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NEWS CLIPPINGS

INTERNATIONAL NEWS

America's apparel sales may outpace its economic recovery

Though it might take over a year for the US economy to reach pre-COVID-19 levels, apparel sales may see a quicker recovery. This can be especially estimated from the high visitor turnouts at recently opened clothing stores. As per latest data from Placer.ai, in year-over-year data comparisons, apparel sales in the US during the week of May 11 fared slightly better with apparel sales declining 71.8 per cent as against the 87 per cent decline in week ending May 4.

During this period, apparel traffic in Florida improved the most. Traffic in this region improved from a decline of 87 percent year-over-year for the week of May 4 to a decline of just 55 percent for the week of May 11. A similar trend was noted in Georgia where traffic improved from a 75 per cent year-over-year decline for the week of May 4 to just 23 per cent decline a week later. A clear indication US retail economy is on recovery path. However, this revival is full of challenges, believes, Ethan Chernofsy, Marketing Vice President, Placer.ai

Financial concerns, rising inflation worry consumers

One of the challenges that the retail sector faces is financial uncertainty that consumers face today. As per Deloitte Global State of the Consumer Tracker, which polls 1,000 consumers in 15 countries, around 27 per cent consumers are anxious about making upcoming payments while 43 per cent are putting off large purchases. Around 37 per cent fear losing their jobs. According to the survey, the percentage of US consumers visiting stores also increased to 42 per cent in May as against 30 per cent in April. On the other hand, the number of online shoppers is gradually falling, particularly for apparel and electronics. The Deloitte survey reveals that while 82 per cent of Americans plan to "buy online, pickup in store" in the next four weeks, only 40 per cent plan to use this service for safety reasons, down from 48 per cent.

Though consumer confidence appears to have stabilized, they remain concerned about their financial prospects. Rising inflation rates continue to diminish their purchasing power and curtail spending. Beth Ann Bovino, Global US Chief Economist for credit ratings firm S&P, believes retail recovery in the US could stretch to 2021 and beyond and hopes businesses reopen and recall furloughed or laid-off employees by this period.

Two years to road to recovery

Politicians in the US continue to struggle in balancing public health and economic vigor. How long will it take for the economy to recover to r the level it was prior to the COVID-19 outbreak remains a topic of debate. Though analyst believe markets will eventually recover from today's Great-Depression-esque unemployment levels, the economy to emerge out of this crisis will be different, believes David Rubenstein, Cofounder and Co-executive Chairman of private equity firm The Carlyle Group. He expects another stimulus bill or bailout from the American government next month.

Prior to the pandemic, America was expected to reelect President Trump later this year. However, now the country's state of the economy will determine who will be the next leader. Whatever, the outcome of the election, the next elected government can't afford to wait even for a month to restart economy. It will have to start from day one itself.

Source: fashionatingworld.com– Jun 02, 2020

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Gas Jeans launches new stores

Gas Jeans is launching a series of retail projects to help the brand further expand. The Italian jeans specialist has just opened its first temporary store inside Roma Termini railway station and will open a few more all over Italy in the coming months.

The plan includes four more new openings, in Turin's Porta Nuova Station and Florence's Santa Maria Novella in January 2021, Naples Central Station in April 2021 and Milan Central Station in July 2021.

The new Gas Rome store will be visited by a significant number of visitors as the location, hosted within a shopping mall, counted 160 million visitors in pre-Covid-19 times, including residents, and counted up to 50,000 passages during the lockdown.

Gas is also involved in reopening its stores all over Italy. In the Italian Peninsula it counts a total of 32 doors: two monobrand stores, 18 concessions and 12 outlets. It will also reopen its 27 stores in Hungary, including five in Budapest, and eight doors in Czech Republic.

Source: fashionatingworld.com– Jun 02, 2020

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USA: Cotton LEADS Adds Delta Apparel as Newest Partner Company

Delta Apparel Inc. (NYSE American: DLA), a leading provider of core activewear and lifestyle apparel products, has joined the Cotton LEADS program, signifying their commitment to sustainability and acknowledging the ongoing improvements U.S. and Australian cotton growers continue to make under both countries' stringent regulatory environments.

The aim of the Cotton LEADS program is to raise awareness of sustainable and responsible cotton growing practices and to keep member partners informed about the leading efforts in reducing the environmental impact of cotton production. Currently, the Cotton LEADS program has more than 600 partner companies around the world.

"Delta Apparel has been a good customer of U.S. cotton for many years," says Jennifer Lukowiak, director of Supply Chain Marketing at Cotton Incorporated. "By joining Cotton LEADS, they underscore their commitment to sustainability and to the role U.S. cotton plays in fulfilling it."

Cotton LEADS was founded by an alliance of industry organizations in Australia and the United States committed to responsibly-produced cotton. Built upon core principles that are consistent with sustainability and that promote the use of best practices and traceability in the supply chain, Cotton LEADS offers cotton users the confidence and knowledge that their raw material is responsibly produced and traceable.

"Quality products start with quality ingredients," says Deb Merrill, president of Delta Group and CFO of Delta Apparel, Inc. "For Delta Apparel, quality has to also include a sustainability component.

We are proud to support the work that cotton farmers are doing and to utilize their fiber across our brand portfolio, including Salt Life, COAST, Soffe and Delta. We take great pride in the efficiency throughout our supply chain and managing sustainable cotton resources without adding costs."

Source: cottongrower.com– Jun 02, 2020

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Thai researchers developing 'gold standard' PPE suits

Thai scientists are developing Level 4 bio-hazard suits to reduce the country's reliance on import of personal protective equipment (PPE) during the COVID-19 crisis. The Government Pharmaceutical Organisation (GPO) and the textile industry are collaborating on 'gold standard' protective suits after successfully developing level 2 suits, according to public health ministry permanent secretary Dr Sopon Mekthon.

GPO, the Textile Industry Development Institute and the Textile Federation of Thailand are producing 100,000 sets of their 'We Fight' edition Level 2 PPE suits, which will be ready for delivery in June and July, according to a Thai newspaper report.

The level 2 suits are made from polyester fabric with a waterproof coating, and can be washed for reuse up to 20 times. They will be delivered to hospitals to reduce the expense on imports and support domestic indigenous development and manufacture of medical equipment.

The level 2 suit protects medial staff from low to medium infection risk, enabling them to safely care for patients who don't need a respirator, to collect samples and to screen patients. The first batch of 44,000 suits are expected to be delivered by the end of May, each worth around Bt 500.

The primary development focus is on the production of level 2 PPE, which accounts for up to 80 per cent of the protective gear used during the COVID-19 crisis. Level 4 PPE is used only in cases of high risk.

Source: fibre2fashion.com– Jun 02, 2020

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Pakistan: PHEA calls for restoration of zero ratings on ST

Pakistan Hosiery Manufacturers & Exporters Association's (PHMEA) Central chairman Chaudhry Salamat Ali has demanded the government to restore Zero Rating on Sales Tax – No Payment No Refund Regime reinstating SRO 1125 in the budget terming it indispensable to surmount liquidity hardships of exports and in the national interest to enhance exports and earn foreign exchange to strengthen the economy.

Ali pointed out that due to global business slowdown and Covid-19, he pointed out that the economy of Pakistan is also in dire straits and the current volume of exports cannot be unsurpassed unless the burning liquidity problem being faced by exporters is not appropriately addressed by the government.

To achieve a great milestone in enhancement and development of exports, it is crucial that the government must facilitate the export sector introducing export-friendly policy as the five export oriented sectors have been highly aggrieved due to rescinding SRO 1125 and imposition of 17 percent sales tax on exports which government imposed in the last budget with a view to collect sales tax on domestic sales of textiles. This unilateral move by the govt penalized the export sector as their precious liquidity in shape of sales tax refund was held unreasonably with government, which also caused disruption in enhancement of exports.

Source: fashionatingworld.com– Jun 02, 2020

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VF Expects to open by the Middle of the Year

VF has started reopening its outlets, and now plans the mid-calendar year 2020 to reopen all stores globally. VF has since reopened its Asia Pacific retail stores including Mainland China.

VF has also begun a phased reopening of its retail stores in its Europe, Middle East and Africa region and is prepared to embark on a similar approach for North American stores, subject to local government guidance. E-commerce is still in the works.

Net revenues of retailer for the quarter ended March 28 fell 10.8 percent to $2.10 billion from $2.36 billion, with the decrease mostly due to lower consumer demand connected with the coronavirus outbreak and temporary store shutdowns as mandated by local authorities.

Gross margin for the period fell 150 basis points to 53.1 percent. That was driven by elevated promotional activity to clear excess inventory, but was partially offset by favorable mix shift toward higher margin businesses.

The organization reported a net loss of $483.8 million, or $1.22 a diluted share, against a year-ago net profit of $128.8 million, or 32 cents. The results of the quarter included a loss from discontinued operations, its workwear business and the spin-off of its jeans business which now operates under the name Kontoor Brands Inc. a year ago. In constant dollars, earnings per share fell 69 percent to 10 cents on an adjusted basis.

The company expects sales from the first quarter of fiscal 2021 to fall significantly more than 50 percent, and to reach $600 million in full-year fiscal 2021 free cash flow.

Source: textilefocus.com– Jun 02, 2020

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NATIONAL NEWS

India must join RCEP: Arvind Panagariya

Niti Aayog's former vice chairman Arvind Panagariya on Tuesday urged India to slash its import tariffs to 7% and join the Regional Comprehensive Economic Partnership, a 15-member trade grouping, laying down a roadmap for the country to better position itself to attract investments.

The economics professor at Columbia University said India should open up more, knock down tariffs introduced in the last three years to 7% on all items, forge agreements with RCEP, the EU and probably the US, while setting up Shenzhen-style coastal employment zones to boost manufacturing and creating jobs.

"India should continue to engage with Asia Pacific partners and get into RCEP as it prepares to take over the multinational companies from China in the areas of textiles, footwear and other labour-intensive sectors," Panagariya said.

Commenting on Prime Minister Narendra Modi's call for self-reliance, Panagariya said what he really meant was that we ought to earn our own income.

"If really PM meant from self-reliance, self-sufficiency, we would quickly see a huge movement back to autarchy," he said. "I hope it doesn't happen...it will be a huge mistake."

Economist Jeffery Sachs termed India's refusal to join the RCEP a "big mistake".

Source: economictimes.com– Jun 02, 2020

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'Govt must replace red-tapism with red carpet to attract firms exiting China and for MSMEs to benefit'

Ease of Doing Business for MSMEs: In the post-Covid-19 world order, India can position itself as an alternative to China as a preferred destination for foreign companies to invest and set shop providing the necessary impetus to micro, small and medium enterprises and reinvent itself as a manufacturing hotspot. Recently, Japan announced to set up $2.2 billion stimuli to help out Japanese companies moving out of China followed by the US also expressing a similar sentiment to shift its manufacturing companies out of China. This indicates a retaliatory wave or mindset against the country. There is a strong anti-business sentiment against the Asian giant building across various countries that can unwittingly work in India's favour.

What India needs to do is come out with the comprehensive policy to replace red-tapism with a red-carpet for these fleeing foreign giants to set shop in India. This would help put the country on top of the global supply chain and benefit domestic MSME sector, which contributes almost 30 per cent to the county's GDP and employs around 11 crore people. The MSME segment would thus push the economy out of the dual crisis of sluggish growth and economic fallout of the Covid-19 pandemic.

India's long-term growth potential

India has several advantages in going its way. Firstly, as compared to other countries, India is less battered. It is one of the few countries that stand to post positive growth this financial year, whereas developed nations like the US and the UK are expected to register negative growth. It has a robust and steady inflow of foreign exchange reserves coming-in every year due to the remittances from expatriates. It has a stable government and investor-friendly policies. Countries prefer to invest in countries with strong growth potential.

Owing to the conducive business environment, the country has lured several top global companies looking to set up their manufacturing base in India over the last few years. The country has also jumped several places in its ease of doing business index, which is attracting foreign investors here. Another advantage that India offers is that it is a ready market to sell its finished goods to the growing middle-class segment of the country.

The Make in India scheme, launched in 2014, aims to promote India as a manufacturing hub in varied sectors ranging from defence, leather, agro-products to space and create 100 million additional jobs by the year 2022. Also, several other initiatives, such as Skill India, Digital India, are ensuring a ready stream of industry-ready workforce prepared to do productive work from day one of employment.

India's ability to support bulk manufacturing, assembly and processing will tilt the balance in its favour. Though a large portion of the MSMEs is currently unorganized, the segment has the potential to contribute almost 50 per cent of the GDP in the next ten years, if given proper impetus by the Government.

Proactive State Governments

Several state governments have been taking additional initiatives to woo investors and give a boost to local businesses that would assist these foreign companies. For instance, the Uttar Pradesh Government recently held video conferencing with more than 100 top companies of the US who are eager to shift base from China.

The state government also offered tailor-made solutions including capital subsidies, availability of abundant land in special economic zones, land subsidies, and other incentives to woo these foreign companies in UP. The Government believes that these initiatives would help their 90 lakh MSME units who would assist these companies in multiple purposes. These measures need to be adopted on a pan-India level.

Expectations from the Government

There has been a constant demand for a policy overhaul from various industry bodies' time and again. Initiatives like a single-window clearance, tax reforms, and changes in labour laws are some of the measures needed to make this country a preferred Investment destination.

India needs to aggressively push itself in the immediate future in areas where healthy ecosystems of the domestic supply chain already exist. Domains such as engineering works, pharmaceutical, mobile phones, among other sectors are among India's strengths, and it would be beneficial to build upon the existing value chain of MSMEs in these sectors.

Also, if the Government does away with 50 per cent of the GST for six months which would come to around Rs 3 lakh crore through deficit financing, this would help in propelling demand creation. It will help restart the economic cycle, and MSME business operations will start. The Reserve Bank of India should also think about giving a one-time rollover of all outstanding loan amounts for a period of at least one year to provide some breather to them to conduct their business.

While fiscal support during these troubles times will help firms tide over the unprecedented phase, long-term growth would need the Government to push for commercial diplomacy to match the efforts at the domestic front. This would help attract large global players to India and leverage the extensive ecosystem, built primarily by the MSME segment.

Source: financialexpress.com– Jun 02, 2020

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Truck movement to Bangladesh through Bengal remain suspended

Exporters mount pressure for resumption of trade, seek clarity in rules

Movement of trucks across the India-Bangladesh border continue to remain suspended for over 70 days now, in the absence of clarity of orders at the district authority levels.

Sources estimate that at least 6,500 trucks are stranded across six different land ports of West Bengal.

International trade is on via rail.

Reports suggest that 1,000 tonnes of onions have been transported via train from Gede (India) to Darshana (Bangladesh). Trains are operating on the Petrapole-Benapole route, too. Other freight train routes available include Singabad-Rohanpur and Radhikapur-Birol.

“The deadlock on road route continues in absence of clarity of orders at the district administration levels,” an exporter told BusinessLine, requesting anonymity.

The Chief Secretary, Rajiva Sinha, and Home Secretary, Alapan Bandopadhyay, remained unavailable for comments and did not respond to messages.

Petrapole, the largest land port around 80 km away from Kolkata in the North 24 Parganas district, which accounts for nearly 47 per cent of cross-border trade, has seen practically no truck movement since March 23. Nearly 2,000 trucks are still stuck despite partial resumption of movements between April 28 and May 3.

On the other hand, trade in Mahadipur (Malda district) — the second largest land port here with an estimated annual trade of $700 million — has seen nearly 4,300 trucks being stuck.

Hili, in Dakshin Dinajpur district of the State, and another major land port accounting for $300-350 million worth of annual bilateral trade (as per estimates) is said to have 400-odd trucks stranded at the border.

Other land ports like Changrabandha (in Cooch Behar) has around 300 trucks queued up; while details of trucks stranded in Fulbari (in Jalpaiguri) and Gojadanga (in North 24 Parganas) could not be ascertained.

No immediate respite

In Petrapole, for instance, the trade restarted with both the governments agreeing to transfer goods at the zero point in April. No truck from either side of the border would enter the other's territory.

Following the instructions, the cargo was exchanged at the zero point in the presence of customs. (Normally, Indian trucks are allowed to enter Benapole, the Bangladeshi side up to their land port terminal.)

However, Indian truck drivers were reluctant to enter Bangladesh for the rules set by the West Bengal government required that they stay in 14-day quarantine on return. Moreover, with locals agitating and expressing fear of spread of the virus, truck movement halted.

Chaitali Chakraborty, District Magistrate, North 24 Parganas, said that trade was allowed "at zero point" in Petrapole. "There is no further order in this regard. Please contact authorities at the State Secretariat," she said.

Mounting Pressure

Karthik Chakraborty, Secretary, Petrapole Clearing Agents' Staff Welfare Association, such trade (at zero point) is not possible. Only 10-12 trucks moved initially post some relaxation.

"We are ready to take precautions and even Bangladeshi unloading agents will not come in contact with their Indian counterparts. But truck movements like pre-Covid times have to be allowed first," he said. He has already written to the Chief Minister, Mamata Banerjee, urging resumption of truck movement at Petrapole.

In the land ports of North Bengal, trade at zero point was never allowed. Exporter associations across these land ports have started writing to all concerned and have sought intervention of West Bengal Chief Minister, Mamata Banerjee, to resolve the matter.

Samir Ghosh, Executive Member, Exporters' Association (Malda), said that meetings were held with Customs officials assuring them that "necessary precautions will be followed" which include wearing masks and gloves, having protective gear, sanitizing vehicles, and so on. However, "it has not yielded results".

"Nearly 95 per cent of the lockdown has been relaxed across the State. Why is this stringency being maintained when it comes to cross-border truck movement? District magistrates say they are awaiting further orders from the Nabanna (State Secretariat)," he added.

Source: thehindubusinessline.com– Jun 02, 2020

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Industries welcome revised definition for MSMEs

Industries in Coimbatore and Tiruppur districts have welcomed the revised definition for Micro, Small and Medium Enterprises (MSME) classification. According to Cotton Textiles Export Promotion Council Chairman KV Srinivasan, the enhancement in turnover and investment limits for medium enterprises is a positive step.

The cabinet has decided to exclude export turnover from the turnover limits for MSMEs. This is a welcome decision for textile exporters as many of them will be eligible for 5 % interest equalisation scheme benefits.

Apparel Export Promotion Council chairman A. Sakthivel said the turnover of exporting units depended on foreign exchange rates. Rupee value has weakened continuously for the last 10 years. The decision to exclude export turnover will strengthen the MSME sector and propel exports.

T. Rajkumar, chairman of Confederation of Indian Textile Industry, said that with the revised definition, even small weaving mills will be classified as MSMEs. This will benefit the garment manufacturers too. Decision to create ₹4000 crore Distressed Asset Fund will help the weaker MSMEs that are struggling due to NPA norms.

According to Southern India Mills' Association chairman Ashwin Chandran, several segments of the textile value chain - power looms, handlooms, knitting, processing, embroidery, garment, etc - that do job works will be encouraged to consolidate and modernise their facilities. He urged the government to further consider modifying the definition to investment or turnover from the existing investment and turnover limits specified.

Tiruppur Exporters' Association president Raja M. Shanmugham said the upward revision of investment and turnover limits for medium scale units will benefit the garment exporting units in Tiruppur and attract investments.

The Railways Suppliers' Association in Coimbatore opposed the change in definition saying micro and small-scale units will stand to lose, especially in getting orders from public sector undertakings.

Source: thehindu.com– June 02, 2020

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CONCOR shuts 15 unviable inland terminals; looks to merge regions

The twin plan aims to keep itself fighting fit as privatisation process starts State-run Container Corporation of India Ltd (CONCOR) has shut 15 under-performing inland cargo terminals and returned the land on which they were operating to the Indian Railways.

India's biggest rail hauler of containers has also started merging regions as it looks to keep itself financially fit on the road to privatisation.

The closure of the terminal at Sabarmati is the only surprise in the list of 15 facilities that have been shuttered. The Sabarmati terminal had a turnover of Rs 51.40 crore in FY19, the highest among the 15 facilities.

The land on which the Sabarmati terminal was operating has been handed back on demand to the Indian Railways in order to use it for the development of the National High-Speed Rail Corridor or the Mumbai-Ahmedabad bullet train project. The traffic handled at Sabarmati terminal will be shifted to the nearby MMLP at Khodiyar.

Merging regions

Simultaneously, CONCOR has merged its Western and Central regions. Some of the terminals under the Central region have gone to the Western region and some to the Eastern region, a government official said.

Likewise, the North Western region will also be merged with the Western region. "The merger of regions is aimed at rationalisation of operations, better utilisation of human resource and also to cut down costs," the official said adding that it would also be in preparation of the privatisation of the company.

The 84 terminals currently run by CONCOR is looked after by seven regions. Terminals returned to Indian Railways

The terminals that were returned to the Indian Railways include five from the Western region (Chinchwad in Pune, Miraj, Ratlam, Nagpur and Bhusawal), three from the Northern region (Babarpur in Panipat, Rewari and Ballabhgarh), three from the South Central region (Desur in Belgaum, Raipur and Visakhapatnam CFCV), two from Eastern region (Tata Nagar in

Jamshedpur and Rourkela) and one each from North Central region (Madhosingh in Mirzapur) and North Western region (Sabarmati), according to the official.

These 15 terminals, that were built on land leased from the Indian Railways at concessional rates, had a combined turn over of Rs 277.50 crores in FY19. Apart from the above, CONCOR has also handed over the empty container parks at its Tughlakabad terminal – New Mineral Siding Okhla, Power Cabin and the New Power Cabin near Tughlakabad Railway Station – to the Indian Railways.

Of the 15 terminals, Rourkela, Tata Nagar, Chinchwad, Miraj, Bhusawal and Madhosingh have become unviable for operations. The traffic hitherto handled at Rewari will be cleared from the Khatuwas rail head. The existing traffic at Babarpur will be diverted to CONCOR's newly built multi-modal logistics park (MMLP) at Barhi in Haryana.

Similarly, the existing traffic of Visakhapatnam terminal will be shifted to the MMLP at Visakhapatnam and the existing cargo at Raipur will be shifted to the MMLP at Naya Raipur.

The cargo at Ratlam will be handled at the newly built MMLP at TIHI Indore while the traffic at Nagpur will be shifted to the newly constructed MMLP at MIHAN in Nagpur. The Ballabhgarh business has been shifted to Tughlakabad (near Delhi), the flagship facility of CONCOR.

The land on which the Desur facility was built has been handed over following a demand from Indian Railways. The government has decided to privatise CONCOR by selling 30.8 per cent of its 54.8 per cent stake in the company to a private company along with transfer of management control.
CONCOR's plans

By returning the land at 15 locations, CONCOR seeks to reduce its financial burden as the government is finalising a plan directing the state-run firm to buy land owned by Indian Railways on which it has built close to half of its 84 terminals.

According to a rough calculation, the land purchase will cost CONCOR more than Rs 8,000 crore which will be funded mainly through debt. Resolving the land issue is key to the planned privatisation of the Navratna PSU to avoid allegations of transferring Indian Railways land to a private entity at low rates.

CONCOR, according to the plan, will buy the Indian Railways land on which it runs the remaining facilities at 6 per cent of the circle rate - the rate at which the government recognises land value for a particular site, the official said.The land transaction will be in the form of a 99-year lease.

“When there is not much traffic at the 15 facilities, there is no point buying this land, paying 6 per cent of the circle rate and keeping it idle,” he added.

Source: thehindubusinessline.com– Jun 02, 2020

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Lockdown exit: 2.1 crore jobs added in May

But unemployment rate still at 23.5%, says CMIE study

As the lockdown was eased in May, nearly 2.1 crore jobs were added in the month, says a study by the Centre for Monitoring Indian Economy (CMIE). However, the rate of unemployment was still high in May at 23.5 per cent.

Compared to 40.4 crore people employed, on average, in 2019-20, employment in May 2020 was 30.3 crore, leaving 10 crore people jobless, said the study. But this is still an improvement over the situation in April when employment had fallen to 28.2 crore, leading to a loss of nearly 12.2 crore compared to the average employment in 2019-20.

The report said that the increase in jobs in May reflects a partial lifting of the lockdown. But the partial lifting could have generated only informal jobs of the self-employed in the unorganised sectors.

It could neither have generated better quality jobs for people in the 25-29 age group or jobs in the salaried segment. “Salaried jobs will increase in a meaningful sense only when investments increase. This is a distant dream,” it said. In the last week of May, the unemployment rate fell to 20.2 per cent.

Labour participation up

The labour participation rate had risen to 38.7 per cent. Most importantly, the employment rate was at its highest since the lockdown, at 30.9 per cent.

Though the unemployment rate at 23.5 per cent in May was the same as it was in April, the labour participation rate improved from 35.6 per cent to 38.2 per cent and the employment rate improved from 27.2 per cent to 29.2 per cent, said the study.

"While the main labour market metrics indicate an improvement in May compared to April, the labour market conditions still remain much weaker than they were before the lockdown," a blog at CMIE site said.

Between April and May 2020, while the count of those employed increased by over 2 crore, the count of unemployed also increased by 63 lakhs.

The labour force increased substantially by 2.75 crore. Of the jobs that got added in May, 1.44 crore were of small traders and wage labourers, the segments that were most vulnerable during lockdown. In April, 71 per cent of labourers had lost jobs.

The sole segment that did not see any increase in jobs in May was that of the salaried employees. The number of salaried jobs declined marginally from 6.84 crore in April to 6.83 in May. In 2019-20, there were 8.6 crore salaried employees.

As the lockdown rules are eased further, the labour data may show improvement in June. However, most of the initial improvements will be of poor quality jobs.

Besides, it would take a very long time to repair the damage to the livelihoods of a very large number of families who suffered during the lockdown.

Source: thehindubusinessline.com– Jun 02, 2020

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Covid takes heavy toll on SEZs; exports plummet 50 per cent, over a third of orders get cancelled

Units ask government to help ease movement across borders, sort out operational issues

Exports from units in special economic zones (SEZs) fell over 50 per cent in April, while more than a third of the orders placed were cancelled, due to Covid-led disruptions, revealed an internal survey carried out by the Export Promotion Council for EOUs and SEZs (EPCES).

Although the government allowed operations in SEZs to resume in May, albeit with a number of restrictions, manufacturers said the onerous guidelines and the sealing of State borders made it difficult for most units to restart work. Without adequate relaxations, exports would continue to plummet, they added.

“Recently, we sent a circular to all our members asking them to send us information on the exports from their units in April 2020 and the percentage of orders that got cancelled,” Anand Giri, Deputy Director General, EPCES, told BusinessLine.

“We got responses from 104 members. There has been a 51.64 per cent decline in export orders while 36.6 per cent of orders have been cancelled during the month,” he added.

The export data collected by EPCES match the zone-wise data released by National Securities Depository Ltd (NSDL) on IT/ITES services exports and manufacturing exports. According to NSDL data, while exports from IT/ITES zones in April 2020 increased 7.25 per cent to ₹34,022 crore (compared to April 2019), those from manufacturing units fell a sharp 58.63 per cent to ₹10.089 crore.

Operational issues

“There is an urgent need to resolve the operational issues of EOUs and SEZs that are contributing one-third of the national export basket. It has the potential to bounce back from the hit taken during the pandemic, as was demonstrated at the time of the global recession, but needs special attention,” Giri said.

Some requests have already been made, such as allowing SEZ units to sell in the domestic tariff area (domestic market) without paying duties, giving lease rent exemptions and expediting GST refunds. SEZs are now seeking permission for senior employees to move seamlessly across State borders to reach their work places.

EPCES recently wrote to Prime Minister Narendra Modi, pointing out that due to the sudden sealing of State borders, it was very difficult to operate businesses.

"In the NCR industrial areas adjoining Delhi, including Noida in UP and Faridabad, Gurugram and Kundli in Haryana, most of the owners and senior staff live in Delhi...Owners of the factories are unable to get travel permission and find it difficult to reach their factories in the above industrial areas," the letter stated.

It added that without experienced hands, the risk of defective production increased and, with units already facing losses because of a fall in production and exports, this would could be "suicidal".

Sealed borders

EPCES now plans to take up the issue of sealed borders with the Ministry of Home Affairs and the Lieutenant General of Delhi, Giri said.

Exports from SEZs increased 12.24 per cent in FY20 to ₹7,87,017 crore, although overall exports from the country declined 4.78 per cent to $314 billion.

Source: thehindubusinessline.com– Jun 02, 2020

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Identity change: Covid-hit startups look to become MSMEs to benefit from govt's mega relief package

Credit and Finance for MSMEs: As Covid pandemic has squeezed the funding pipeline for the Indian startup ecosystem pushing many early-stage startups to halt operations or shut non-core businesses, a host of such companies are now looking to register themselves as MSMEs. Multiple startups, Financial Express Online spoke to, are now preparing to switch as MSMEs to benefit from the economic package announced by the Finance Minister Nirmala Sitharaman last month. Overall, the minister had rolled out six measures to help MSMEs tide over the financial crunch and become more competitive in competing with foreign businesses.

"We had a clear mindset of generating large revenue in the past three months. Now everything has been changed and our business model cycle has been disturbed. We are also facing cash crunch problems like other companies. As the government has launched collateral-free loan opportunities for MSMEs, we are looking forward to registering for the same as we fall in the right eligibility criteria,' Abhishek Gupta, Founder and Director, OxyGarden told Financial Express Online. OxyGarden makes indoor air sanitizers and was incorporated a few months back.

Delhi-based Incubsence, which makes contactless attendance system for businesses, suffered significantly as the electronics manufacturing came to a standstill during the lockdown. The segment is in direct competition with Chinese manufacturing.

The present scenario benefits China more than India as Covid started to impact India at a time when China was about to reopen its economy. Incubsence had to stop its production of contactless attendance device, contactless access control systems etc. "The two months was enough for Chinese companies to sell their products to India since they could meet the demand as Chinese factories gained consciousness," Diksha Deo, Founder and CEO, Incubsence told Financial Express Online.

Deo said the startup would be applying for MSME registration after an internal discussion in order to secure investment for manufacturing and scaling production. "We can't let the customer wait for weeks for the order to be delivered. Hence with more capital infusion with the help of the government, we could meet the demand and reduce delivery timeline," she added.

The government on Tuesday had announced multiple schemes to boost electronics manufacturing in India – Production Linked Incentive Scheme, Scheme for Promotion of Manufacturing of Electronics Components and Semiconductors and Modified Electronics Manufacturing Clusters scheme.

According to a LocalCircles survey in April, 74 per cent startups and small businesses (out of 13,970 responses) expected shutdown or scaling down of their businesses in the following six months. "Reality is that early-stage startups are very vulnerable. They don't have cash reserves like large companies.

They would not be going to make any projections and so next round of investor will not going to see the potential of the company because the market is gone not just disrupted," Padmaja Ruparel, Co-founder, Indian Angel Network had told Financial Express Online.

Rs 3 lakh crore of the collateral-free scheme was the highlight of the six announcements made by Sitharaman last month for MSMEs. Eligible MSMEs would have up to Rs 25 crore outstanding and Rs 100 crore turnover to secure an emergency credit line from banks and NBFCs up to 20 per cent of entire outstanding credit as on February 29, 2020.

MSMEs would be able to apply for the scheme till October 31, 2020. The government would provide 100 per cent credit guarantee cover to lenders on the principal and interest amount.

Apart from securing easy credit, startups are exploring the MSME route for faster recovery of dues as mandated by Sitharaman in her announcement for MSME buyers to clear dues within 45 days. "The government's objective is to protect the MSMEs' interest. Thus it puts an obligation on companies to pay-up all dues to MSME registered vendors within a period of 45 days from date of delivery of goods/services so that MSME vendors do not suffer because of non-payment of dues.

This was our primary thought process to get ourselves registered under MSME," Akhil Aryan, Co-founder and CEO, ION Energy told Financial Express Online. The four-year-old startup develops technologies to improve the life and performance of lithium-ion batteries that power electric vehicles and energy storage systems.

"Access to collateral-free debt capital would be a big boost for startups in this period of uncertainty. Especially during a systemic crisis, the lack of access to its traditional funding pools (venture capital) can push otherwise strong startups to the brink of failure. Access to non-dilutive debt can be a significant lifeline in a period like this," Utkarsh Sinha, Managing Director, Bexley advisors told Financial Express Online.

Manufacturing or services startups meeting the investment and turnover limits as stated under the revised definition can register themselves as a small business on the Udyog Aadhaar portal with details as per the founder/promoter Aadhaar card. The investment limits for micro, small and medium enterprises are up to Rs 1 crore, Rs 10 crore and Rs 50 crore respectively. For turnover, the limits are up to Rs 5 crore, Rs 50 crore and Rs 250 crore respectively. Besides meeting the two criteria, "the startup is not required to change anything with respect to its business to become an MSME. The whole process doesn't take over two-three days," said Gupta.

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China's trade with India's neighbours has grown stronger since 2005. Delhi must catch up

Despite geographical proximity and the existence of bilateral and multilateral free trade agreements (FTAs), South Asia is one of the least economically integrated regions in the world. Owing to protectionist policies, high logistics cost, lack of political will and a broader trust deficit, intra-regional trade in South Asia remains well below its potential at 5% of the region's global trade.

This makes South Asia one of the most disconnected regions in the world, especially when compared with other regions such as East Asia and the Pacific, where intra-regional trade accounts for approximately 50% of total trade, and Sub-Saharan Africa, where intra-regional trade has improved over the years to 22% due to the steps taken by governments to create transparent mechanisms for trade facilitation. Intra-regional trade in the South Asian region (including Myanmar) amounts to only 5.6% (2017).

Enhancing intra-regional trade is necessary to increase connectivity in the South Asian region. Facilitated by the flow of goods, services, people, and knowledge, such an initiative would provide access to new markets as well as attract foreign direct investment (FDI) in diverse sectors. The ensuing economic growth would also play a key role in bridging the trust deficit in the region and raise the opportunity cost of conflict.

We analyse the share of India's trade with its neighbours. The data used is from World Bank's World Integrated Trade Solution (WITS) database and the International Monetary Fund's (IMF) Direction of Trade Statistics (DOTS) database. All trade values are in United States dollars (US$). For India's trade with South Asia, the import and export volumes and shares analysed are from 1988 to 2018; the figures for China's trade with South Asia (excluding India), however, are from 1992 to 2018. We also analyse trade data for India's and China's trade with Afghanistan, Bangladesh, Bhutan, Maldives, Myanmar, Nepal, Pakistan, and Sri Lanka, collectively referred to as 'South Asia' or N8.

India's economic connectivity with South Asia

India's exports account for the bulk of its trade with its neighbours (Figure 1). The country's regional trade growth from 1991 until 1999 was minimal. In 2008, India's trade with the N8 neighbours reached a decadal high of US$13.45 billion. Following a dip in 2009, due to the global financial crisis, India's trade with its neighbours doubled in the next five years, reaching US$24.69 billion in 2014.

The slowdown in India's exports to South Asia in 2015 and 2016 coincided with the 13% decline in India's global trade from US$19 trillion in 2014 to US$16.5 trillion in 2015. Intra-regional trade revived in 2017, reaching its peak at US$24.75 billion, picking up further in 2018 when it rose to US$36 billion.

India's largest export market in the region is Bangladesh, followed by Sri Lanka and Nepal, whereas the largest imports by value come from Myanmar, Sri Lanka and Bangladesh. All countries in the neighbourhood have a trade deficit with India, the highest being Bangladesh with a deficit of US$7.6 billion, followed by Nepal at US$6.8 billion (2018). The trade deficit has been increasing.

Despite the growing trade volume, India's trade with its neighbourhood has remained roughly between 1.7% and 3.8% of its global trade. Between 1988 and 1996, the country's trade share doubled as a result of an increase in trade volume and value. This could possibly be attributed to economic liberalisation in Bangladesh, India, Nepal, Pakistan, and Sri Lanka in the 1990s.

Several agreements are in place to facilitate trade in the region. The SAARC Preferential Trading Arrangement (SAPTA) was signed in 1994, followed by the South Asian Free Trade Area (SAFTA) agreement a decade later in 2004 (which came into force in 2006). India's bilateral trade with Myanmar is conducted under the 1994 Indo-Myanmar Border Trade Agreement as well as the 2009 ASEAN–India Trade in Goods Agreement (AITGA). Additionally, India and Sri Lanka signed the Indo-Sri Lanka Free Trade Agreement (ISFTA) in 1998. The agreement came into force in 2000.

Despite these agreements, trade in the neighbourhood has remained far below its potential. This is exemplary of the fact that agreements by themselves are not enough to facilitate trade unless the barriers to trade are holistically addressed.

The presence of para-tariffs, high logistical costs, inadequate infrastructure, and persistent informal trade, coupled with other non-tariff barriers (NTBs), are the key reasons for India's low intra-regional trade in the neighbourhood. As a result, the cost of trading in South Asia remains unusually high.

A lack of comparative advantage in the region also inhibits the prospects of increasing regional trade as envisioned under SAFTA. Specialisation and value chains are key factors of international trade. Countries with different comparative advantages and product specialisation would have more opportunities to mutually benefit from trade than countries with a high degree of similar products and specialisation.

In South Asia, most countries in the region are competitors in their export markets in a narrow range of products, namely textile and apparel exports. India's major imports are mainly in semi-manufactured items (a consequence of the country's import policies) for which the neighbouring countries don't show any comparative advantage.

China: A rising economic partner in the region

Until 2005, India and China were close in their overall trade volume with South Asia. However, after 2005, China consistently increased its trade with South Asia, barring a slight dip in 2009 due to the global financial crisis. In 2014, China's trade reached a high of US$60.41 billion, whereas India traded approximately one-third of the amount at US$24.70 billion. Following the peak in 2014, both countries saw a decline in trade with South Asia in 2015 and 2016.

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CITI hails decisions of Union Cabinet for boosting MSMEs

The Confederation of Indian Textiles Industry (CITI) has welcomed the decisions of the Union Cabinet, chaired by Prime Minister Narendra Modi, which will provide economic support for MSMEs, farmers, street vendors and agricultural sector. Since they are the backbone of the Indian economy, support to them will result in growth of the overall economy.

MSMEs, which have 29 per cent share in the country's GDP and 48 per cent share in the country's exports and provide employment to millions of people, will receive maximum benefits from the change in the definition of MSME under which turnover limit for medium enterprises has been revised upward to ₹250 crore from present ₹100 crore, as announced earlier. Under the new definition, the distinction between manufacturing and services enterprises has been eliminated.

In the revised definition, even small weaving mills may be included and because of this many garment manufacturers will benefit, said CITI chairman T Rajkumar. He further stated that the Centre's revision in the definition of MSMEs will give MSMEs the much-needed confidence to grow and will promote its seamless expansion in the country.

Rajkumar also welcomed the decision of Distressed Asset Fund of ₹4,000 crore created to help weaker MSMEs that are struggling through NPA norms due to the outbreak of COVID-19 pandemic. "This fund will bring them back into the business and they can start the business activities afresh with the help of this fund. Further ₹20,000 crore subordinated debt for stressed MSMEs is likely to benefit 2 lakh stressed MSMEs."

"This is the first time when the Government has given so much importance to the MSME sector," said Rajkumar. He further stated that the Government's announcement of ₹10,000 crore funds for MSME to get listed in the stock market is a welcome measure. He pointed out that along with the other investment, this fund will reach ₹50,000 crore and more funds from the market to MSMEs-listing in the stock market will make MSMEs attract more funds from the market and this will boost the MSME Sector to enhance its reach to major destinations.

CITI chairman appealed to the Government to consider industry's urgent demand of extending the moratorium for repayment of loans and interest up to March 31, 2021 and extend 25 per cent additional working capital without any collateral or margin money for all the categories of accounts other than MSMEs also. He has also hoped that the Government would consider textile and clothing industry's demand for one-time debt-restructuring which can solve many financial related problems of the textile and clothing sector.

CITI chairman also felt that the Government would soon announce a special package for boosting exports for all the textiles and clothing products including cotton yarn and fabric to grab the emerging opportunities and also consuming the surplus cotton that might significantly affect the cotton farmers in the country.

The revised upward limit for the medium enterprises to ₹250 crore, excluding exports from ₹100 crore as announced earlier, will certainly boost many companies which were not able to come under MSME category. However, in order to encourage technology upgradation and scale of operation in the textile sector, the condition of 'investment and sales turnover' needs to be modified as 'investment or sales turn over', Rajkumar said. He hoped that the capital-intensive textile sectors like spinning, independent weaving, processing, etc will also get the much-needed economic package to tide over the ill-effects of COVID-19 pandemic situation.

Source: fibre2fashion.com– Jun 02, 2020

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India-Australia CEPA will help triple apparel exports: AEPC

Australia imports $6.6 billion worth of apparel, India's share is 1.2 per cent
Apparel exporters have appealed for the early conclusion of India-Australia Comprehensive Economic Partnership Agreement (CEPA) to benefit apparel exports from the country.

Estimates by the Apparel Export Promotion Council show exports will increase by $500 million in the next three years if the agreement with Australia is concluded soon. The first virtual bilateral summit between the Prime Ministers of India and Australia is scheduled for June 4.

Apparel Export Promotion Council (AEPC) Chairman A Sakthivel has in a letter to Prime Minister Narendra Modi indicated that the Indian apparel exporters were desirous of engaging with Australia in a big way.

"Include apparels as a focus product; early conclusion of CEPA will help triple India's apparel exports to Australia," he said.

Australia is the 18th largest importer of apparel valued at $6.6 billion in 2019. Supplies from China accounted for 64 per cent of the total, while India's share stood at 1.2 per cent (worth $206 million).

"Australia has preferential agreements with China and Vietnam. It also gives GSP benefits to Bangladesh and Cambodia, resulting in 5 per cent duty advantage for them vis-à-vis India," Sakthivel said.

Source: thehindubusinessline.com– Jun 02, 2020

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