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NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	**Topics**
1	OECD sees brighter economic prospects but an uneven recovery
2	Global demand for Chinese made fashion soars
3	USA: Polyester Yarn From 4 Asian Nations Dumped in US, Gov Rules
4	USA: How to Keep Goods Flowing Despite Port Congestion
5	IAF and Euratex open registration to unique double convention in Nov
6	US consumers to increase retail spending by 9% this summer: Report
7	Egyptian textile businesses embrace agility in the face of COVID-19
8	C&A Invests in Jeans Production Facility in Germany
9	Turkey sees robust exports, base effect yielding strong Q2 growth
10	S.Korea May exports at full throttle, set fastest pace in 32 years
11	A European FTA With India Is Not a Counterweight to China
12	Bangladesh Safety Accord Strikes Deal for 3-Month Extension
13	Bangladesh: RMG manufacturers hopeful about export recovery by October

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	NATIONAL NEWS
1	ECLGS tenor repayment extension will help MSMEs: TEXPROCIL
2	Decline in economic activity likely to be limited to April-June quarter: Moody's
3	Exports up 12% in April, May despite pandemic
4	Breaking the cycle of child labour is in India's hands
5	India won't get a V-shaped recovery this time
6	SBI economists cut FY22 GDP growth estimate to 7.9%; recovery to be 'W-shaped'
7	Textile industry biz picks up as lockdown curbs ease
8	Manufacturing PMI slides to 50.8, job shedding accelerates
9	How RBI's Resolution Framework 2.0 can help MSMEs tide over Covid mess; is Udyam registration required?
10	Why supporting MSMEs during Covid -19 will help socially backward groups?
11	Becoming part of global supply chain key to promoting exports: Experts
12	Handloom rights forum seeks financial support from Centre

INTERNATIONAL NEWS

OECD sees brighter economic prospects but an uneven recovery

Prospects for the world economy have brightened but the recovery is likely to remain uneven and, crucially, dependent on the effectiveness of public health measures and policy support, according to the OECD's latest Economic Outlook.

In many advanced economies more and more people are being vaccinated, government stimulus is helping to boost demand and businesses are adapting better to the restrictions to stop the spread of the virus. But elsewhere, including in many emerging-market economies where access to vaccines as well as the scope for government support are limited, the economic recovery will be modest.

The OECD has revised up its growth projections across the world's major economies since its last full Economic Outlook in December 2020. It now sees global GDP growth at 5.8 % this year (compared with 4.2% projected in December), helped by a government stimulus-led upturn in the United States, and at 4.4% in 2022 (3.7% in December). The world economy has now returned to pre-pandemic activity levels, but real global income will still be some USD 3 trillion less by the end of 2022 than it would have been without a crisis.

As long as a large proportion of the world's population is not vaccinated and the risk of new outbreaks remains, the recovery will be uneven and remain vulnerable to fresh setbacks, the Outlook says. Some targeted restrictions on mobility and activity may still need to be maintained, particularly on cross border travel. This will affect the prospects for a full recovery in all countries, even for those with a fast vaccine rollout or low infection rates.

Driving the differences between countries are public health strategies, the speed of vaccine rollout, fiscal and monetary support, and the relative importance of hard hit sectors such as tourism. While Korea and the US are already back to their pre-pandemic income levels, much of Europe is expected to take an additional year for them to bounce back. In Mexico and South Africa, it could take another three to five years.

Considerable uncertainty surrounds the projections, although risks have become more balanced between potential positive and negative impacts. In countries where vaccination is not widespread, the risk of further outbreaks remains very high, with the possible emergence of new vaccine-resistant variants of the virus. This could trigger further containment measures and delay the economic rebound.

On the upside, the high levels of household savings that have built up during the crisis could be unleashed as economies reopen, boosting consumption and growth to higher-than-expected levels, especially in advanced economies.

The release of pent-up demand in the advanced economies, together with disruptions to supply chains caused by COVID-19, could push up inflation and market interest rates, which in turn risks putting vulnerable emerging-market and developing countries under financial pressure. But, according to the Outlook, the jump in inflation will likely be temporary as the disruptions should start to fade by the end of the year, with production capacity normalising and consumption rebalancing from goods towards services. The OECD adds that with many people still out of work, a cycle of sharp wage rises and price increases is unlikely.

Presenting the Economic Outlook, OECD Secretary-General Angel Gurría said: “Effective vaccination programmes in many countries has meant today’s Economic Outlook is more promising than at any time since the start of this devastating pandemic. But for millions around the world getting a jab still remains a distant prospect. We urgently need to step up the production and equitable distribution of vaccines.”

OECD Chief Economist Laurence Boone said: “Our latest projections provide hope that in many countries, people hit hard by the pandemic may soon be able to return to work and start living a normal life again. But we are at a critical stage of the recovery. Vaccination production and distribution have to accelerate globally and be backed by effective public health strategies.”

“Stronger international cooperation is needed to provide low-income countries with the resources - medical and financial - required to vaccinate their populations. Trade in healthcare products must be allowed to flow free of restrictions.”

Ms Boone said income support for people and businesses should continue but evolve and adapt in line with the strength of the economy and the health situation. As containment measures are lifted, better targeting of support to where it is needed most - including through re-training and job placement - will improve prospects, particularly for the low skilled and for youth. Support also needs to focus on viable businesses, to encourage a move away from debt into equity, and to create jobs and invest in digitalisation.

Although government fiscal support throughout the pandemic has pushed up public debt in most economies, the Outlook says current low interest rates make debt servicing more manageable and should open the way for investments in areas such as healthcare, digitalisation and addressing climate change.

Ms Boone insisted "Debt sustainability should be a priority only once the recovery is well advanced, but governments should start planning for an overhaul of public finance management. This is no ordinary crisis and no ordinary recovery. Post crisis policies should be reformed in depth to address more effectively today's challenges and those ahead."

Click here for more details

Source: oecd.org– May 31, 2021

HOME

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Global demand for Chinese made fashion soars

Global demand for Chinese-made clothing surged in the first four months of the year, with a total valuation of 44.41 billion dollars exported. The data was shared by the General Administration of Customs of China, which said demand was up 51.7 percent over the same period last year.
Exports surged to 44 billion dollars

From January to April, China's export of textile yarns, fabrics and related products totaled over 43.96 billion dollars, an increase of 18 percent year-on-year.

"While major Western consumer economies emerge from the pandemic ready to spend on fashion and related categories," wrote the Business of Fashion, "the Chinese supply chain is playing a key role in bringing these products to market. But this increase in demand, coupled with increases in raw material prices and logistical bottlenecks, is making it difficult for different players to keep prices under control."

China's growth is not solely happening via exports. Sales of clothing in its domestic market from January to April grew 33.8 percent with an average growth of 8.5 percent in two years, according to data from the National Bureau of Statistics of China.

Chinese fabric exporters may be facing competition, however, as rising labour costs in China and the hesitancy from bigger players to stockpile clothing means the export of 9.7 billion dollars of yarn in March is slightly down on the 22 billion dollars exported in January and February.

Still, the data is impressive, as China remains a cornerstone for global fashion exports and a leading manufacturing hub.

Source: fashionunited.uk– June 01, 2021

HOME

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USA: Polyester Yarn From 4 Asian Nations Dumped in US, Gov Rules

The U.S. Department of Commerce has ruled that imports of polyester textured yarn from Indonesia, Malaysia, Thailand and Vietnam are being unfairly sold below their fair value in the United States at margins ranging from 2.67 percent to 56.08 percent.

U.S. Customs and Border Protection will now begin collecting antidumping duties (AD) in the amount equal to the dumping cash deposits rates for imports from each country. Importers will be required to post duty deposits at these AD rates on the date the preliminary determinations are published in the Federal Register.

These deposits will be collected until the Commerce Department and U.S. International Trade Commission (USITC) conclude their investigations later this year. At that time, the duties could change, Commerce said.

Imports of polyester textured yarn from China and India are currently subject to significant double- and triple-digit AD and countervailing duties as a result of prior investigations that concluded in January 2020.

Two major U.S. synthetic yarn producers–Unifi Manufacturing Inc. and Nan Ya Plastics Corporation America–filed petitions with the Commerce Department and the USITC in October alleging that dumped imports of polyester textured yarn from Indonesia, Malaysia, Thailand and Vietnam were causing material injury to the domestic industry.

The Commerce Department initiated the investigations in November and the USITC preliminarily determined in December that imports from the four countries were causing injury to the U.S. domestic industry.

The product covered by the investigation, polyester textured yarn, is synthetic multifilament yarn that is manufactured from polyester (polyethylene terephthalate).

Polyester textured yarn is produced through a texturing process that imparts special properties to the filaments of the yarn, including stretch, bulk, strength, moisture absorption, insulation and the appearance of a natural fiber.

This scope of the ruling includes all forms of polyester textured yarn, regardless of surface texture or appearance, yarn density and thickness; number of filaments; number of plies; finish; cross section; color; dye method; texturing method or packing method.

The merchandise subject to this investigation is properly classified under subheadings 5402.33.3000 and 5402.33.6000 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise is absolute and conclusive, Commerce noted.

The petitioning companies are represented by Kelley Drye & Warren LLP.

Source: sourcingjournal.com– June 01, 2021

HOME

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USA: How to Keep Goods Flowing Despite Port Congestion

As if managing merchandise as it moves down the supply chain, gets loaded onto containers, shipped across oceans, vies for position among congestion, then gets unloaded at ports and makes its way to distribution centers weren't complicated enough (insert "Planes, Trains and Automobiles" joke here), now brands must track other companies' maneuverings as well.

The domino effect of current and unprecedented port congestion—not just from fashion industry counterparts, but anyone moving goods around the world—has rippled throughout the industry, with Port of Los Angeles backlogs literally leaving ships out to sea.

Alba Wheels Up, which has moved billions of dollars of fashion apparel, textiles and footwear on planes, ships, rails and trucks, has developed a system to alleviate such pain points. The customs broker and freight forwarder has devised a "smart" container tracking dashboard platform, which aggregates industry shipping transit data for optimizing real-time monitoring and future planning.

By discovering shipping issues as they happen and using predictive analytics to avoid them in the future, Alba keeps things running smoothly. According to Alba Wheels Up's president, Salvatore Stile, "We identify problems as they occur so that [importers] can make the necessary adjustments to their clients. Our system tracks real time, then we aggregate all the data, put it into business intelligence with comparison of steamship lines and predict what the trade deport would be in the future."

With congestion at the docks slowing things down, it is important to identify and remedy slack along the supply chain. Given the importance of speed to market in the fashion industry, this takes on an increased urgency.

Alba isn't just tracking its own moves, but others in the industry to ascertain the best overall data. "As long as Alba has even just a small piece of your business, we can incorporate the data into our system.

Our programming company has in-depth knowledge of the industry's nuances—how the terminals, steamship lines, rails, etc. all interrelate with one another. That knowledge base is really the key," said Stile.

"As an experienced provider, we're able to see what's going on and best secure space for our clients," he added. "By gathering analytics via our business intelligence programs, we can see which ports are slower and which carriers are quicker, then take all this data and make the perfect match to move things along most efficiently."

Real-time visibility also helps brands communicate honestly with their clients, whether they are retailers or consumers, about back orders, out of stocks and shipping delays. And with more brands increasing their portion of direct-to-consumer selling, customer loyalty takes on added importance.

"I don't think there's anything more aggravating for a customer than to be told by a retailer or brand that their order is delayed with no additional information," said Stile. "Consumers are forgiving if you're honest with them. Our technology lets clients see inventory in transit on the dashboard and pull reports, with business intelligence backing it up."

Maximizing de minimis

Keeping up on tariff and regulation complexities is another way Alba works for its clients. For example, Section 321 De Minimis allows a company to import goods duty free if they are valued at less than $800 (this threshold was raised from $200 in 2016).

But while it's necessary to identify the end consumer when goods ship from Asia, this is problematic as the importer might not know 30 days out. To solve this problem, Alba then sends the imported goods to a bonded affiliate warehouse in Mexico to be stored until it is sold to the U.S. consumer.

"This way, when your customers start placing orders, we can bring it over the border duty-free to the consumer, piece by piece then put into the client's final mile solution," Stile said. "We use a bonded affiliate warehouse in Mexico as a staging location until the consumer is ready to buy it."

Facilitating de minimis goods via Alba's Transpacific inventory management can add up to big savings. "If Section 321 applies to a portion of someone's business, for example a hot seller with products that meet de minimis eligibility requirements, they can utilize that to eliminate duty and save money," said Stile. "A quick calculation shows that on a $75,000 container of knitted blouses eligible for direct-to-consumer treatment, you could save $29,000."

As Covid winds down and the country opens up, Stile doesn't expect congestion to sort itself out until the fall. "Back-to-school is going to be huge," he said. "There's going to be a lot of product flowing."

To keep clients up to speed, Alba has expanded its informational newsletter with a weekly webinar series focusing on compliance. "There's a lot to know, but if clients had to take these courses they would cost thousands of dollars," said Stile. "We include it as part of our services for our clients at no additional cost."

To learn more about the Alba Wheels Up container tracking system, click here.

Source: sourcingjournal.com– June 01, 2021

HOME

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IAF and Euratex open registration to unique double convention in Nov

From November 7-9, 2021, the world of apparel and textiles will meet in Antwerp, Belgium, for a unique double convention: the 36th World Fashion Convention on November 7-8, hosted by International Apparel Federation (IAF), and the 9th European Textiles and Apparel Convention on November 8-9, hosted by European Confederation of Apparel and Textiles (Euratex).

Covid-19 has shaken the foundations of the textiles, apparel and fashion industry. Global supply chains have been disrupted, retailers are restructuring their sourcing options, consumer behaviour is changing, IAF and Euratex stated in a joint statement. At the same time, public authorities are introducing new environmental standards, and digitalisation is rapidly changing the nature of our business.

To understand above mentioned trends and address their impact on our industry, IAF and the Euratex have decided to organise a double convention. “Delegates can choose to register for the IAF’s 36th World Fashion Convention, for EURATEX’s 9th European Textiles and Apparel Convention or for a combination of both, which the organisers of course recommend.

The IAF Convention, carrying the theme ‘Transition of the Global Fashion System’ focusses on global industry developments whereas the Euratex convention, themed “A new paradigm for the European Textiles and Clothing Industry”, has a strong European focus. Therefore, the two conventions are perfectly complementary,” the release said.

The Antwerp Convention will be the first ‘live’ meeting for our industry in nearly two years’ time. That’s why the convention will combine knowledge with social events, notably the IAF and Euratex joint networking dinner on November 8 in the Antwerp Fashion Museum.

Euratex and IAF conventions are well established industry events featuring a high level of speakers and delegates. Previous speakers came from PVH, Hugo Boss, Zegna, as well as European Commission, McKinsey, OECD, and London College of Fashion. “We expect about 150 delegates at each event, from over 20 countries. This event will bring together industry leaders, leaders of industry associations, public authorities, NGOs and academia,” the release concluded.

Source: fibre2fashion.com– June 01, 2021

HOME

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US consumers to increase retail spending by 9% this summer: Report

As household incomes steady, the US retail industry is set for optimistic few months, with consumers set to increase spending this summer across key product categories, as per a recent report. With more disposable income, increased consumer confidence and fewer restrictions, consumers plan to increase spending by 9 per cent this summer versus summer 2020.

For the first time in seven months, the percentage of Americans earning less money than before the pandemic fell below 30 per cent (11 per cent make more money; 60 per cent make the same). Notably, consumers plan to spend 12 per cent more on sporting goods and 9 per cent more on apparel and footwear, according to the BOXpoll report by Pitney Bowes Inc, a global technology company that provides commerce solutions in the areas of e-commerce, shipping, mailing and financial services.

Leading this trend are the younger generations, whose plans for summer spending are significantly greater when compared with Gen Xers and Baby Boomers, with Gen Z and Millennials spending approximately 15 per cent more on average across all categories. In particular, Gen Z and Millennials are leading other generations when it comes to sporting goods. Older consumers trend toward spending more cautiously, with Gen X planning to spend 8 per cent more than last summer and Boomers, 4 per cent more, across all categories.

Urban dwellers will spend significantly more (17 per cent) than consumers in suburban and rural areas (5 per cent and 8 per cent, respectively). Parents plan to spend about three times more than those without children year over year (15 per cent vs. 5 per cent), said the report.

Mid-income earners plan a higher increase in spending (12 per cent) compared with lower- and higher-income earners (5 per cent and 11 per cent, respectively). The report added that shoppers in the northeast (13 per cent) and west (10 per cent) planned higher spending increases this summer than those in the midwest (6 per cent) and south (8 per cent).

The report found little difference in the spending plans of consumers who have been, or plan to be vaccinated (9 per cent increase in spending), compared to those who do not plan to get the vaccine (8 per cent increase).

"Pitney Bowes BOXpoll respondents tell us they plan to spend more on products this summer versus last. This is encouraging and hopeful news for retailers, both because product sales typically experience a decline from spring to summer, and because y-o-y product sales were surprisingly strong last summer too," said Gregg Zegras, EVP and president, global e-commerce, Pitney Bowes.

According to US department of commerce statistics, US retail sales, excluding autos, gas, food and beverage services and grocery stores, saw its highest year-over-year increase in Q3 2020 of any quarter over the past decade. Year 2020 was also the only year in the decade when the same categories of retail product sales increased from Q2 to Q3. The increase was over 9 per cent. These trends could be repeated in 2021, the report added.

BOXpoll is a weekly consumer survey on current events, culture and e-commerce logistics. Morning Consult conducts weekly polls on behalf of Pitney Bowes among a national sample of more than 2,000 online shoppers.

Source: fibre2fashion.com– June 01, 2021

HOME

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Egyptian textile businesses embrace agility in the face of COVID-19

Although medical doctor Ali El Nawawi is an experienced professional in the areas of international cooperation and health, COVID-19 presented him with a completely new challenge. During the pandemic, El Nawawi found himself working not as a health professional but as an entrepreneur running a small enterprise, Scarabaeus Sacer, in Egypt's clothing sector.

El Nawawi and psychologist May Kassem created Scarabaeus Sacer in 2018 to build a sustainable and ethical Egyptian clothing brand that advocates for social and environmental causes.

In Egypt, the textiles and clothing sector is the second biggest industrial sector after the agro-industry. Exports consist mainly of ready-made garments and home textiles. The industry was among the most affected by the COVID-19 outbreak.

According to the Apparel Export Council of Egypt, exports dropped by 29% in the first semester of the year, with a decline in production reaching 40%. Companies also faced severe financial issues as international companies started to cancel orders, delayed in payments and deliveries. By the fourth quarter of 2020, exports began to pick up, and the year closed with 'only' a 14% decline in total exports.

Following the government's guidelines to keep employees safe and in good health, Scarabaeus Sacer shifted the production to ethical, sustainable and affordable protective facial masks. The new production line showed impressive results.

'The impact of COVID-19 on our business was surprisingly positive. We managed to reorient our production to manufacture cloth masks while continuing with our product line of casual clothes for men and women. We sold our products in the local and international market,' said El Nawawi.

May Kassem explained that navigating the pandemic, as a small business, was more manageable than for a large company with many employees. 'Our size allowed us to be agile; it allowed us much more flexibility, quicker decision making and higher efficiency to improve, for example, our online presence.'

'After the input of the International Trade Centre, we completely revamped our website to make it more user-friendly. We updated the content and pages to

cater to both direct customers and make the B2B section more prominent with an evident value proposition,' says El Nawawi.

The co-founder acknowledges the importance of the trainings and coaching sessions provided by the International Trade Centre's GTEX/MENATEX project. For him, these activities have been crucial in understanding and addressing the trends, gaining market access and catering to the needs of present and future clients.

'We increased our overall sales by 20% compared to 2019. On B2B, we sold over 30,000 pieces to local and international markets. Export orders included boxer shorts, t-shirts and pyjamas, while we sold t-shorts on the local market,' concludes de the medical doctor.

Scarabaeus Sacer has significantly increased its online presence, having received over 2,000 new B2C orders for masks and t-shirts from the local market. In addition, the company is also in negotiation with international buyers from Germany and the United Arab Emirates.

'We are currently selling our products at New York City and soon in other major cities across the globe. Our new e-commerce strategy focuses on good communication and visual identity to show our manufacturing facility and the concept of being an ethical, sustainable and eco-friendly brand. Traceabilityin clothing production and transparency are key to the core of our company. It is also essential to open our opportunities and business globally,' says May Kassem.

El Nawawi and May Kassem believe that virtual reality and online shopping will be the new norm with technological advancement. In ancient Egyptian belief, the Scarabaeus Sacer or the Sacred Scarab represents a symbol of rebirth and resurrection; likewise, the two clothing entrepreneurs saw the COVID-19 crisis as an opportunity to reinvent themselves and their businesses.

The GTEX programme is funded by the Government of Switzerland and the MENATEX is funded by the Government of Sweden for the MENA region. ITC, in close collaboration with the Swiss State Secretariat of Economics Affairs (SECO) and the Swedish International Development Cooperation Agency (Sida). In Egypt, the project also counts with the support from the Ministry of Trade and Industry.

Source: marketscreener.com– June 01, 2021

HOME

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C&A Invests in Jeans Production Facility in Germany

European fashion retail chain C&A is bringing textile production back to Germany with a new jeans-focused innovation hub opening in Mönchengladbach this fall.

The company is working with the Niederrhein University of Applied Sciences, the Textile Academy NRW (North Rhine-Westphalia), RWTH Aachen University and various startups to set up its Factory for Innovation in Textiles (FIT) with best-in-class technology.

"Together with our partners, we want to set new standards in textile manufacturing," said Giny Boer, CEO of C&A Europe. "We are thrilled to be producing in the heart of Europe again. C&A's FIT will combine the digitalization of processes with sustainability, creating new standards for global production."

The carbon-neutral facility will include highly automated processes throughout the laundry and sewing stages of jeans production, with plans to begin producing almost immediately: The first pants produced at the facility are expected to be available next year.

C&A will work with the Textile Academy NRW to hire and train 100 staff members to follow through on its target to produce 400,000 jeans per year to start, and ultimately expand to 800,000 per year.

The company is hopeful that the facility is just the beginning of a major milestone in the denim industry, with the Textile Academy NRW's Detlef Braun calling it "an important development for the textile industry in our region and a sign of other innovative projects to come."

Local production has become an increasingly important strategy for companies in light of the Covid-19 pandemic, which derailed supply chains around the world. Companies immediately realized the need for easy access to fabrics and greater control over production.

C&A joins other large fashion players with denim innovation centers of their own. Fast Retailing, the parent company of J Brand and Uniqlo, produces garments out of its Los Angeles Denim Innovation Center.

There, the company has developed a finishing process that slashes by 99 percent the amount of water used in achieving authentic worn-in looks. At PVH's Denim Center in Amsterdam, advances in circular production have led to product lines such as Tommy Hilfiger's 100 percent recycled jeans.

C&A has already made strides in sustainable denim, becoming the first to develop jeans with Cradle to Cradle (C2C) Gold-level certification in 2018, followed by Platinum-level certification in 2020.

Its "Beluga Denim," a 100 percent cotton denim developed in partnership with Pakistan denim mill Rajby and C2C assessor Eco Intelligent Growth (EIG), is completely carbon neutral in the manufacturing stage and produced using a closed-loop process water system.

Source: sourcingjournal.com– June 01, 2021

HOME

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Turkey sees robust exports, base effect yielding strong Q2 growth

Turkey expects the economy to maintain its growth trend as it foresees a robust expansion in the second quarter, a government report showed Tuesday.

The economy is foreseen logging a double-digit gross domestic product (GDP) growth in the April-June period, boosted by strong exports and the so-called base effect, Public Finance Report unveiled by the Treasury and Finance Ministry showed.

Strong external demand supported output in April and May, according to preliminary figures. Durable goods demand remained strong, while sales of vehicles and white appliances remained resilient. Imports of consumer goods also kept an upward trend as of April.

The economy is estimated to post strong expansion on an annual basis even though the activity is expected to slow in the second quarter due to tighter financial conditions and the lockdown that covered part of May.

It had shrunk sharply in the second quarter of last year when the initial coronavirus fallout led to a 10.3% contraction.

Confidence indexes have weakened recently and a slowdown in consumer loans continued.

The economy grew at a greater than expected pace in the first quarter, outperforming most large economies as pandemic restrictions were careful not to temper hot retail sales, exports and manufacturing.

The country's GDP expanded by 7% year-on-year in the first quarter and 1.7% from the previous quarter on a seasonally and calendar-adjusted basis, data by the Turkish Statistical Institute (TurkStat) showed Monday.

Growth in the first quarter was driven by industrial production and other key sectors that have recovered well from the worst of coronavirus fallout last year.

It was also bolstered by robust consumption on the back of last year's government-led push to cut interest rates and boost lending.

Turkey on May 17 eased restrictions as it emerged from a full lockdown and further eased measures as of Monday.

Turkey was one of only a few globally to expand last year as it grew by 1.8%. It is expected to return to form this year with a 5.5% growth.

The growth is expected to moderate in the second half of the year due to a cautious stance in monetary and fiscal policies, the government report said.

The GDP growth for the whole of 2021 is expected to come in at 5.8%, parallel to the country's medium-term program, the report noted.

The external demand is expected to be among the main drivers, contributing significantly to the annual expansion, while the government expects the growth composition to provide a balanced outlook.

Accordingly, the course of the pandemic and vaccination at home and on a global scale will be decisive for economic activity, the report noted.

It warned that a reacceleration of the outbreak could depress economic activity, while a positive trend in the outbreak and vaccination would support the outlook for the services sector, in particular.
Current account balance to improve

In addition, the government report suggested that strong exports of goods, despite the deterioration in foreign trade, along with the normalization of gold imports, the expected partial improvement in travel revenues, moderate credit growth and structural reforms are expected to have a positive impact on the country's current account balance in the coming period.

Accordingly, the ratio of current account deficit to national income is forecasted to decline to around 3% at the end of 2021.

The report recalled the sharp decline in foreign sales seen initially when the COVID-19 pandemic started, especially due to contraction in demand in major trade partners, namely the EU countries.

The exports rebounded as of the second half of last year with the normalization process both in Turkey and in the world.

Turkey managed to close the year with $169.6 billion (TL 1.43 trillion) in foreign sales. Imports, on the other hand, came in at $219.5 billion with the effect of strong domestic demand and high gold imports in the said period, prompting the foreign trade deficit to come in at $49.9 billion.

This year, meanwhile, the recovery in EU countries saw accelerated exports due to the strengthening of foreign demand. Annualized goods exports reached $186.7 billion as of April and imports amounted to $233.1 billion, resulting in a $46.4 billion foreign trade gap due to the increase in import prices, despite the slowdown in gold imports and real imports.

For the year-end, the foreign sales are estimated to reach an all-time high of over $200 billion. Apart from the weak sales in early 2020, a great decline in tourism revenues due to travel restrictions and uncertainties regarding the course of the pandemic significantly affected the country's current account deficit.

The year-end gap came in at $37.3 billion, corresponding to 5.2% of the national income. This figure decreased to $36.2 billion on annual basis in the first quarter of this year. Yet, uncertainties regarding the prevalence and speed of vaccination, and the upward trend in international commodity prices continue to pose risks.

Meanwhile, gold imports, which reached 44.6 tons in August 2020, showed a slow decline toward the end of last year, however, decreasing to 9.5 tons in February and 7.5 tons in April, the lowest level of the last three years amid steps taken by the government.

The positive reflections of the decline in gold imports on the current account balance are expected to become more evident in the coming months.

Comprehensive structural policies included in the new Economic Reform Program which are aimed at improving the current account gap and reducing external dependency in financing growth with policies that increase the variety and depth of production and focus on innovation, competitiveness and efficiency are also among the steps that are expected to decrease the deficit.

Source: dailysabah.com– June 01, 2021

HOME

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S.Korea May exports at full throttle, set fastest pace in 32 years

South Korean exports logged their sharpest expansion in 32 years in May, marking another robust month of shipments fueled by stronger consumer demand globally as many economies start to reopen.

Surging chip and car shipments helped power a 45.6-percent surge in South Korea's exports from a year earlier, government data showed on Tuesday, posting the fastest growth since August 1988 and extending their expansion to the seventh month in a row.

Exports growth, however, slightly missed a consensus of a 48.5-percent gain in a Reuters poll.

Asia's fourth-largest economy is the first major exporting economy to report monthly trade data that includes key IT products and the strength of its exports could further build confidence in a global economic recovery.

"Robust U.S. consumer spending means demand [for Korean products] will remain strong and suggests May trade data for China and Japan will also be robust," said Park Sung-woo, an economist at DB Financial Investment.

While the pace of shipment growth is set to slow as base effects from the coronavirus fade, the outlook for exports remains bullish.

"The base effect will keep exports growth strong through June and the pace will slow down in the third quarter. Annual exports growth will probably be double-digit," Park said.

In South Korea's largest port of Pusan, port congestion is so bad that the Pusan Newport International Terminal, one of the largest terminals in the country, has begun accepting container boxes only if they are due for shipment within five days, down from seven previously.

Separate data on the nation's factory activity showed activity extended growth into an eighth straight month in May. The IHS Markit purchasing managers' index (PMI) for May stood at 53.7, compared with 54.6 in April, with a reading above the 50-mark meaning an expansion in activity.

Reflecting the robust business activity, vice finance minister Lee Eog-weon on Tuesday said there are clearer signs of inflation, and that consumer inflation is likely to accelerate further in May.

The export data showed shipments of chips gained 24.5 percent on-year, rising for the 11th month in a row, while shipments of cars soared 93.7 percent. Petrochemical product exports surged 94.9 percent from a year earlier.

Average exports per working day grew 49.0 percent in May, far outperforming a 29.5 percent increase of April when shipments gained41.2 percent.

Imports gained 37.9 percent on-year, missing forecasts for a 40.5 percent jump.

Source: news.cgtn.com– June 01, 2021

HOME

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A European FTA With India Is Not a Counterweight to China

As India and the European Commission formally resumed their Free Trade Agreement (FTA) negotiations this year, we witnessed a mushrooming of commentaries on the significance of the development. The torturous and inconclusive talks to reach such a deal had been abandoned years ago. They've been resurrected now, but what changed?

One line of argument is that the EU is seeking to balance China. While some of the European countries are increasingly critical of China at the political level, and growing more concerned about Chinese entities at the security level, the EU and its economic powerhouses remain intertwined with the Chinese economy.

Thus, it is claimed by a part of the commentariat, enhancing economic relations with India would allow the EU to find a counterweight, to be overall less dependent on China for trade and investment. For instance, in vain pursuit of causation, some were quick to point out that in May, the announcement of the return to FTA negotiations with India was soon followed by a declaration that the EU was freezing the ratification of the Comprehensive Agreement on Investment with China.

This, however, is a fallacious argument. There is currently no way for India to take China's place in the EU's web of economic relations, in terms of the scale of both trade and investment. As for the latter, in 2019, the value of the EU's FDI in China was 2.6 larger than its FDI in India (198.7 billion euro to 75.8 billion euro, respectively). Chinese FDI inflows into the EU were also overall larger than Indian FDI over the past years.

While a 2020 Rhodium Group-MERICS report showed that Chinese FDI in Europe sharply declined in the 2017-2019 period, that does not necessarily mean Indian companies are comparable rivals when it comes to their capacity to invest in the EU.

Moreover, what New Delhi and the EU are back to negotiating is a trade agreement (most probably focused on reducing tariffs on trade in goods), and not a deal to liberalize bilateral investment, although the EU is signaling its readiness to open talks on this front as well.

Speaking of trade: In 2020, the EU's goods trade with China was worth nearly nine times its trade with India. As the EU Commission admits itself, India was "accounting for 1.8% of EU total trade in goods in 2020, well behind China," the latter accounting for 16.1 percent of the EU's trade. In 2019, the total EU-China goods trade was worth 7.2 times more than the total EU-India goods trade (561 billion euro to 77.8 billion euro); in 2018, it was 6.8 times larger (530.6 billion euro to 78 billion euro); in 2017, it was seven times larger (511.6 billion euro to 73 billion euro), and so on.

Even if we fast-forward to the EU-India FTA, very optimistically assuming it is signed within a few years, China will long remain both a much richer consumer market than India, as well as a massively larger source of exports. It may be argued that the EU's trade with India is much more healthy, balanced as it is between imports and exports, when compared to its trade with China, which is radically tilted toward a deficit. But this is hardly something that the votaries of the counterweight theory can pick up as a point in this discussion, as in some cases India simply does not produce the goods which China exports to the EU (or produces/exports them on a far smaller scale). Moreover, as a recent MERICS study shows,""the EU was strategically dependent on China for 659 of the 5,600 product categories," such as certain APIs, metals, or electronic goods – meaning that it was importing them nearly only from China and that China had an overwhelming global market share of the same goods.

Explaining anything by adding "China" or "China-U.S." to a text has become a sign of intellectual laziness on the part of some commentators. Like pointing to a shadow lurking behind any object, many commentators are now prone to see Chinese actions and the China-U.S. rivalry as explanations to key events across the world. To be sure, the rise of China and its growing tensions with the United States are of great global significance, but there is life outside Washington and Beijing (actually, most of life thrives outside them). Not every phenomenon can be reduced to the rivalry of those two powers.

The same applies to the return of EU-India FTA negotiations. They have a dynamic and reasons of their own. While significant in their own way and in their own league, they certainly cannot lead to India becoming China's counterweight in European Union's economic relations.

Source: thediplomat.com– June 01, 2021

HOME

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Bangladesh Safety Accord Strikes Deal for 3-Month Extension

As the Accord on Fire and Building Safety in Bangladesh was set to expire on Monday, a flurry of last-minute activity will likely result in a three-month extension. The extension is pending approval from the member brands and expected to crystallize in the next 10 days, according to global union representatives.

Now based in the Netherlands, the Accord in its current form is a legally binding agreement between more than 200 global brands and retailers as well as the UNI and IndustriALL global unions, originally birthed in the wake of the deadly 2013 Rana Plaza disaster.

"UNI Global Union, IndustriALL Global Union, and a negotiating committee representing leading fashion brands are pleased to announce that they have reached a tentative agreement to extend the current commitments of the 2018 Accord for three months as negotiations continue," Alke Boessinger, deputy general secretary, UNI Global Union, said on Monday, adding that the "interim agreement must still be signed by the individual brands."

"We are writing to all the brands that have signed the Accord today asking them to sign within the next 10 days," Boessinger said. "We are expecting to get in the first ones within the next couple of days." Added Christy Hoffman, general secretary, UNI Global Union: "We expect that a large number will very quickly sign the extension agreement based upon reports that we have received."

In the past two weeks, global unions IndustriAll and UNI made clear that they would pull out of the RMG Sustainability Council (RSC) in Bangladesh if the global brands don't sign on to extend the Accord. Their statement earlier in May said this would "strip away any credibility of the RSC as an effective worker safety organization."

RSC, now a year old, has been mandated to carry out the work of Accord in Bangladesh, having inherited the staff, offices and the 1,700 factories working with the mostly European brands that are members of the Accord.

However, not everyone believes that renewing the Accord is the best way forward.

The RSC board consists of six manufacturers, six union representatives and six brand representatives—a fair representation according to local industry analysts who note that the global unions already have a voice, and as a part of RSC are ensuring a tripartite balance for worker safety.

"It's very disturbing," said Rubana Huq, former president of the Bangladesh garment Manufacturers and Exporters Association (BGMEA) referring to the multitude of references that Bangladesh is still incapable of managing its industry and needs hand holding and supervision from the outside.

Huq's point that global unions are already involved in the RSC—and noting their importance —is echoing across the industry in Bangladesh. The global unions are already active in RSC, and many observers on the ground don't see why the Accord foundation has to watch over it. "This is not a self-monitoring organization—there are three parties who are monitoring it," Huq said.

"We should all give an open call for the world to see what the RSC has done in the last couple of months and to what extent the Accord foundation is participating. Scheduling, inspections, everything has been done by RSC," she continued. "So why is it we always talk about supervision from somebody?"

Many of the global brands have also been discussing setting new frameworks for the future, not necessarily involving the Accord, and in finding more unity in systems that work with other brands that are not represented, including the mostly North American labels that worked in Bangladesh for five years under the Alliance for Bangladesh Worker Safety.

These have not been included in the RSC as of now. Many brands too have shown a reluctance to sign into another round of the Accord—reportedly only two have made clear their intent, including UK retailer Asos and German retailer Tchibo, global unions have said. Joe Fresh and Zeeman have also voiced support for the agreement.

As arguments escalate from both sides, the way forward is expected to emerge in the next few months, particularly in terms of the Accord replicating the progress that Pakistan, India and other countries have made.

Source: sourcingjournal.com– June 01, 2021

HOME

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Bangladesh: RMG manufacturers hopeful about export recovery by October

The reopening of Western retail stores is raising hopes as manufacturers expect export to return to pre-pandemic levels within a few months

Readymade garment (RMG) manufacturers are hopeful that exports might make a full recovery by October this year thanks to the rebounding of shipments. The reopening of Western retail stores is raising hopes as manufacturers expect exports to return to pre-pandemic levels within a few months.

According to the Export Promotion Bureau (EPB) data, export earnings from the sector soared by 6.24% year-on-year to $26 billion in July–April of the current fiscal year following a rebound of apparel shipments.

Knitwear had earned $13.99 billion, registering a 15.34% year-on-year growth, but earnings from the woven sector dipped 2.71% to $12 billion, EPB data shows.

Industry insiders said that most of the people in buyer countries are spending more time indoors because of the pandemic, which has lifted knitwear exports. The same reason played a role in the export plunge of woven apparel, such as formal attire, during the pandemic.

April saw the lowest decline, meaning now the segment is rebounding thanks to the gradual reopening of stores and offices.

Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said at a briefing recently that the trend of RMG exports is satisfactory as the demand has risen in the buyer countries.

“I hope the exports from the RMG sector will gain a full recovery by October of this year,” he also said. He also said that the majority of the people in the US have already been vaccinated and they have started going outside to markets and retail outlets.

SM Mannan Kochi, senior vice-president of the BGMEA, said that European retailers and brands have started reopening their stores in various cities and consumers are going to retail shops because of which the demand for Bangladeshi RMG items is growing.

According to EPB data, Bangladesh currently supplies RMG items worth $6.5 billion yearly to the US — the largest single destination for apparel exports.

Moreover, EU countries receive RMG items worth $21 billion annually from Bangladesh, which is 63% of their total apparel exports.

Work orders are being shifted to Bangladesh from other countries like China, thanks to competitive prices and the Covid-19 setbacks.

Kochi said that they have already urged the government to provide vaccines for RMG workers on a priority basis. If the workers are vaccinated, the scope of work and production will also increase.

“Exports have increased but this does not mean that they have returned to normal. The export rate has not yet reached the pre-pandemic level. But we are hopeful that we will be able to recover from this mess,” he added.

He said that government cooperation is required in this situation, adding that RMG manufacturers hope the government will consider the incentive they have demanded and consider their budget proposals.

“As the lifeline of Bangladesh's economy, we want to work to keep the wheel of the economy of the country moving,” he added.

Regarding the budget of FY22, both president and vice-president said that they have already sent budget proposals to the government.

Faruque Hassan also demanded a 10% incentive on export receipts from garment items made from manmade fibre.

“The demand for RMG items produced from the manmade fibre is very high in the international market — it is more than 80% — whereas 80% of Bangladesh's total garment export is made from cotton fibres,” he added.

He said that for this reason, Bangladesh is lagging in the trade of RMG products made from such specialized fabric.

Source: dhakatribune.com– June 01, 2021

HOME

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NATIONAL NEWS

ECLGS tenor repayment extension will help MSMEs: TEXPROCIL

The modification of Emergency Credit Line Guarantee Scheme (ECLGS) by the Indian government will help micro, small and medium enterprises (MSMEs), including textile MSMEs, The Cotton Textiles Export Promotion Council (TEXPROCIL) has said. The government has extended ECLGS for eligible MSMEs including borrowed credit under ECLGS 1.0 to five years.

Borrowers who are eligible for restructuring as per RBI guidelines as of May 05, 2021 and had availed loans under ECLGS 1.0 of overall tenure of four years comprising of repayment of interest only during the first 12 months with repayment of principal and interest in 36 months thereafter will now be able to avail a tenure of five years for their ECLGS loan i.e. repayment of interest only for the first 24 months with repayment of principal and interest in 36 months thereafter.

“The increase in the period for repayment of loans to 5 years has come as a huge relief for the MSMEs who are struggling hard to get back to business from the disruptions caused by the second wave of COVID-19 pandemic,” TEXPROCIL chairman Manoj Patodia said in a press release. An additional ECLGS assistance of up to 10 per cent of the outstanding as on February 29, 2020 to borrowers covered under ECLGS 1.0 has also been extended. "This is a very positive measure as it will lead to an increase in the much-needed cash flow for the MSMEs," Patodia said.

The current ceiling of ₹500 crore of loan outstanding for eligibility under ECLGS 3.0 has also been removed, subject to maximum additional ECLGS assistance to each borrower being limited to 40 per cent or ₹200 crore, whichever is lower. Further, the validity of ECLGS extended to September 30, 2021 or till guarantees for an amount of ₹3 lakh crore are issued. Disbursement under the scheme is permitted up to December 31, 2021.

The removal of the ceiling for eligibility under ECGLS 3.0 and also the extension of the ECGLS will enable more units to take the benefits under the scheme, according to Patodia.

Source: fibre2fashion.com– June 01, 2021

HOME

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Decline in economic activity likely to be limited to April-June quarter: Moody's

Pegs GDP growth at 9.3 per cent in FY22.

Global rating firm Moody's on Tuesday said it expects economic disruptions to be limited during the April-June quarter on account of the second wave of the pandemic. Accordingly, it has lowered its forecast for the current fiscal by nearly six percentage points.

These remarks have come within 24 hours from Government making GDP (Gross Domestic Products) for the January-March quarter and 12 months for the Fiscal Year 2020-21 (FY 21), along with expressing cautious optimism for the Fiscal Year 2021-22 (FY 22).

In its latest report, the agency noted that the reimposition of lockdown and behavioural changes on fear of contagion would curb economic activity. "We do not expect the impact to be as severe as during the first wave.

We expect a decline in economic activity in the April-June quarter, followed by a rebound," it said while adding that as a result of the hit from the second wave, it has revised real GDP growth forecast to 9.3 per cent from 13.7 per cent for FY 22 and to 7.9 per cent from 6.2 per cent for FY 23.

Moody's is not the only agency that has lowered the forecast. SBI's Economic Research Division and ICRA, beside others, have lowered the projection. However, RBI and India Ratings have not revised as of now. At the same time, on Monday, Chief Economic Advisor K V Subramanian mentioned that the second wave peaked in May, however localized or state-wide restrictions adopted to combat its spread present some downside risk to growth in Q1 of FY:2021-22. Though he did not give any number for quarter or entire fiscal he did say, "There are reasons to expect a muted economic impact (on full fiscal)."

Moody's said that the pandemic would leave new economic scars and deepen pre-pandemic constraints when talking about medium to longterm prospects. Its growth forecasts indicate a shortfall in GDP compared with its pre-pandemic expectations of more than 10 per cent in the Fiscal Year 2023-24.

"Structural inefficiencies continue to constrain growth potential and limit resilience to shocks. If implemented effectively, government reforms that target these challenges would be credit positive. However, the relatively low effectiveness of previous reforms informs our medium- to long-term growth view, it said, while expecting real GDP growth to average around 6 per cent over a longer-term.

The agency expects a slight shortfall in budgeted revenue and redirection of spending toward the response to the pandemic, and that will result in a general government (Centre's and States' combined) fiscal deficit of 11.8 per cent of GDP and a rise in the general government debt burden to 90.3 per cent of GDP in fiscal 2021. Debt-to-GDP will edge up to 92 per cent by fiscal 2023, largely driven by relatively slow economic growth.

GDP forecast for FY 2021-22 (In %)

Agency	Forecast
Moody's	9.3
OECD	9.9
SBI	7.9
ICRA	8-9.5
India Ratings	10.1
RBI	10.5

Source: thehindubusinessline.com– June 01, 2021

HOME

****

Exports up 12% in April, May despite pandemic

India's exports touched $32 billion in May 2021 — over 67% higher than May last year and almost 8% more than the corresponding period in 2019 — led by a rise in the shipments of engineering goods, oil products and iron ore.

MAINTAINING MOMENTUM

Exports ($ billion)	2019-20	2021-22	% Growth
April	26.0	30.6	17.6
May	29.8	32.2	8.0
Total	55.8	62.8	12.5

Source: Govt

Although export growth in May 2021 was slower than April, the combined increase still added up to over 12%, giving the government the confidence that it is on course to achieve strong recovery in this segment of the economy, once the impact of the lockdown across a large number of states wears off in the coming months.

"In a way, May was the worst month. Things should be better in the coming months," said a government official. In May, gems and jewellery (13.4%), readymade garments (28%) and leather (36%) were among sectors that saw the steepest fall, indicating that labour issues may also have played a part.

In contrast, engineering products (16%), iron ore (155%) and oil products (7%) were among the top performers. Exporters told TOI that the order book remained healthy as vaccination in the US and Europe had resulted in opening up of businesses over the last few weeks. As a result, even sectors such as gems and jewellery, were seeing good demand from the US and China.

"A strong V-shaped global recovery, supported by unprecedented easing of monetary and fiscal policies, is likely to be supportive of India's exports. Accelerated vaccination drive and complete removal of lockdown restrictions in some of the key developed economies will further add to demand for exports in the coming months," QuantEco Research said in a note.

Source: timesofindia.com– June 02, 2021

HOME

****

Breaking the cycle of child labour is in India's hands

Though the pandemic has amplified its contributing factors, policy and programmatic interventions can save children

The true extent of the impact of the COVID-19 pandemic on child labour is yet to be measured but all indications show that it would be significant as children are unable to attend school and parents are unable to find work. However, not all the factors that contribute to child labour were created by the pandemic; most of them were pre-existing and have been exposed or amplified by it.

What the data show

As the world enters the third decade of the 21st century, 152 million children around the world are still in child labour, 73 million of them in hazardous work.

A Government of India survey (NSS Report No. 585, 2017-18, Statement 3.12, p.35) suggests that 95% of the children in the age group of 6-13 years are attending educational institutions (formal and informal) while the corresponding figures for those in the age group of 14-17 years is 79.6%. Hence, a large number of children in India remain vulnerable, facing physical and psychological risks to a healthy development.

The Census of India 2011 reports 10.1 million working children in the age group of 5-14 years, out of whom 8.1 million are in rural areas mainly engaged as cultivators (26%) and agricultural labourers (32.9%). While multiple data vary widely on enrolment/attendance ratios in India, UNESCO estimates based on the 2011 Census record 38.1 million children as "out of school" (18.3% of total children in the age group of 6-13 years).

Work performed may not appear to be immediately dangerous, but it may produce long-term and devastating consequences for their education, their skills acquisition, and hence their future possibilities to overcome the vicious circle of poverty, incomplete education and poor quality jobs. A Rapid Survey on Children (2013-14), jointly undertaken by the Ministry of Women and Child Development and UNICEF, found that less than half of children in the age group of 10-14 years have completed primary education. These remain challenges we must overcome.

A decrease in India

One piece of good news is that child labour in India decreased in the decade 2001 to 2011, and this demonstrates that the right combination of policy and programmatic interventions can make a difference. Policy interventions such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) 2005, the Right to Education Act 2009 and the Mid Day Meal Scheme have paved the way for children to be in schools along with guaranteed wage employment (unskilled) for rural families. Concerted efforts towards convergence of government schemes is also the focus of the implementation of the National Child Labour Project. Ratifying International Labour Organization Conventions Nos. 138 and 182 in 2017, the Indian government further demonstrated its commitment to the elimination of child labour including those engaged in hazardous occupations.

The Ministry of Labour and Employment-operated online portal allows government officials, law enforcement agencies and non-governmental organisations to share information and coordinate on child labour cases at the national, State and local levels for effective enforcement of child labour laws.

While child labour has declined during the past decade globally, estimates indicate that the rate of reduction has slowed by two-thirds in the most recent four-year period. These positive and negative trends have to be taken into account when developing India's policy and programmatic response during and after the novel coronavirus pandemic.

The economic contraction and lockdowns ensuing from the pandemic have affected all countries in Asia, leading to income reductions for enterprises and workers, many of them in the informal economy. The large number of returned migrant workers has compounded the socio-economic challenges. India experienced slower economic growth and rising unemployment even before the pandemic.

Subsequent lockdowns have worsened the situation, posing a real risk of backtracking the gains made in eliminating child labour. With increased economic insecurity, lack of social protection and reduced household income, children from poor households are being pushed to contribute to the family income with the risk of exposure to exploitative work.

Challenges in education

With closure of schools and challenges of distance learning, children may drop out leaving little scope for return unless affirmative and immediate actions are taken. As many schools and educational institutions are moving to online platforms for continuation of learning, the 'digital divide' is a challenge that India has to reconcile within the next several years.

The NSS Report No. 585 titled 'Household Social Consumption on Education in India' suggests that in 2017-18, only 24% of Indian households had access to an Internet facility, proportions were 15% among rural households and 42% among urban households. The Annual Status of Education Report (ASER) 2020 survey highlights that a third of the total enrolled children received some kind of learning materials from their teachers during the reference period (October 2020) as digital mode of education was opted for.

The challenges are significant and manifold but it is not impossible to meet them if the right level of commitment among all the relevant stakeholders and the right mix of policy and programmatic interventions are present. It is through strategic partnerships and collaborations involving government, employers, trade unions, community-based organisations and child labour families that we could make a difference building back better and sooner.

As we reinforce the commitment to protect children from unacceptable forms of work, our focus to mitigate the aftermath of the pandemic also remains. We need a strong alliance paving our way towards ending child labour in all its forms by 2025 as countries around the world have agreed to in Sustainable Development Goal 8.7.

We — governments, employers, unions, civil society organisations and even individuals — must rise and pledge to 'Take Action against Child Labour' as a part of the UN's declaration of 2021 as the International Year for the Elimination of Child Labour. Our actions today will determine the future of children tomorrow.

Source: thehindu.com– June 02, 2021

HOME

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India won't get a V-shaped recovery this time

The V-shaped economic recovery that India's policy makers obsessed over in 2020 did eventually materialise. It won't be repeated after this year's Covid-19 carnage.

To see why, start with the fading momentum. Government statistics released Monday showed 1.6 per cent growth in gross domestic product from a year earlier in the March quarter, before a deadly second wave of infections.

But this expansion, an improvement over the 0.5 per cent rate in the previous three months, is a statistical artefact. A better metric is seasonally adjusted quarter-on-quarter growth, which Capital Economics calculates at 0.7 per cent, a sharp — though largely expected — slowdown from 9.5 per cent in the December quarter.

With production losing steam, overall output still caught up with its level the previous year, when India was just entering a stringent national lockdown. That disruption caused a brutal 24.4 per cent loss of GDP in the June quarter that took the economy nine months to recoup. That's not a perfect V-shape, but close enough.

Don't expect the same this time. During the current surge in cases, there have been only local restrictions on physical activity. That's making some analysts optimistic about the resumption of growth that will inevitably occur when the coronavirus fully recedes. Yet there are several crucial differences from last year that could make it harder for India to bounce back.

Pressured rural wages

Take the intensity of the pandemic. Officially, India recorded about 14 million new cases and 1,16,000 deaths between February 1 and May 15. But according to a study by University of Michigan and other researchers, a more reasonable estimate may be 380 million infections. (Imagine the entire US population — and about half of Mexico — catching Covid-19 in three-and-a-half months.) The real fatality count, according to the same paper, is closer to 7,00,000, and climbing.

The staggering scale of the tragedy suggests that medical expenses, which in India mostly come out of patients' pockets, will have depleted household savings. With high fuel taxes crimping family budgets, it's reasonable to expect consumers to spend cautiously even when they can go out freely. The slow pace of vaccination — a little more than 3 per cent of the population is fully inoculated — will make people wary of a third wave.

Unlike last year, the disease has spread. Infections in metropolitan centres are receding, but they're still stubbornly high in outlying districts. Alongside fading growth momentum and private health expenditure crowding out discretionary spending, pressured rural wages will be the other reason to rule out a quick revival.

As Sunil Kumar Sinha, principal economist at India Ratings and Research Ltd, a unit of Fitch Ratings Ltd, explains, carpenters, blacksmiths and vehicle repairmen, as well as construction, transport and storage workers in villages, require high levels of physical contact. Many poor families may not even have healthy adults to take advantage of a 15-year-old programme of guaranteed community work, where the government pays the wages. Despite record agricultural production, rural demand could remain muted.

Flawed demand-revival strategy

Finally, India's current strategy for demand revival is flawed. There's no sign of a meaningful income-support programme to put purchasing power in the hands of battered households dealing with double-digit unemployment even without a national shutdown.

Meanwhile, savers are being forced to accept deposit interest rates that are barely covering half of their inflation expectations.

In other words, India is witnessing a huge shift in resources away from the ultimate providers of labour and capital, and toward borrowers: companies and the government. The central bank recently handed over a $14-billion dividend cheque, much larger than expected, to the Finance Ministry.

The money will come into the banking system as the state spends it and further squeeze retirees' interest income when their children are struggling in the job market and commodity inflation is accelerating globally.

Retail investors piling into equities even when the real economy struggles is not prosperity, but an optical illusion. As finance professor Ananth Narayan, a former Standard Chartered Plc banker, notes, large negative real rates heighten "risks of asset price and general inflation, widening inequities, and eventual external imbalances."

With growth firming up in the rest of Asia, several countries will slowly start raising interest rates before the Federal Reserve. To preserve financial stability, India needs to think about joining them. Not chase dreams of yet another V-shaped recovery.

Source: thehindubusinessline.com– June 01, 2021

HOME

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SBI economists cut FY22 GDP growth estimate to 7.9%; recovery to be 'W-shaped'

SBI economists on Tuesday sharply slashed their FY22 GDP growth estimates to 7.9 per cent the lowest among all analysts from the earlier projection of 10.4 per cent growth.

The economists at the state-run lender seemed to attribute the impact of the second wave of COVID-19 infections as a key factor for the revision in the growth estimate, and pitched for faster vaccination

“Our analysis shows a disproportionately larger impact on the economy this time and given that rural is not as resilient as urban, the pick-up in pent-up demand is unlikely to make a large difference in FY22 GDP estimates, and hence it could only be a modest pick-up,” they said.

The SBI economists said the increasing international commodity prices will also have an impact on the GDP growth, and added that the overall consumption trajectory will depend on the recovery in ‘trade, hotels, transport, communication and services related to broadcasting’ services which supports roughly 25 crore households. They, however, said that at Rs 145.8 lakh crore, the real GDP for FY22 will be ‘slightly higher’ than those in FY20, and called it a ‘W-shaped’ recovery with two troughs and not the earlier anticipated ‘V-shaped’ recovery.

The RBI has maintained its growth estimate at 10.5 per cent, despite the emergence of the second wave and may have a relook at the number at this week’s policy review.

Other analysts have been revising down their estimates after the devastating second wave, with an 8.5 per cent growth being lowest among the predictions.

Official data released on Monday said the economy grew at faster than expected at 1.6 per cent for the fourth quarter of FY21, resulting in a contraction of 7.3 per cent for the entire fiscal.

The high growth number in FY22 is due to the lower base, and there are concerns around whether the economy will reach the pre-pandemic levels in FY22.

The SBI economists said an “upward bias” to its growth estimate of 7.9 per cent is possible if the country indeed delivers on the stated aim of 1 crore vaccines a day by mid-July. While arriving at the 7.9 per cent estimate, the SBI economists divided districts into multiple categories based on the proportion of urban population in each of the districts, and said that those districts with less than 50 per cent urban population have seen a greater increase in deaths during the second wave.

It explained that such rural pockets account for lesser economic activity, but the rural pockets are not as resilient as the urban ones when it comes to revival.

States where tier-2 centres are affected more, like Gujarat, Haryana, Jharkhand, Kerala, Rajasthan and Uttarakhand are likely to contribute more to the GDP loss this year, they said.

The note said there was a downward revision of growth to 10.4 per cent from the earlier 11 per cent at the beginning of the second wave, but the extension of the lockdowns beyond June in several states has resulted in a relook at the number, saying there will be a loss of Rs 4.3 lakh crore more if the activity were to normalize in July.

Source: financialexpress.com– June 01, 2021

HOME

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Textile industry biz picks up as lockdown curbs ease

Garment and textile industry is upbeat over several states easing lockdown curbs that has ignited hope of movement of their goods in transit or not delivered to the warehouses and offices of their customers. Some of the industrialists have already started getting calls from their customers for discussing delivery and next consignment plans that has brought sense of cheer amongst businessmen.

Vinod Thapar, chairman of Knitwear Club, said, "Maharashtra has relaxed lockdown curbs slightly in several cities from Tuesday, while Uttar Pradesh too lifting day curfew from districts having less than 600 coronavirus cases and Rajasthan also has announced it will ease the restrictions from Wednesday at some places.

Though these states are not going to open up entirely this week but the unlocking has started and several business activities will start right away. This is a good sign for garment factories of Ludhiana that were under extreme pressure due to piling of goods worth several hundred crores in our factories, in transit and in godowns of transports after one after another state went into lockdown. We are assuming that in next 7-10 days the movement of goods will start though it is not going to return back to normal as of now but still something is better than nothing."

According to Harish Kairpal, finance secretary of Knitwear Club, "We have heaved a sigh of relief as we have started receiving calls from our customers based in states like UP, Rajasthan and Delhi for holding discussions about the goods that were in transit or are held up at the godowns and offices of the transport ever since the lockdown in those state started.

We were very much worried about these consignments as these were undelivered due to closure of the shops, offices and warehouses of our customers due to the lockdown in their states. We are hoping that in majority of the states shops, showrooms will be allowed to open in a day or so and our customers will be able to receive the goods."

Narinder Mittal, general secretary of the Ludhiana Business Forum, said, "This is a big relief for us as there was huge uncertainty over the future of the already shipped goods.

It is a common trade practice that we cannot push our customers for payment of the goods, which are undelivered, so we were not asking them for paying up for these goods, but now customers are themselves calling us for finalising the payment schedule of these consignments as they also know that they will soon get the goods after their state governments have announced easing the curbs."

Source: timesofindia.com– June 02, 2021

HOME

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Manufacturing PMI slides to 50.8, job shedding accelerates

PMI is a weighted average of new orders, output, employment, suppliers' delivery times and stocks purchases.

Purchasing Managers' Index for the manufacturing sector slipped to 50.8 in May from 55.5 in April, economic research agency HIS Markit reported on Tuesday. This indicates that local lockdowns on account of the pandemic have affected the manufacturing activities in various States.

As manufacturing activities slowed down, job loss accelerated in May from April. Apprehension is that it might increase further.

Pollyanna De Lima, Economics Associate Director at IHS Markit, said that the Indian manufacturing sector shows increasing signs of strain as the Covid-19 crisis intensifies. Key gauges of current sales, production and input buying weakened noticeably in May and pointed to the slowest increase in ten months. In fact, all indices were down from April.

PMI data are released monthly in advance of comparable official economic data. It is compiled from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses.

The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The headline PMI is a weighted average of the following five indices: New Orders (30 per cent), Output (25 per cent), Employment (20 per cent), Suppliers' Delivery Times (15 per cent) and Stocks of Purchases (10 per cent).

The report accompanying PMI said that firms scaled up production volumes during May, but the pace of expansion was modest in historical data. In fact, the rise was the weakest in the current ten-month period of growth.

Anecdotal evidence indicated that the upturn was curbed by the escalation of the pandemic and difficulties in securing raw materials. Although new export orders also increased at a softer rate, the upturn was solid and outpaced the long-run series trend.

Talking about the loss of employment, De Lima said: "Amid a lack of new work, goods producers reduced headcounts again, with the rate of job shedding quickening in May." Explaining it further, the report said that Covid-19 restrictions and a lack of new work led companies to reduce their payroll numbers further. As a result, the decline in employment was slight but accelerated from April.

Though De Lima opined that the detrimental impacts of the pandemic and associated restrictions seen in the manufacturing sector are considerably less severe than during the first lockdown when unprecedented contractions had been recorded.

"Growth projections were revised lower, as firms became more worried about the escalation of the pandemic and local restrictions. The overall degree of optimism towards the year-ahead outlook for output was at a ten-month low, a factor which could hamper business investment and cause further job losses," she said.

Source: thehindubusinessline.com– June 01, 2021

HOME

****

How RBI's Resolution Framework 2.0 can help MSMEs tide over Covid mess; is Udyam registration required?

The Reserve Bank of India (RBI) in August last year during its second bi-monthly monetary meet had extended provisions of restructuring MSME loans classified as standard as of March 1, 2020. The move was intended to support Covid-hit MSMEs and to align the restructuring guidelines with the Resolution Framework for Covid-related stress announced for other loans.

However, the resurgence of the pandemic post-mid-February and following lockdowns across the country had further necessitated support to the most vulnerable borrower class – MSMEs.

Consequently, the RBI had in early May announced Resolution Framework 2.0 to allow individuals, small businesses, and MSMEs — with loans up to Rs 25 crore and who have not availed restructuring under Resolution Framework 1.0 and others and were classified as 'Standard' as on March 31, 2021 — avail one-time restructuring under the proposed framework till September 30, 2021.

The "restructuring has to be implemented within 90 days after the invocation," RBI Governor Shaktikanta Das had said in a statement. However, for borrowers who had availed restructuring under Resolution Framework 1.0, Das had allowed lenders to modify their plans to increase the period of the moratorium and/or extend the residual tenor up to a total of two years. Borrowers were permitted a moratorium of less than two years under the first framework.

"The industry has welcomed RBI's framework 2.0 as it provides the much-needed relief to select borrowers who have been impacted in the second wave. It aims to provide liquidity to the borrowers, at reasonable costs, in these tough market conditions. It can benefit them in the long run by restructuring the account without classifying it as an NPA.

Further, there is also an option for small businesses who had availed benefits under framework 1.0 to avail additional borrowings which could provide them another chance," Maulik Sanghavi, Partner – Resolution Advisory, BDO India told Financial Express Online.

For MSMEs and small businesses restructured earlier, RBI had allowed lenders to review the working capital sanctioned limits, based on a reassessment of the working capital cycle, margins, etc. as a one-time measure. Meanwhile, there were other conditions laid down by the Central bank for MSME borrowers to get their loans restructured under the 2.0 framework.

For instance, while the borrower has to be GST-registered on the date of implementation of the restructuring, the same doesn't apply for MSMEs that are exempted from GST registration. "It must be ensured that only credible businesses as provided the benefit under this framework to ensure long term benefits of the framework to the economy. Further, the RBI also may need to consider providing an extended period for other companies as well since the previous one-time restructuring windows may need more time for coming to a combined resolution," Karan Mitroo, Partner, L&L Partners told Financial Express Online

Another key ask by RBI was that if the borrower is not registered on the new Udyam Registration portal, they would have to obtain the registration before the date of implementation of the restructuring plan.

Financial Express Online had reported last month that as of May 16, 2021, 30,00,822 MSMEs were registered on the Udyam Registration portal, which had replaced the erstwhile process of filing for Udyog Aadhaar Memorandum (UAM), as per the online data available with the MSME Ministry.

Before the Udyam portal, India had 1.02 crore registered MSMEs under UAM between September 2015 and June 2020 apart from nearly 22 lakh units registered under EM II between 2007 and 2015, as per the FY21 annual report of the MSME Ministry.

This indicates that only among these 30 lakh borrowers registered with the Udyam portal would be eligible for restructuring if at all they want to opt for it. For others, new registration is a must. On the other hand, the number of SMEs seeking restructuring might not be as much as assumed. For instance, according to the credit rating agency Crisil, the number of SMEs rated by Crisil opting for the restructuring window could be much lower than those who are eligible. "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 last month. 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.

"As future is full of uncertainty, it is highly recommendatory to opt for the available restructuring scheme under resolution framework 2.0 as the revival of the market shall take its own time and till then in order to ensure the ease of the entity cash-flow, the alignment of the existing debt ought to be as per the available entity cash-flow.

An availment of restructuring scheme shall not only ensure to curb the future uncertainty of entity cash-flow but also ensure the minimum reduction in credit score of the promoter and entity as compared to the classification of the account as non-performing asset," Jyoti Prakash Gadia, Managing Director, Resurgent India told Financial Express Online.

Source: financialexpress.com– June 01, 2021

HOME

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Why supporting MSMEs during Covid -19 will help socially backward groups?

With State governments imposing restrictions and lockdowns to control the second Covid-19 wave, Micro, Small and Medium Enterprises (MSME) in the country are once again witnessing business disruptions.

Various industrial bodies have demanded more relief to the MSME sector to support them in such difficult times. The data available with the Ministry of MSME show that helping the sector would help socially backward groups to combat the pandemic.

The Ministry's annual report 2020-21 shows that socially backward groups own almost 66.27 per cent of MSMEs. The bulk of that is owned by OBCs (49.72 per cent). The representation of SC and ST owners in the sector is low at 12.45 per cent and 4.10 per cent respectively.

Rural areas have reported more Covid-19 cases in many States. And in rural areas, almost 73.67 per cent of MSMEs are owned by socially backward groups, of which 51.59 per cent belong to the OBCs.

In urban areas, almost 58.68 per cent belong to the socially backward groups, of which 47.80 per cent belong to the OBCs. The report has used the National Sample Survey (NSS) 73rd round survey (2015-16) data.

The analysis of enterprises owned by socially backward groups in each of the three segments of the MSME sector reveals that the micro sector had 66.42 per cent of enterprises owned by the socially backward group, whereas small and medium sectors had 36.80 per cent and 24.94 per cent of enterprises owned by socially backward groups, respectively.

MSME employment

The sector has been creating 11.10 crore jobs (360.41 lakh in manufacturing, 0.07 lakh in non-captive electricity generation and transmission, 387.18 lakh in trade and 362.82 lakh in other services) in the rural and urban areas.

The MSME sector has contributed significantly over the last five years by fostering entrepreneurship and generating large employment opportunities at comparatively lower capital cost, next only to agriculture.

Widening domain

MSMEs are complementary to large industries as ancillary units and contribute significantly in the inclusive industrial development of the country. The MSMEs are widening their domain across sectors of the economy, producing a diverse range of products and services to meet the demands of domestic as well as global markets.

Males dominate in ownership of proprietary MSMEs holding 79.63 per cent of enterprises compared to 20.37 per cent owned by females. There is no significant deviation in this pattern in urban and rural areas, although the dominance of male-owned enterprises was slightly more pronounced in urban areas compared to rural areas (81.58 per cent as compared to 77.76 per cent).

Source: thehindubusinessline.com– June 01, 2021

HOME

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Becoming part of global supply chain key to promoting exports: Experts

India should become a key part of global supply chains as it is fundamental to promoting the country''s exports, according to experts.

They also said that going ahead, credibility of suppliers in the global supply chain would be critical, particularly after the COVID-19 pandemic.

"No country today makes a product of its own...You have to be part of some supply chain. Today it is impossible to export anything if you are not part of a supply chain," Indian Institute of Foreign Trade (IIFT) Director Manoj Pant said.

He was speaking at a webinar on ''Has import substitution worked for India - Challenges and road ahead''. It was organised by the Trade Promotion Council of India (TPCI).

Bipin Menon, Development Commissioner - Noida SEZ, too said India has to be part of different supply chains as dependence on one is not going to help.

"We have to be part of every value chain...You have to be part of different value chains," he added.

He further said India needs to have agreements with global suppliers for inputs, adding that the country has been actively pursuing some credible and reliable players such as the US and UK.

Source: outlookindia.com– June 01, 2021

HOME

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Handloom rights forum seeks financial support from Centre

The All-India Handloom Rights Forum (AIHRF) has appealed to Prime Minister Narendra Modi to extend financial assistance to families in the handloom sector. AIHRF president Bandaru Jwala Narasimham has written a letter to the Prime Minister seeking a special financial package to help the families engaged in the sector hit by the pandemic.

In the letter, the AIHRF president sought financial help of at least Rs 10,000 per family per month during the pandemic. This, he said, was because while some states have announced lockdowns and others have imposed curfews, all of which are hurting the sector. Narasimham said that around 31.45 lakh families are engaged in the handloom sector across the country and 75% of those involved in handloom are women.

The AIHRF president also wants the Centre to pay Rs 25,000 into accounts of weavers whose families were hit by Covid-19. He further requested the government to waive all taxes on raw materials, products and all direct and indirect taxes on the sector including those on hank yarn, chemicals, colours and cloth.

Additionally, Narasimham urged the government to withdraw customs duty on some items of the handloom sector including cotton, cotton waste and raw silk. He sought the Union ministry of textiles to supply 45,000 metric tonnes of silk yarn to handloom workers through the central and state silk boards.

Source: timesofindia.com– June 02, 2021

HOME

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