-based retailer of women's clothing, footwear, jewelry and accessories declared that sales were down 29% for the latest quarter and its stock price is down 51% in 2020. It is seeking outside advice on the best way forward for the retailer which has about 700 boutique stores across the United States and Washington, D.C.

Source: <https://www.cnbc.com/2020/09/15/retailer-francescas-issues-going-concern-warning-as-sales-tumble.html>

Asia

Cambodia Exports to US Increase After Loss of European EBA Benefits

The Asian Development Bank forecast in June that the loss of EU trade benefits would cause the Cambodian economy to shrink by 5.5% but revised the forecast to a 4% reduction after American companies began placing more orders taking advantage of the excess capacity of many factories. Excluding apparel, footwear and travel goods, Cambodia's exports increased 30%. As the country controlled the outbreak of the Covid-19 virus very well which allows the country to have a strong recovery with the ADB predicting a 5.9% growth in 2021.

Source: <https://asia.nikkei.com/Business/Business-trends/Cambodia-s-garment-industry-finds-temporary-relief-in-US>

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Five Audit Firms Stop Conducting CSR Audits in Xinjiang, China

Citing a multitude of problems, including having staff detained by China authorities, being required to use government translators for employee interviews, and the difficulty of travel and accommodations, Bureau Veritas, RINA, TUV SUD and WRAP have said they will no longer conduct or schedule audits in the province which provides 85% of China's cotton for apparel.

Source: https://www.wsj.com/articles/auditors-say-they-no-longer-will-inspect-labor-conditions-at-xinjiang-factories-11600697706?mod=hp_lead_pos7

About International Compliance Group

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