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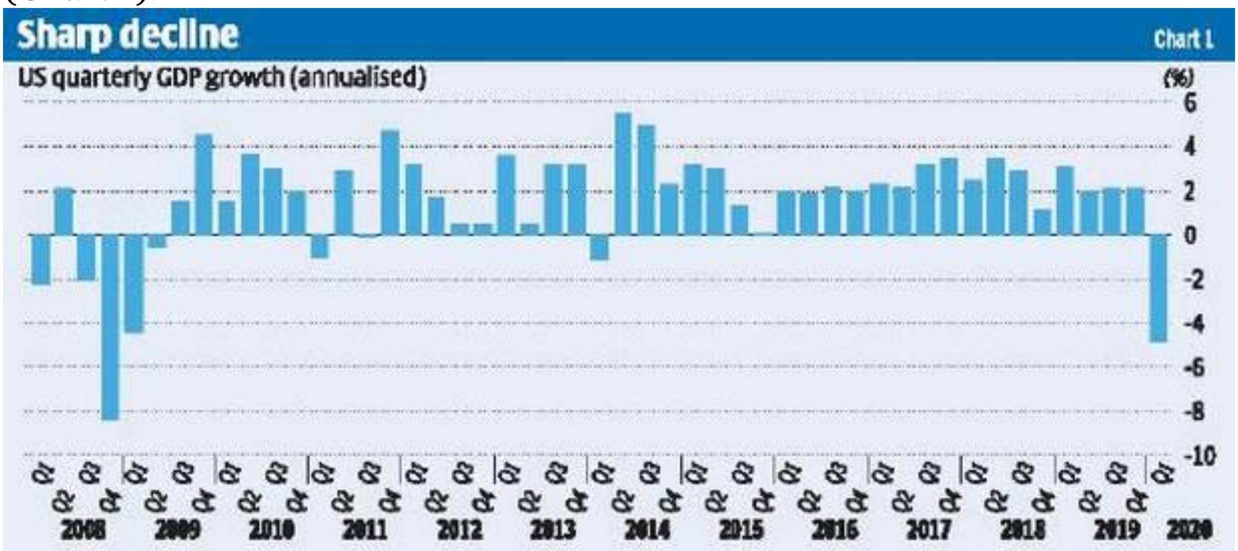
INTERNATIONAL NEWS

Growth figures underscore economic crisis amidst Covid

Early evidence on the intensity and drivers of the Covid-induced crisis in the US and Europe suggests that the official response may lengthen the recession and delay recovery

Early evidence of the crisis in the developed world induced by the Covid-19 pandemic is trickling in. One set of numbers provides the first estimates of GDP growth in the first quarter of 2020, which includes the period when lockdowns suddenly stopped economic activity. This relates to the US and the Eurozone, which are among the epicentres of the pandemic in the group of OECD countries.

According to the US Bureau of Economic Analysis, GDP in the country contracted by 1.2 per cent in the first quarter of 2020 relative to the immediately preceding quarter, or at an annualised rate of 4.8 per cent (Chart 1).

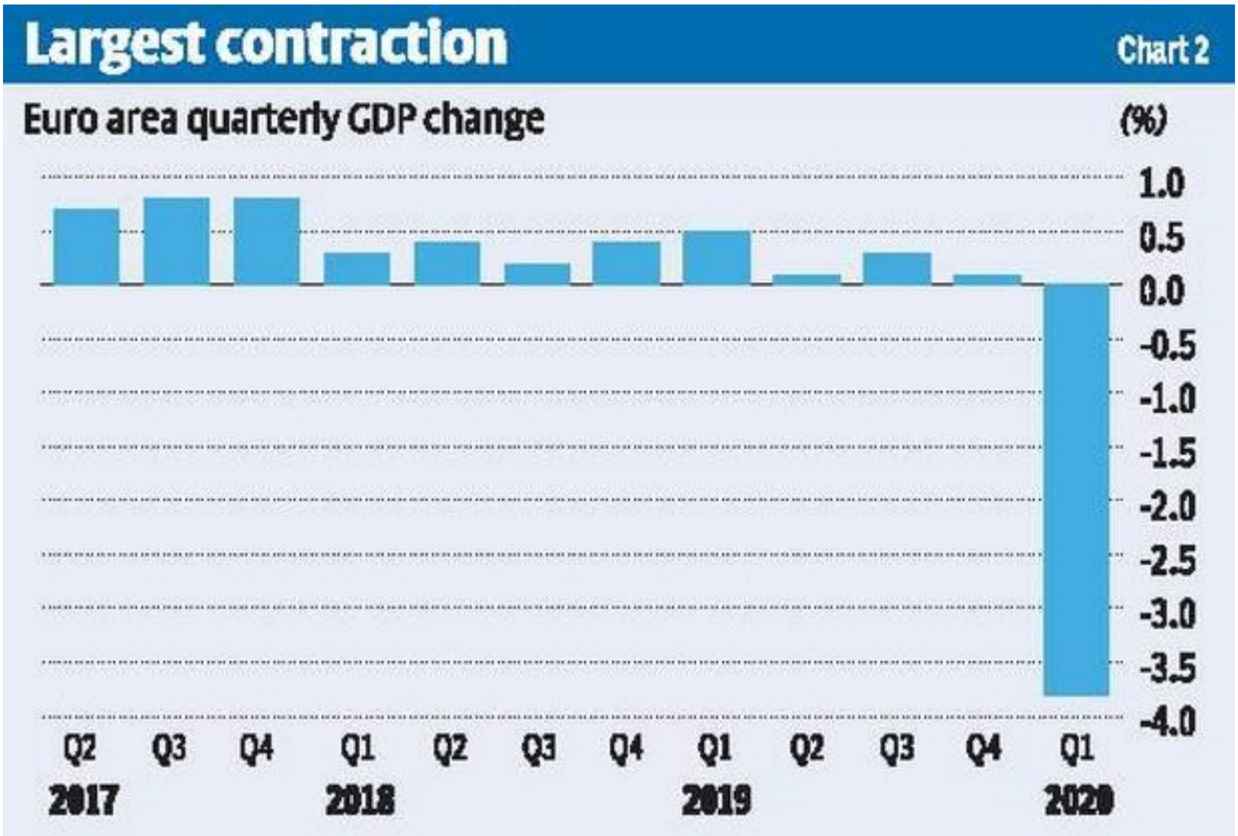


There is no comfort in the fact that despite being the sharpest contraction since the fourth quarter of 2008, this decline is less than the 8.4 per cent contraction experienced when the post-financial-crisis great recession in the US was most intense. This is because the first quarter included only one month (March) when the combined effect of the pandemic and the regionally graded lockdown was felt in full.

After the first quarter, that impact was felt in April as well and, despite talk of relaxation of the lockdown, is expected to be significant in May. Policy and social attitudes, influenced by the experience with the spread of the infection, would determine what happens in June and after. But even optimistic estimates point to a 20-30 per cent year-on-year output contraction in the US in the second quarter of 2020.

The data from the 19-member Eurozone are similar, with figures from Eurostat pointing to a GDP contraction of 3.8 per cent in the first quarter of 2020 (Chart 2) — the largest fall since Eurozone figures began to be published in 1995; and larger than the contraction in the first quarter of 2009, when the Great Recession overwhelmed the region.

Though smaller than in the US, this contraction comes after a long period of slow growth, whereas the US had seen its longest economic expansion on record.



Moreover, here too, stringent lockdowns were introduced only in March, so the scenario is likely to only worsen over the next quarter, and possibly even later.

Drivers of GDP

The drivers of the downturn in terms of the relative contribution of different components of GDP to the contraction seem to tell a story. As has been widely noted, the output contraction induced by the Covid crisis and response is of two kinds. One is the sudden stop in production resulting from the containment policies.

These included constraints on activities that require the joint presence of people at the place of work or the point of consumption (such as in aircraft, restaurants, hospitals offering services other than treatment of Covid-related ailments, or venues hosting cultural or sporting events).

This translates into an inability to use capacities that are in place or to resort to the consumption of certain services. And when existing capacities are unutilised, investment would not be forthcoming.

The other element influencing GDP movements is the collapse in demand, resulting from the loss of employment and incomes triggered by the first element, especially for commodities and services that are inessential or for which purchases can be easily postponed.

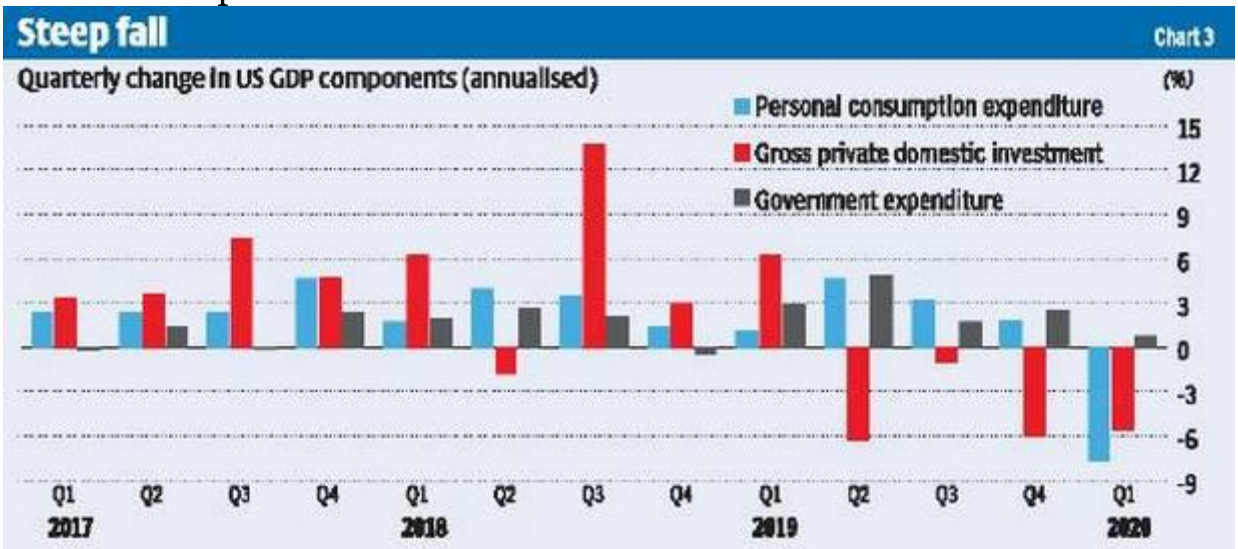
Unemployment in the US has risen sharply to 18 per cent, as reflected in the 30 million new claims for unemployment benefits in the six weeks since the lockdowns first began.

But not all who have been pushed out of work have been able to make their claims, and many are not eligible for these benefits, so some estimates suggest that the actual number of jobs lost could be as much as 1.5 times that figure. In the Eurozone, the unemployment rate had been creeping down from 7.7 per cent in March to 7.3 per cent in December, 2019, remained at that level for the next two months and rose slightly to 7.4 per cent in March 2020.

Consumption expenditure

Rising unemployment and falling incomes would impact consumption — moderated only by the interventionist schemes, if any — of governments seeking to make transfers to those who have partially or fully lost their sources of income. This does seem to come through in the figures on the movements in the different components of GDP.

In the US, the sharpest fall in the first quarter of 2020 was in personal consumption expenditure, which contracted by 7.6 per cent (annualised) relative to the previous quarter (Chart 3). What is noteworthy is that the demand for goods contracted only by 0.3 per cent, with the fall in demand for durable goods (-1.21 per cent), especially motor vehicles and parts (-0.9 cent), being partly neutralised by the increase in demand for "food and beverages for off-premises consumption", which rose by 1.1 per cent as households stocked up in the context of the lockdown. The focus of the demand compression is the services sector.



Influenced by shrinking demand, private investment, which had already been contracting over the previous three quarters, fell by a further 5.6 per cent. What is noteworthy is that, as of the first quarter of 2020, the contribution of government expenditure to the GDP growth was woefully inadequate to combat the effects of the contraction in personal consumption and private investment. This was partly because the $2.2-trillion US stimulus package, subsequently enhanced to around $3 trillion — including a one-time transfer to individuals and improved unemployment benefits — was announced only at the end of March.

How much of a difference the stimulus would make would be known only when figures for the next quarter are released in July.

In the Eurozone too, final household consumption expenditure of households fell in the first quarter of 2020 by 3.1 per cent in Austria, 7.3 per cent in Spain, and 6 per cent in France (the countries for which figures have been released). Here too, individual countries have announced and initiated implementation of stimulus packages.

But the sizes of these packages vary from 9 per cent of GDP in Austria, 5 per cent in France, and 4.9 per cent in Germany, to only 1.6 per cent in Spain and 1.4 per cent in Italy.

There is little agreement on a strong joint stimulus effort across the Eurozone. Rigid EU rules limit the ability of precisely those countries that need larger fiscal stimuli.

Credit push

However, there appears to be one element in the response packages to the Covid-induced crisis in the US and the Euro area, which might explain the nature of the contraction in these countries. This is the overwhelming reliance on reaching credit to governments and businesses as a means of stimulating a recovery.

If the contraction is due to the collapse of consumption, in turn because of loss of jobs and incomes, the stimulus must focus on reviving demand, especially consumption demand.

But for that to occur, firms and enterprises would need more than just credit to keep them afloat and ready to respond to increases in demand. They would need support to resume production and re-employ the millions of people who have been displaced from their occupations. This would require a hugely enhanced fiscal stimulus in the form of income transfers to spur demand and support the resumption of production.

Given the uncertainty over the duration of the pandemic, the recession is bound to be prolonged and recovery delayed. But if the needed fiscal effort is not put in place, even a delayed economic recovery may prove to be elusive.

Source: thehindubusinessline.com – May 05, 2020

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Covid-19: 40 million workers furloughed in Europe

European governments have had to spend big to protect workers during the coronavirus restrictions, but the huge burden on the public finances looks like its worth it.

More than 40 million workers have been furloughed during the shutdowns, based on data from the regions biggest economies, getting a portion of their pay covered by the state. Without the government support, many might have lost their jobs, sending unemployment soaring to levels never seen before.

Bloomberg Economics estimates if all workers at risk were to become unemployed, the jobless rate across Germany, France, Italy and Spain -- the four largest economies in the Euro area -- could soar as high as 42 per cent at the peak of the lockdown.

That would be a huge blow to the Euro-region economy, where the labour market only slowly improved after the dual devastation of the global financial crisis followed by the regions sovereign debt crisis.

To prevent a repeat of that, governments have stepped up. Their estimated spend on furlough programmes will amount to about 100 billion euros ($110 billion) from March to May in the biggest economies.

The picture looks far more dramatic in the U.S., where monthly jobs data is coming Friday. Already one of the most closely watched reports globally, April's edition may show payrolls fell a staggering 21 million in April. Thats 26 times higher than the worst monthly number during the financial crisis.

But Europe's labor market is also far from unscathed. In Germany, there was a record 373,000 surge in jobless claims in April. The figure in Spain has jumped almost 600,000 over the past two months.

McKinsey estimated last month that even in a more optimistic scenario, unemployment in the EU-27 will rise to 7.6 per cent from 6.5 per cent in February -- before the virus restrictions. In a more gloomy scenario, where social distancing and quarantine measures last through the summer, the jobless rate peaks above 11 per cent and doesn't get back to 2019 levels until 2024.

Governments are starting to feel their way back to normality, with restrictions on public movement easing, schools resuming, some restaurants allowed to open under certain conditions.

But its going to be a slow path, and many businesses wont be able to operate at full capacity for months. That means jobs will remain at risk, and some will disappear altogether.

Unemployment is rising to levels that we just haven't seen since the Great Depression, Sarah Hewin, Chief Economist at Standard Chartered in London, said on Bloomberg Television. Unemployment will come down once lockdown is over, and we will see a decline, but its highly likely that the unemployment rates across Europe stay very high for some time.

Source: thehindubusinessline.com- May 05, 2020

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WTO report says need to bridge digital divide as tech has played key role during COVID-19 crisis

There is a "glaring" need to bridge the digital divide, both within and across countries, as the digital economy has played a key role during the current COVID-19 crisis, according to a report by the World Trade Organization (WTO).

The report has argued that the experiences and lessons emerging from the COVID-19 crisis could be a further incentive for global cooperation in the area of e-commerce, which could help to facilitate cross-border movement of goods and services, narrow the digital divide, and level the playing field for small businesses.

It said certain traditional obstacles have been accentuated and have continued to hamper greater participation in e-commerce activities by small producers, sellers and consumers in developing countries, particularly in least-developed countries (LDCs).

"The pandemic has highlighted the glaring need to bridge the digital divide, both within and across countries, given the central role the digital economy has played during the crisis," it said.

It also said that e-commerce for goods and services trade has been adversely impacted by the factors that have caused disruption in supply and demand overall and such disruptions have resulted in delivery delays or outright cancellation of orders.

Several other e-commerce-related challenges have arisen or been further amplified during this pandemic such as increasing prices to unreasonably high levels, product safety concerns, deceptive practices, and cybersecurity concerns, the report said.

It, however, said the enforcement of social distancing, lockdowns and other measures in response to the COVID-19 pandemic has led consumers to ramp up online shopping, social media use, internet telephony and teleconferencing, and streaming of videos and films.

“This has resulted in spikes in business-to-consumers (B2C) sales and an increase in business-to-business (B2B) e-commerce. The increase in B2C sales is particularly evident in online sales of medical supplies, household essentials and food products,” it added.

It said that demand has also increased for internet and mobile data services.

It added that the pandemic has made it clear that e-commerce can be an important tool or solution for consumers.

“The global nature of COVID-19 and its impact on e-commerce may encourage strengthened international cooperation and the further development of policies for online purchases and supply…E-commerce can also support small businesses and, by making economies more competitive, be an economic driver for both domestic growth and international trade,”it added.

The WTO work programme defines electronic commerce as the production, distribution, marketing, sale or delivery of goods and services by electronic means.

With a fast growing e-commerce sector both in India and globally, the rich nations want specific guidelines on the sector at the WTO.

Source: financialexpress.com - May 05, 2020

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Trump Administration 'Turbo-charging' Efforts to Force Firms From China

As the Trump administration gears up for what promises to be a contentious, if unorthodox, election season, the president is seeking to put his foreign policy chops on full display.

The protracted trade war with China has spelled pain for many American businesses—especially in the wake of a pandemic that has curbed consumer appetites and rattled supply chains.

But the president sees his showdown with Xi Jinping as a show of strength, and is likely betting on a "tough on China" platform to play a key role in his potential reelection.

That attitude was underscored over the weekend, when Reuters reported that the president is doubling down on efforts to reduce dependency on China's overwhelmingly dominant manufacturing prowess.

Keith Krach, undersecretary for Economic Growth, Energy and the Environment at the U.S. State department, told the news outlet that the administration has been working to cut the cord with China in recent years, but is now "turbo-charging that initiative."

Several government agencies including the U.S. Commerce Department are devising tactics to nudge companies to seek alternative sourcing and manufacturing opportunities. Tax incentives and re-shoring subsidies are among the measures being discussed, officials told Reuters.

Trump has also threatened multiple times to add to the 25 percent tax on $370 billion in Chinese goods that is already in place. The president has also reportedly spoken about sanctioning officials, and companies, who present problems, as well as developing a healthier working relationship with self-governed Taiwan.

Perhaps most notably, government agencies are looking to develop a web of esteemed trade partners. The Economic Prosperity Network would include companies and non-governmental organizations, and would work to set standards on energy, infrastructure, trade, research and commerce, among other areas of interest.

In a press conference on April 29, Secretary of State Mike Pompeo said U.S. agencies are currently working with Australia, India, Japan, New Zealand, South Korea and Vietnam to "move the global economy forward."

"Our conversations certainly involve global supply chains, keeping them running smoothly, and getting our economies back to full strength," Pompeo said, adding that talks included ideas on how to "restructure these supply chains to prevent something like this from ever happening again."

Nearshoring opportunities in Latin America could also play a role in moving operations away from China—and could prove a viable option for U.S. companies looking to cut lead times—and duty payments.

"This moment is a perfect storm; the pandemic has crystallized all the worries that people have had about doing business with China," a senior U.S. official told Reuters, adding that the money companies made in previous deals with the country has been "eclipsed many fold by the economic damage" of the past two months.

Source: sourcingjournal.com - May 05, 2020

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Turkish Factories Urge Brands to Shun 'Short-Term' Thinking

Turkish suppliers are imploring their American and European partners to keep their promises and work to maintain goodwill through the coronavirus-induced panic that has overtaken the fashion landscape.

On Monday, the Turkish Clothing Manufacturers Association Board (TGSD) called out U.S. brands and retailers for a rash of order cancellations, production suspensions, payment extensions and even demands to halt in-process orders. According to the trade group, some companies have requested to defer payment on orders that have already been delivered to distribution centers and stores.

"When governments declared lockdown for societies due to health and safety reasons, global brands' reaction was to close down retail stores all around the world due to the sudden decline in sales," the board wrote.

"As a result of losses in sales, volume and revenue, brands then turned to their suppliers with a number of defensive measures which have severely harmed the garment manufacturing industry employing over 1.5 million people in Turkey."

According to the board's statement, TGSD has received hundreds of messages from manufacturers and suppliers drawing attention to these issues and detailing the circumstances that their organizations are facing.

According to the board, factories are facing a massive buildup of inventory, with many large-volume orders cancelled. "Along with the inventory cost, manufacturers bear full liability for materials nominated by brands on their own, which constitutes an existential threat to companies most of which operate within one-digit margins," they wrote.

If brands do not step up to help their suppliers finance the minimum liabilities, their workers will suffer, they said.

While Turkish suppliers acknowledge the challenging retail landscape, as well as brands' desire to preserve liquidity during this trying time, TGSD requested that the country's American and European partners seek constructive solutions.

"As long as the requested delay time is reasonable, manufacturers may bridge the gap by benefiting from relief programs or monetary funds provided by the Turkish government," they wrote, adding that global brands should seek support from their own governments to keep their businesses afloat.

"This crisis presents an opportunity for retail businesses and manufacturers to reinforce their dialogue, and continue to communicate with mutual respect and understanding to maintain a healthy and sustainable supply chain," they said.

If retailers and brands prioritize "short-term gains" at the expense of other stakeholders in their operations, they wrote, their credibility will be shot.

"It is known that retail businesses firmly uphold 'workers' rights' at all times and claim 'integrity,' 'trust,' 'commitment' and 'sustainability' to be sine qua non for their operations," the letter-writers wrote.

"Failing to recognize, own and act on their own share of responsibility would mean contradicting with their established 'core corporate values,'" they added.

TGSD advised that fashion businesses should work to preserve their long-term strategic partnerships, as the pandemic will end in due time. "True partnerships are those that yield long-term benefits for decades to come," they said.

Turkey exported $628.53 million worth of apparel to the U.S. last year, according to the U.S. Office of Textiles and Apparel.

Source: sourcingjournal.com - May 05, 2020

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This is What Fashion's Future Supply Footprint Should Look Like, McKinsey Says

The global pandemic that is COVID-19 has pulled the rug out from under fashion businesses the world over, and now, it seems, necessity may finally breed reinvention for supply chains.

Apparel sourcing will have to be systematically reshaped to better balance risk, cost and flexibility, according to a new report informed by a McKinsey & Company survey done in collaboration with Sourcing Journal.

The complex supply chain that has long provided low-cost benefits thanks to cheap labor in further flung countries is the same supply chain that has now brought the industry to its knees. Mass store closings have curbed the need for new product that's often ordered six to nine months in advance and is now idling in factories with nowhere to go. For factories, that pileup of product can't pay the bills some retailers now feel at liberty to leave unsettled.

All of this has shed a keen light on the paltry partnerships and exposed cracks in the supply chain, and the only way forward may be to rethink the whole thing. Post-pandemic, retailers will need to shrink their supplier base to a more manageable size, while still ensuring the stability and timeliness of their supply.

"The crisis will force brands to do both—engage into more long-term planning of capacities and product types with their suppliers, while at the same time increasing flexibility to commit even later and re-allocate as needed," McKinsey senior partner Karl-Hendrik Magnus said.

With a critical need to improve agility, two things will happen in the next supply chain: a slowed scale-back on sourcing in China, and nearshoring may finally catch on as more than a capsule-only concept.

As lockdowns spread in line with the virus, forcing factories closed, fashion had to face its ongoing reliance on China, as even non-China manufacturing bases had to halt production without the raw materials supply that still largely emerges from what was once considered the world's factory. What's more, China's quick bounce back from the pandemic-prompted standstill reiterated the country's ability and agility, and, combined, the dual factors could see more companies staying the course in China.

A pre-COVID-19 McKinsey survey found no respondents intending to increase their sourcing from China over the next five years. Now, 13 percent in the McKinsey and Sourcing Journal survey said they plan to ramp up.

"This underlines the assessment by the broader stakeholder group that the trend to move volume out of China has been slowed slightly by COVID-19," McKinsey said.

By the same token, however, the pandemic has also served as a wake-up call for companies that hadn't already been working to lessen their dependence on China. Many of these companies, according to the survey, may look more to Southeast Asia and away from Bangladesh.

Fifty-percent of respondents in the survey said they would decrease or strongly decrease their China sourcing. Thirty-two percent said they'd source less in Bangladesh, compared to the 11 percent that said they'd manufacture more, and 37 percent will scale back on sourcing in India, versus the 10 percent planning to scale up. Vietnam and other Southeast Asian countries will gain share of fashion sourcing, with 24 percent expecting to increase sourcing in the former, 19 percent in the latter.

"So far, Southeast Asian sourcing markets have been less disrupted and are expected to gain share compared to the pre-COVID-19 five-year trend," McKinsey said. "In contrast, COVID-19 has led to a reversal of the medium-term trends in Bangladesh with about a third expecting volume decreases."

More than ever, remapping the sourcing mix will be about establishing greater control over the supply chain to shore it up against risk.

Near shoring necessity

With COVID-19 closing borders globally, grounding air travel and keeping most people confined to their quarters, the world has been forced to value local over most else. And for fashion, bringing things back home will mean having a greater handle on what's happening.

Whereas brands and retailers had lightly embraced nearshoring as an option for certain, smaller product ranges, 46 percent of sourcing executives now expect the proximity sourcing trend to increase.

"To leverage the speed and flexibility opportunities inherent in nearshoring, companies will need to set up an integrated value chain to avoid delays and disruptions in raw material supply, balance higher labor cost, and take advantage of potential sustainability gains," McKinsey said. "For this to happen, fabric and garment supply chains will have to be co-located nearshore, but there may be inertia in making this move and scaling up production. Full speed and flexibility will likely be reached once fabric production follows CMT."

The sourcing model may benefit European fashion players sooner than their North American counterparts as, capacity allowing, 43 percent of survey respondents said they plan to increase the value of product sourced in Turkey, which already has a fairly robust supply chain in place.

Naturally, nearshoring will be easier considered than done, but the next normal may demand the investment of time to build capacity and implement the necessary changes, including securing local fiber supply and generating the capital to do it.

"We're not going to be independent unless we recreate the infrastructure of fashion manufacturing here," Gary Wassner, CEO of U.S. factoring and financial services firm Hilldun, said during an Omnilytics-hosted webinar Tuesday.

From a cost perspective, nearshoring could also best position brands for recovery from both the loss of revenue and time.

With nearshoring, Wassner said, "We eliminate the two weeks on the water, we eliminate the cost of airfare…we eliminate the indecision and indecisiveness of bringing a supply chain from overseas."

On the sustainability front—which will continue to be of critical importance for moving fashion forward—McKinsey added, "nearshoring reduces shipping and enables regional efforts to close the loop."

Future facing

Whatever the right sourcing mix, the next normal for supply chains will demand a level of innovation and invention that previously may not have been required. And because innovation is largely driven by suppliers, brands and retailers will have to co-invest to ensure future capacity, which will mean forging deeper partnerships.

"Co-investing in suppliers is not about merely securing production capacity or helping suppliers make it through the current shakeout," McKinsey said. "It is about supporting the innovation needed for a demand-driven and sustainable sourcing transformation."

Part and parcel with supplier partnerships may also be a reconsideration of the role a middleman could play in helping fashion get its boots on the ground to drive the speed, flexibility and agility it requires.

"Managing your supply base in normal times is one thing. In a crisis, as now, the value a middleman can bring really shows," Magnus said. "Their scale and breadth of relationships allow for more flexibility and tightness of supply management that especially smaller brands simply cannot match."

The relationship between retailers and their suppliers further up the supply chain—middleman or not—has been unbalanced, Wassner said, and the structure of the fashion businesses has to change if more retailers hope to avoid going the way of J.Crew and the others soon to follow on the path to bankruptcy.

"Unless we can control the supply chain, we're always going to be victims," Wassner said.

Source: sourcingjournal.com - May 05, 2020

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Cotton to Suffer 11.8% Drop-off in Global Consumption

Cotton consumption is projected to decline 11.8 percent in the 2019-2020 season, according to the International Cotton Advisory Committee's (ICAC) monthly report.

ICAC also forecast a 4 percent decrease in planted land in 2020-21 and a 4 percent falloff in production in the same period, all caused by the economic downturn from the coronavirus pandemic.

The year-end price projection for 2019-20 has been revised down to 71.4 cents per pound, and the projected year-end average of the 2020-21 "A Index," an average of global prices, is 56.9 cents a pound.

U.S. spot cotton prices averaged 51.42 cents per pound for the week ended April 30, according to the U.S. Department of Agriculture. That was up from 49.75 cents the previous week, but down from 71.23 cents a year earlier.

USDA reported spot transactions for the week of 27,359 bales compared to 18,459 reported the prior week and 32,665 spot transactions reported the corresponding week a year earlier.

Total spot transactions for the season to date were 1.45 million bales compared to 1.14 million bales for the comparable week in 2019. The ICE July futures settlement price ended the week at 57.33 cents, compared to 56.37 cents the previous week.

"With the global economy paralyzed and supply chains shattered, current projections show an 11.8 percent decline in cotton consumption, reducing global trade to 8.26 million tons in 2019-20," ICAC said in its report.

"While there is hope for a vaccine or cure, or that warmer weather in the Northern Hemisphere will minimize Covid's impact, there can be no real economic recovery unless there is a health recovery first.

Whether or not we sink into a worldwide depression…with unemployment reaching as high as 33 percent, will be determined by the effectiveness of government policies."

In 2020-21, global area is projected to decline 4 percent to 33 million hectares, with India remaining the world leader despite a decline in plantings. ICAC said production is set to decline by a comparable amount to 25 million tons.

Source: sourcingjournal.com- May 05, 2020

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USA: J.Crew's Bankruptcy Could Be Just the Beginning for Retail

One down—how many more to go?

With J.Crew's bankruptcy filing now a done deal, all eyes are on Neiman Marcus and J.C. Penney Co. Inc. But others in the sector could be at risk, too.

The classic American clothier's turn through bankruptcy court could be the "first in a wave of defaults among retailers with weak balance sheets," said Raya Sokolyanska, vice president at credit ratings firm Moody's Investors Service.

"The impact of coronavirus-related disruption will be felt very acutely within the apparel sector, which has already undergone significant challenges over the past several years and now needs to unload stale inventory to raise cash," Sokolyanska added.

As it turns out, J.Crew has earned the dubious distinction of being the "largest retailer to default since Neiman Marcus' distressed debt exchange in mid-2019," according to David Silverman, Fitch Ratings' senior director and retail analyst.

Not only that, but the firm's filing has also pushed Fitch's retail loan default up two percentage points to 9 percent from 7 percent at the end of April, he added.

Silverman cited GNC and Lands' End as similarly "challenged retailers" with maturities this year or early next, while Penney's and Neiman—both of which have recently failed to make interest payments—could wind up restructuring "in the near term."

Retailers at risk

Still in talks with potential lenders, Neiman now sees its default deadline rapidly approaching after the missed interest payment. Though it completed a distressed debt exchange last year, the luxury department store retailer's business came out of the process still somewhat shaky, given its high debt and leveraged balance sheet.

Financiers believed the retailer probably had enough funding to get through the end of 2020, but that was before the coronavirus pandemic hit in mid-March. COVID-19 effectively accelerated and exacerbated weak retailers' financial issues, forcing them into a liquidity crunch sooner than later now as brick-and-mortar sales evaporated in the wake of store shutdowns.

And Penney's, too, is not far behind. With its default deadline just days away on May 15, Penney's had another headache on its hands on Monday as a 16-year relationship with beauty retailer Sephora could be on the brink over COVID-19. The LVMH-owned purveyor of skincare, cosmetics and fragrances–which operates shop-in-shops inside many of Penney's doors—is eyeing a shutdown of the in-store boutiques given Penney's financial pressures, and it's asking the department store chain to sanitize all hard surfaces. The matter is currently in litigation in a federal court in Sherman, Texas, according to Bloomberg, which also reported that Sephora doesn't want to send any more product to the in-store boutiques. Penney's, which is expected to re-open nine stores this week, is asking the court to bar Sephora from closing down the boutiques, which represents the mass merchant's only beauty supplier.

The list of distressed retailers goes on.

Recently acquired by fashion subscription platform Le Tote from Hudson's Bay Co. for $100 million, Lord and Taylor is believed to be gearing up for a bankruptcy filing, but there are also questions about the future of LeTote, where layoffs hit both operations last month.

And Stage Stores is said by factors to be in discussions with vendors about delaying payments so it can keep its lights on and avoid a bankruptcy filing. The company was in the midst of converting its department stores to its off-price concept Gordmans, but then in mid-March shuttered all doors to help curtail the spread of COVID-19.

On Friday, Moody's updated its list of retailers believed to be at an increased risk of default, thanks to weak credit ratings. Belk, the department store operation owned by Sycamore Partners, landed on the list along with Boardriders Inc., which owns the surf brands Quiksilver and Billabong, joining Academy, 99 Cents Only Stores, Neiman, Penney's and J.Crew. Other retailers include Jill Acquisition, which operates the J.Jill retail brand, and Ascena Retail Group, the owner of brands such as Ann Taylor, Loft, Lane Bryant and Justice. Ascena investors were concerned in March about a possible bankruptcy, but the company sought to ease those concerns by noting that a Chapter 11 filing is "not being considered."

Others that have already filed include True Religion in the U.S. and Debenhams, which filed for insolvency across the pond.

Breaking down J.Crew's bankruptcy

As for J.Crew, the retailer expects to receive interim approval from a federal bankruptcy court of its $400 million debtor-in-possession (DIP) financing facility this week, and then file a plan for reorganization by May 18, according to court documents filed in Richmond, Va. Presuming all other procedures follow the retailer's planned timeline without any delays, J.Crew expects to exit Chapter. 11 by Sept. 11.

The company reached an agreement with lenders to convert $1.65 billion in debt to equity. Essentially, it is an agreement in which the lenders have already agreed to become equity owners in the company, and that's why it is called a pre-packaged bankruptcy. That also means that current owners TPG Capital and Leonard Green & Partners, who took J.Crew private through a leveraged buyout in 2011 that dropped too much debt on the retailer's balance sheet—will end up seeing their equity stake get wiped out. Generally, unsecured pre-petition vendors who supplied goods and services before the petition date will have to see what amount is set aside to pay for pre-petition claims. Post-petition vendors will get paid for goods and services from the DIP facility.

"Like thousands of business across the world, the debtors have been operating under the considerable financial strain caused by the pandemic, while trying to preserve the health and safety of over 10,000 employees. The temporary closure of approximately 500 retail stores worldwide and the disruption to the debtors' customer base and supply chain have only exacerbated the debtors' issues related to substantial funded debt obligations and significant lease obligations," Michael J. Nicholson, president and chief operating officer of Chinos Holdings Inc., parent company to J.Crew Group, said in a declaratory statement filed with the bankruptcy court Monday.

J.Crew Group Inc., which has 181 stores around the world, still operates its flagship retail store in the South Street Seaport in Manhattan that was first opened in 1983, Nicholson said. It also operates 170 J.Crew Factory brand outlet doors. J.Crew contributed 67.2 percent of revenue, or $1.71 billion, for fiscal year 2019. Total revenues for J.Crew Group in fiscal year 2019 reached $2.45 billion.

The balance in fiscal 2019 revenue came from $230 million in wholesale sales and from its Madewell concept, founded in 2006. Best known for its premium jeans business at value prices–Madewell's The Denim Bar favorites average $100 a pair–the concept contributed 23.7 percent of revenue, or $602.4 million in fiscal year 2019, to J.Crew Group's bottom line.

Nicholson said the company historically does business with more than 200 vendors located outside the U.S., with the top 10 suppliers providing 32 percent of its merchandise. It works with buying agents who identify suitable vendors and then place orders with them for the retailer.

Last year, 87 percent of its merchandise was sourced in Asia, with 45 percent sourced from Mainland China and 16 percent from Vietnam. It also sources 12 percent from Europe and other regions and just 1 percent in the U.S. The company employed 13,000 people–4,000 full time and 9,000 part time–worldwide, but began furloughs on April 1. It now has just 2,000 active full-time employees.

Nicholson said J.Crew has 140 landlords and has about 500 unexpired leases. Most lease terms are between five and 10 years, and the company has about $23 million in monthly lease obligations. The company is working with Hilco Real Estate, and if it can't secure certain adjustments, Nicholson said it will probably walk away from some leases, which would mean closing select stores. In addition, J.Crew's cash interest expenses saw it paying $143 million in fiscal year 2019.

Source: sourcingjournal.com- May 05, 2020

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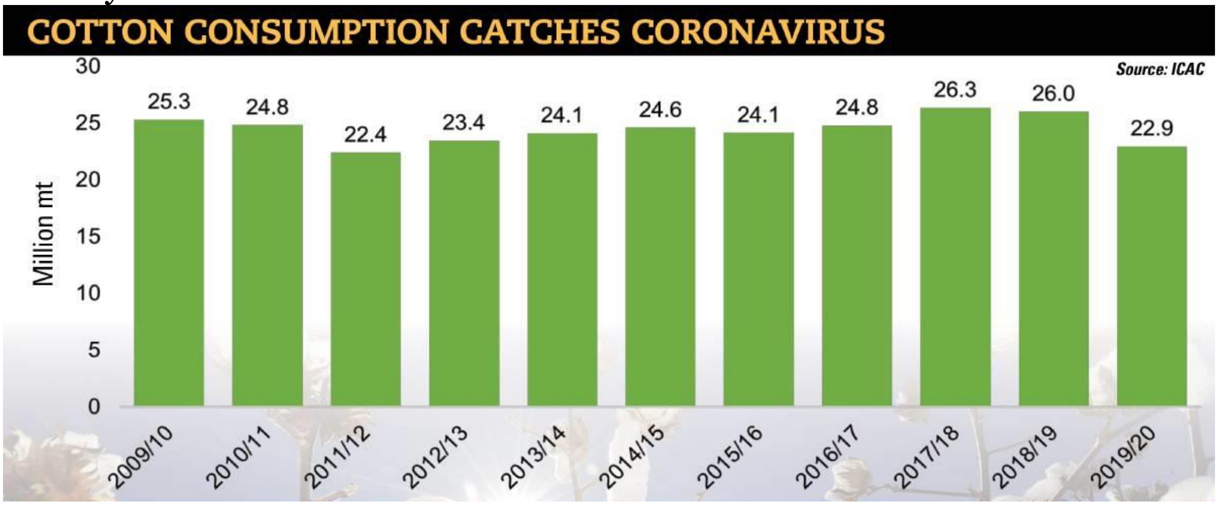
Cotton's price predictions slide, but Aussie grower mood picks up

Cotton markets are bracing for more price falls and rising stockpiles as already overstocked global supply chains struggle with a 12 per cent consumption slump in the wake of coronavirus hitting textile milling activity and retail sales.



Consumption expectations from the International Cotton Advisory Committee have fallen to their lowest point since 2011-12 - down 11.8pc on last season to 22.9 million tonnes for 2019-21.

Yet, despite sober forecasts from the Washington-based industry body, including average price projections for the end of financial year sliding from US71.4 cents a pound to US56.9c/pound for 2020-21, Australian growers are still remarkably upbeat about cotton's prospects.

Thanks to a turnaround in rainfall fortunes in much of the Queensland and NSW cropping belt, 2021 is already shaping up as a more fruitful cotton year than the current drought-battered season which is now yielding Australia's smallest cotton harvest in 40 years.

Looking healthier

"For cotton, the past couple of years of drought have already been our COVID experience - things now look much healthier than six months ago," said Cotton Australia chief executive officer Adam Kay.

"Farmers have moisture in their soil profiles, improving irrigation water prospects, and they're busy picking cotton, or planting wheat and canola to generate some cash.

"The only thing they can't do is go to the pub on Friday night."

Even this year's modest Australian crop of just 550,000 to 600,000 bales would typically pay healthy forward sale prices of at least $600 a bale to those farmers lucky enough to have had water available last summer.

Mr Kay also noted, despite the sector's current price and demand disruption worries, forward markets for next season were offering about $550/bale.

"That's not as good as the $600-plus we saw in recent seasons, but anything above $500/bale is still pretty good money - better than break-even," he said.

Every US1 cent depreciation in the Australian dollar added about $7/bale to the value of the crop in the current exchange rate environment - a helpful buffer for growers riding the unpredictable market.

A year ago the Aussie dollar was worth US70c, but is currently around US64, having fallen as low as US57c in March.

`Variable' two years

Based on experience after the global financial crisis, Mr Kay expected farm commodity prices to see lulls of varying lengths, but would be "bouncing back after a season or two".

Chief executive officer at processor and marketer Namoi Cotton, Michael Renehan, agreed the current "skittish" market conditions and variable-speed demand moods may be a feature of the trade for another two years.

Namoi expected the lower Australian dollar to make Australian cotton exports slightly more attractive, but it would not insulate against the recession uncertainty and consumer spending resistance ahead.

Mr Kay said fortunately Australia's high quality crop generally tended to find a home more easily than most of its export rivals, but in today's edgy selling environment "everybody needs to be sure they have a solid counterparty partner to sell on to".

Quality fibre, the local industry's sustainability credentials and increasing global unease among retailers and consumers about micro plastics and poor biodegradability of synthetic textiles should help Australian marketers weather the coronavirus storm.

However, unlike other farm commodities, cotton and wool were not food products and therefore more vulnerable to cyclical consumer trends, including a slowdown in spending on non-essentials, said Commonwealth Bank agribusiness strategy director, Tobin Gorey.

Global stocks were mounting because textile mills were not working to their unusual capacity or were unclear about downstream demand.

Last year's US-China trade war of words had dampened Chinese buying activity, which then recovered by March, but could subside again after the volley of US presidential commentary about who was to blame for the pandemic.

Finding its level

"It's been a hot and cold market for a few months, ranging up to US70c/pound and now down to US50c, which seems to be close to finding its natural level for a while," he said.

"While a recovery is due, the nature of that rebound is so hard to read in this novel environment."

Industry analysts were leaning towards "more chance of a U-shaped upturn than a V-shaped trend line".

While the International Cotton Advisory Committee estimated China's 1.8m tonnes of imports for 2019-20 were up 52,000t in April, and India's imports grew 100,000t to 450,000t (while also exporting 200,000t less), it said supply chains were "fractured" by coronavirus containment measures across the world.

Total global trade for the financial year had been revised down to 8.29m tonnes.

"With production exceeding consumption in a contracting global economy, stock levels would be expected to increase, putting further pressure on prices," the ICAC said.

While next financial year's global production was expected to dip 4pc on this year's crop to 25m tonnes as farmers reacted to adverse market signals, total likely consumption of 23.2m tonnes would fall well short of supply.

Source: farmweekly.com.au- May 05, 2020

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Bangladesh's RMG export in April declines nearly 85 per cent

Ready-made garment (RMG) export in April 2020 declined by 84.86 per cent, which is $366.58 million over the corresponding month in the last calendar year.

Export earnings from the apparel sector were $2.42 billion in April 2019.

Also, export receipts from RMG products last April registered over 81 per cent fall from that of $1.97 billion in March, says the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

The BGMEA made the disclosures citing the National Board of Revenue (NBR).

Experts and exporters attributed slow demands due to lockdown in major destinations, including the United States, the European Union and Canada. The fall in export performance was also due to closure of most of the garment factories in line with public holidays in Bangladesh until April 25.

Exporters said global apparel buyers have either cancelled or put on hold existing orders as they are not placing new orders amid the coronavirus pandemic. According to the BGMEA, more than $3.0 billion work orders were cancelled or withheld to date since March.

It, however, projected that export receipts from garments might decline by an estimated $5.0 billion between March and May due to the impact of COVID-19.

Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) senior vice-president Mohammad Hatem said the drastic fall in export was expected as most units remained shut for nearly one month since March.

The performance was the result of late March and few days of April production, he told the FE. Factories resumed production to do the previous orders, Mr Hatem said, adding that the performance would be the same in May.

There are no new orders and demand side in future is still uncertain, observed the business leader. According to industry insiders, multiple global buyers like H&M, Inditex, Marks and Spencer, PVH, Kiabi and Target have committed to receiving the previous orders and make full payment.

Meanwhile, Industrial Police said a total of 2,805 industrial units remained open on Sunday. Of them, 975 are non-RMG units and 289 are under the Bangladesh Export Processing Zones Authority (BEPZA).

Of the units in operation, 1,074 are BGMEA members, 314 registered with the BKMEA and 153 listed with the Bangladesh Textile Mills Association. A total of 517 factories did not pay wages for March and other allowances until Sunday.

Of them, 335 are non-RMG, seven BEPZA members and the remaining 175 textile and garment factories listed with the three trade bodies.

Workers from eight garment factories located at Ashulia and Gazipur demonstrated on Sunday on different issues, including payment of wages, according to the police.

Source: globaltimes.cn- May 06, 2020

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Vietnam: Textile and garment exports down

The domestic textile and garment industry faced an export value reduction in the first four months of this year due to difficulties in production due to the COVID-19 pandemic.

Statistics showed Việt Nam's textile and garment exports in April decreased by 20 per cent compared to March, Trương Văn Cẩm, vice chairman of the Việt Nam Textile and Apparel Association (Vitas), said at an online seminar held by the association on Monday.

The total textile and garment export value in the first four months of this year dropped by 6.6 per cent to US$10.64 billion year-on-year. Meanwhile, the total import value was $6.39 billion, down 8.76 per cent compared to the same period last year.

"Việt Nam's textile and apparel industry has never faced negative growth in both imports and exports like that," Cẩm said.

Export value reduced by about 6 per cent to $8.27 billion for garment products, 0.3 per cent to $664 million for fabric products, 11.5 per cent to $1.19 billion yarn products and 6 per cent to $354 billion for textile materials.

Meanwhile, import value also declined by about 8 per cent to $893 million for cotton, 2.5 per cent to $758 million for yarn products, 11 per cent to $3.63 billion for fabric products and 5.8 per cent to $1.11 billion for textile materials.

The reduction reflected the industry's lack of export orders, said Cẩm, adding that those figures are forecast to drop further in May and June because most export orders for those months have been cancelled.

Many enterprises in the industry have bad debts, he said. Many export garment enterprises are operating at reduced capacity because they do not have new orders.

The association reported the cancellation of contracts and lack of new contracts was due to the reduction of demand for textile and garment in the US and EU during the pandemic. Meanwhile, China also has less demand for importing yarn from Việt Nam due to the suspension of production during the outbreak.

With a lack of new export orders leading to fewer jobs and pressure in wage payment, the association has proposed many solutions to support enterprises. However, those solutions could not help them maintain production until the end of this year.

Trần Thanh Hải, Deputy Director of Ministry of Industry and Trade's Import-Export Department, said the COVID-19 pandemic had affected exports of many products, including textiles and garments. Many enterprises had shifted to producing cloth face masks to meet domestic demand and exports.

However, the export value at $63 million from face masks from January 1 to April 19 was too small compared to the total export value of textile and garment at $10 billion in the first four months of the year, according to Vitas.

The textile and garment industry is predicted to have a strong reduction in total export value for this year. In the most positive scenario, its export value will reach about $35 billion this year, down 10 per cent year-on-year.

In a realistic scenario, the industry's export value is estimated to reach about $33.5 billion. In a bad case, the export value will only reach $30-31 billion in 2020.

Source: vietnamnews.vn- May 06, 2020

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Pakistan: Textile sector seeks zero-rated facility

Textile exporters – who earned 60% of total export earnings in Pakistan – have proposed to the government to restore zero-rated sales tax regime for the five major export-oriented sectors – textile, carpet, leather, sports and surgical goods – in the budget for 2020-21.

The government imposed a refundable 17% sales tax on exports of these sectors in the budget for 2019-20, which blocked their working capital and hindered growth in exports. The restoration of zero-rating would help revive exports and earn the much-needed foreign exchange, keeping in view the projected contraction in the national economy, which is expected to shrink for the first time in 68 years due to Covid-19.

They also demanded exclusive treatment through the de-merger of textile from the Ministry of Commerce, proposed levy of duty on export of cotton yarn (raw material for value-added textile), withdrawal of duty and taxes on purchase of locally produced raw material and zero sales tax on supply of power and gas.

They said the duration for receipt of export payments from international buyers should be increased to 365 days compared to existing 180 days as they were facing difficulties in receiving the payments under the global lockdown.

Pakistan Hosiery Manufacturers and Exporters Association (PHMA) has made such proposals for the FY21 budget and sent to the Ministry of Finance.

The Pakistan Tehreek-e-Insaf (PTI) government imposed 17% sales tax on the five major export sectors and ended the years-old zero-rated regime in the budget for FY20.

The government, however, failed to pay refunds on time, which caused a notable shortage of working capital and dented exports. “It is observed that the exporters, who have filed refund claims to date, have received 35% of claim payments only,” the association said.

“Profit margin of exporters is around 5-8%. Moreover, the exporters can apply for refund only after the export of consignments,” it said. “It is imperative to revive SRO 1125 in its true spirit and reintroduce the system of no-payment, no-refund for the five export-oriented sectors.”

The government had imposed the sales tax to check its misuse. Some of the textile manufacturers were allegedly claiming refunds on sales in local markets, it was learnt.

Ministry’s de-merger

The PTI government merged the Ministry of Textile with the Ministry of Commerce last year. The hosiery association proposed to the government to de-merge textile and make it a standalone ministry keeping in view the importance of textile industry. “In the absence of a dedicated ministry of textile, major policy decisions and initiatives could not be taken,” it remarked.

Duty on yarn export

At present, there is 11% customs duty, 5% regulatory duty and 2% additional duty on the import of cotton yarn. Compared to this, there is no duty on the export of yarn.

"This has created artificial shortage of yarn, rendering value-added textile exporters uncompetitive in the global market…This will lead to a decline in exports as domestic industries have been affected and are closing down," the PHMA said.

"We propose that whenever the government desires to impose regulatory duty on the import of cotton yarn, it should also impose regulatory duty on the export of yarn and there should be a time limit for the duty."

Zero duty on inputs, utilities

Export-oriented units, under SRO 327, were introduced on the pattern of Export Processing Zones (EPZs), where no taxes were imposed on buying local inputs and utilities. Industries registered as export-oriented units are liable to export 80% of their annual production.

The Federal Board of Revenue (FBR) withdrew the exemption from sales tax and federal excise duty on buying local inputs by the exporters operating under the Export-oriented Units and Small and Medium Enterprises (SMEs) Rules 2008, it said.

"It is proposed that the FBR should withdraw SRO 747(I)/2019 dated July 9, 2019 so that exporters operating as export-oriented units can procure input goods without taxes," stressed the PHMA. "It is also proposed that the industries, registered as export-oriented units and exporting 80% of their annual production, should be supplied with utilities – gas and electricity – without sales tax."

Source: tribune.com.pk- May 06, 2020

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Indonesia: Wage subsidy urgently needed to protect jobs amid pandemic

It has been over a month since Indonesia's government declared the COVID-19 pandemic a national non-natural disaster. Since then, many severely affected employers have been anticipating the possibility of laying off workers without having to pay severance pay according to the 2003 Manpower Law, citing circumstances of force majeure. However, the current labor law does not have such legal leeway.

The need for layoffs for struggling employers further poses the risk of losing experienced skilled workers which they would need after the pandemic ends. Is there an alternative for those employers? There is, but it requires further state intervention.

So far the government's stimulus packages for the most needy have included the Family Hope Program, basic needs assistance, electricity bill discount, tax breaks, a special credit scheme for micro, small and medium enterprises, and the preemployment training program prioritized for those who have lost their jobs. As of April 20, the government figures show over 2 million have lost their jobs or been furloughed. How about workers still working in limping companies?

Perhaps this is the right time for Indonesia to consider a wage subsidy program designed to help employers keep employees and prevent further job losses while businesses consider their future viability and explore changes needed to adapt to the pandemic. Such a program could help Indonesian employers and their workers to resume operations once the pandemic subsides.

Take the export-oriented textiles industry that employs some 2 million workers, mostly women who are their family breadwinners. According to the Indonesia Textile Association (API), in the first six months of 2019, Indonesia exported textiles and clothing worth US$7.74 billion.

In all of 2018, textile and clothing exports reached $13.22 billion. Thus, it is worth helping to maintain this labor intensive industry with government subsidies during the pandemic so that the manufacturers are ready for full-capacity operations after the crisis.

The International Labor Organization's (ILO) webpage on COVID-19 published the report "COVID-19 and the world of work", revealing how the ILO's member states have developed various wage subsidy programs. The Netherlands has a program called Temporary Emergency Bridging Measure for Sustained Employment. Under this program, companies that meet a set of requirements get allowance from the Employee Insurance Agency (UWV), which supports their employees' wages for three months, with a possible extension for another three months.

One requirement is that companies must keep their employees during the period covered by the allowance. The UWV, an autonomous administrative authority commissioned by the Social Affairs and Employment Ministry, will provide the company with an advance amounting to 80 percent of the requested allowance. The scheme covers employees both with permanent and temporary contracts.

Southeast Asian neighbors such as Vietnam, Malaysia and Cambodia have also allocated public funds to enable employers to retain their employees amid the pandemic. Vietnam has three months' financial support for workers during unpaid leave or reduced working hours during the pandemic, allocated from the state budget.

Employers must contribute at least an equal amount of the government's wage subsidies that would enable them to access loans at a zero percent interest rate for a maximum period of 12 months. The total wage received by workers during the period is at least 85 percent of the regional minimum wage.

In Malaysia, the government has provided a wage subsidy program since April 6 for companies with local workers who earn a certain level of wage and were registered since Jan. 1 for up to three months, depending on the size of the enterprise and the number of workers. Under this scheme, employers must retain their employees for at least six months, comprising three months upon receiving a wage subsidy and an additional three months after that.

In Cambodia, Prime Minister Hun Sen has announced a wage subsidy for garment factories whose operations or workers' employment contracts are temporarily suspended, but employers must contribute part of the wage.

It is crucial for Indonesia's government to issue a policy that enables employers to maintain their payroll so that by the time the pandemic passes, employers can immediately resume full-capacity operations. The wage subsidy program would also help the government avoid the burden of further unemployment benefits apart from the controversial training program.

The terms, size and duration of the subsidy programs can be discussed with the various industrial associations because the damaging impact of the COVID-19 pandemic is not the same for all industrial subsectors.

Source: thejakartapost.com- May 06, 2020

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How Vietnam Contained COVID-19 and Why its Economy Will Rebound

As schools and businesses reopened after the Reunification Day and International Labor Day Holiday, traffic congestion in major cities such as Hanoi and Ho Chi Minh City also returned on Monday morning at the beginning of the workweek. The scene is a stark contrast to several countries around the globe that are in lockdown in a bid to control the spread of COVID-19.

Vietnam lifted its social isolation measures at the end of April 22 but continues to take precautions by limiting the gathering of people and making face mask wearing mandatory.

The country has reported 271 cases of COVID-19 as of May 5 with no deaths as yet. Vietnam has managed to achieve this feat by aggressive contact tracing, testing, mass quarantining, timeliness, and the efficient mobilization of state agencies.

Vietnam fought the pandemic early

Vietnam recorded its first two cases on January 28 on flights from China, it then suspended all flights from mainland China on February 1 followed by all international flights on March 25. Visas and visitors were also stopped to contain the spread of the pandemic. All this seems to have paid off, as

Vietnam learned and drew from its experience in dealing with the SARS virus in 2003.

With other countries including Singapore and Malaysia reporting cases in the thousands and continuing various forms of lockdowns, Vietnam has done well to weather the storm compared to its peers and other developed nations.

COVID-19 hits economy hard but economy resilient

Nevertheless, like other countries hit by COVID-19, Vietnam's economy has also suffered significantly over the course of the outbreak. It's GDP fell to 3.8 percent in the first quarter of 2020, as compared to 6.8 percent in the same period in 2019 as per the General Statistics Office of Vietnam (GSO).

In the first three months of the year, almost 35,000 businesses went bankrupt – the first time in decades the number of companies shutting down was higher than newly registered businesses. The International Monetary Fund (IMF) has also projected that the economy will expand to only 2.7 percent this year.

Click here for more details

Source: vietnam-briefing.com- May 05, 2020

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Pakistan: CPEC's second phase will focus on industrial cooperation

The second phase of the China-Pakistan Economic Corridor (CPEC) would focus on industrial cooperation to explore business opportunities in textile, industry, agriculture, science and technology, tourism and other areas.

This was decided in a meeting held between Board of Investment (BOI) Chairman Atif R Bokhari and Ambassador of China to Pakistan Yao Jing here on Tuesday.

Chinese Ambassador Yao Jing called on the BOI chairman here at Board of Investment.

During the meeting, it was accentuated that 2nd phase of CPEC would focus on industrial cooperation involving investors to explore business opportunities in different areas. It was also discussed that G2G cooperation would extend to B2B cooperation.

The BOI chairman underscored that the challenges posed by the coronavirus pandemic have provided Pakistan and China an opportunity to delve deeper into strategising for better implementation and cooperation.

Bokhari said during the high-level exchanges between the leaders of Pakistan and China, the two sides agreed that the focus of the second phase of CPEC was to complete all projects under construction in a timely manner and continue to realise their full potential for socio-economic development, job creation, improvement of people's livelihood, accelerated industrial development, industrial parks and cooperation in the agricultural fields.

"We are confident that all projects under CPEC will be completed in a timely manner to achieve the desired goals and set a new example for international cooperation based on common interests, common goals and common future," he said.

Project Director PMU of BOI on CPEC Industrial Cooperation Asim Ayub informed the meeting that first draft of framework agreement on industrial cooperation would be shared with NDRC by end of May after due consultations with the stakeholders.

The meeting developed consensus to hold Joint Working Group on IC in second week of June 2020.

Source: profit.pakistantoday.com.pk- May 05, 2020

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NATIONAL NEWS

Indian cotton prices under pressure due to lockdown and fears of drop in consumption: CAI

Indian cotton prices have come down by 12-15% due to the ongoing lockdown and fears that the country's cotton consumption will reduce, resulting in more carry-forward stocks by September 2020, officials of the Cotton Association of India (CAI) said on Tuesday. Indian cotton prices are currently the lowest in the world at Rs 33,000-36,000 per candy, according to industry sources.

To overcome this issue and reduce stocks, CAI has written to Prime Minister Narendra Modi to reduce the duty drawback of 5-8% for export of cotton and cotton yarn, Atul Ganatra, president, CAI told FE. "If this relief is given, the country can do huge export of cotton so our carry-forward stocks for September will reduce and not pile up. Our cotton market will also stabilise and the benefit will go to India's cotton-growing farmers and entire trade will get work. The government will earn foreign exchange if the export of cotton and cotton fibre picks up," he observed

According to Ganatra, the market has come down since spinning mills were shut during the lockdown resulting in a drop of 30-35 lakh bales in consumption and at the same time, CAI's pressing figure estimates may also come down since ginning units were shut for 45-60 days and labourers have gone home. "There is a drop in consumption as well as pressing. Moreover, in the last couple of days, merchants and traders have been going in for forward sales and taking short positions on MCX on fears of a US-China trade war," he explained.

Ganatra said Indian cotton prices at this moment are 10-12% lower than world market. "Today if we go in for imports of cotton, the US market is priced around 67 cents, i.e., around Rs 39,000 per candy and our cotton is priced between Rs 33,000 and Rs 36,000 per candy. The rate is already discounted by 10-12%.

Once the lockdown is lifted, demand will improve from the Indian spinning mills and there is a huge demand for Indian cotton from Bangladesh, Vietnam and China," the CAI president said, adding that China has already purchased 4-5 lakh bales from the US at Rs 39,000 per candy in last one week time and Indian cotton is available at a more attractive price.

Currently, some queries have been coming in from Bangladesh, Vietnam and China, and once the lockdown is over, more queries will pour in, he added.

Ganatra felt that imports are currently not feasible because Indian prices are currently the lowest in the world while the prices across the world market at Rs 33,000-36,000 per candy. CAI had estimated import targets at 25 lakh bales of which only 12 lakh bales has happened so far, he said.

On the export front, he said their target of exports was 42 lakh bales up to September 2020. So far, around 32 lakh bales have been shipped which leaves another 10 lakh bales to be shipped in the next five months from May to September.

"If the prices remain at this level, we can easily achieve the target of exports. There is more pressure on the rupee, which has depreciated to Rs 76 a dollar from Rs 69 a dollar at the start of the lockdown making export more attractive and imports expensive."

Source: financialexpress.com- May 06, 2020

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Yarn makers in deep trouble as demand dips

Shutdown of manufacturing units, weak demand expected to take a heavy toll

The cotton spinning industry, which had already been facing multiple challenges — low demand, unfavourable duty structure and volatile cotton fibre prices — is confronting another trouble in the form of the Covid-19 pandemic.

The shutdown of manufacturing units and weak demand are expected to take a heavy toll on the cotton yarn industry in the next two quarters. This will lead to a drop in revenue and a fall in profit margins, said CARE Ratings.

Smaller companies with high debt levels, less access to bank funding and limited liquidity buffer are expected to be impacted the most, the rating agency said.

Challenges ahead

For the past few years, cotton yarn exports have taken a hit, mainly on account of subdued demand from China (the largest importer of Indian cotton yarn).

In the first 10 months of FY20, the average monthly exports of cotton yarn stood at ₹1,616 crore, significantly lower than the monthly average of ₹2,278 crore logged in the same period last year.

China's major cotton yarn demand is now being catered to by Vietnam, which enjoys duty-free access to China. In the last few years, Chinese companies have invested heavily in Vietnam to expand their spinning capacities, leveraging low labour cost in that country and favourable trade agreements.

In 2019, China also allowed Pakistan to supply 3,50,000 tonnes of yarn at nil rate of duty, while Indian cotton yarn attracts a duty of 3.5 per cent in China, making Indian cotton yarn less competitive in the Chinese market.

Gloomy future

The Cotton Association of India has projected a 14 per cent increase of cotton crop in the cotton season 2019-20, to 354.5 lakh bales, against the 312 lakh bales logged in the previous year.

Cotton prices (Shankar-6 variety) fell 9 per cent between last July and February 2020 compared with the same period last year.

Owing to subdued demand, yarn prices also started to crash, squeezing the spreads. The last quarter of the financial year is usually the best quarter for the Indian cotton spinners, signalling a recovery in the industry.

However, domestic spinners are staring at a long recovery road ahead, with the Covid-19 pandemic leading to shutdown of manufacturing facilities and retail outlets, along with supply-chain disruptions at various places.

Source: thehindubusinessline.com- May 05, 2020

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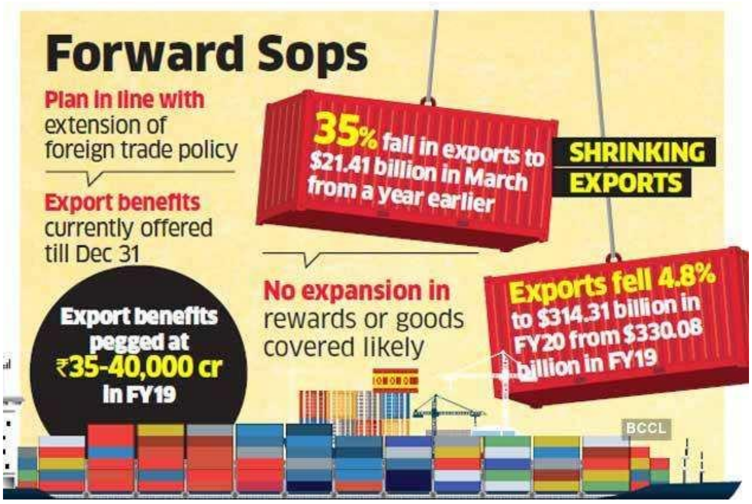
Export sops likely to continue till March 2021

India is likely to continue export incentives worth Rs 40,000 crore till next year as the government looks to cushion the impact of Covid-19 on the country's outward shipments.

The commerce and industry ministry is considering a plan to extend the Merchandise Exports from India Scheme (MEIS) till March 31, 2021. The proposal was mentioned in a letter to development commissioners of special economic zones from the Department of Commerce. ET has reviewed the letter.



India's exports shrank almost 35% to $21.41 billion in March from a year earlier. They declined 4.8% to $314.31 billion in FY20 from $330.08 billion in FY19.

"MEIS extension will bring predictability to exports pricing and on the policy front. Exporters' confidence will get a boost," said Ajay Sahai, director general of the Federation of Indian Export Organisations. The scheme was extended to December 31, 2020, the government said last month when it announced the extension of the extant foreign trade policy by a full financial year till March 31, 2021.

Under MEIS, the government provides duty benefits, depending on the product and the destination country. Rewards under the scheme are payable as a percentage of the realised free-on-board value (of 2%, 3% and 5%) and the MEIS duty credit scrips can be transferred or used to pay duties including basic customs duty.

Exporters are estimated to have received benefits worth Rs 35,000-40,000 crore under MEIS in FY19. "Exporters would need financial support from the government to stand on their feet again... The government has to decide whether extending or increasing the MEIS rates is an option they would like to exercise," said Pratik Jain, national leader, indirect tax, PwC.

He said one specific recommendation of the industry was restora-tion of the 2% additional benefit of MEIS, which was withdrawn from January 1, 2020.

However, the reward rates under the scheme won't be revised nor would they be expanded to cover more products such as gems and jewellery, a government official said.

This is because the scheme is transitioning to the Remission of Duties and Taxes on Exported Products. The government has also rejected a demand to provide an additional 5% benefit to all exports, saying it is "not feasible at this stage."

The government has also vetoed a suggestion that MEIS be granted based on shipping bills, stating that the benefit is provided only after payment is realised and also said free trade and warehousing zone exports are not eligible for MEIS.

The scheme is being disputed at the World Trade Organization, with the US claiming India's export subsidy programmes had hurt American workers.

Source: economictimes.com- May 05, 2020

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Resumption blues post COVID-19 lockdown: Factories grapple with shortage of workers, supply chain hurdles

Hobbled by a shortage of workers, companies are finding it hard to resume operations at an optimal scale and with migrants moving back home, it could be a while before factories hum with activity.

Companies are also grappling with a disruption in the supply chain, unable to source key inputs and components. Indeed, production levels are likely to stay relatively low until there are enough workers and also until retail sales outlets are re-opened.

As Sunil Kataria, CEO (India & SAARC), Godrej Consumer Products, pointed out restrictions on inter-district and inter-state movement could continue to hurt the availability of labour. Until workers come back from villages in large numbers – which could take many months – ramping up production looks difficult, according to MS Unnikrishnan, MD and CEO, Thermax, who explained the labour was needed at the construction sites.

“Those who go back home will return only after some time,” Unnikrishnan said. Thermax’s own factories are running at 50% capacity but unless there’s more contract labour available, it would be hard to raise the level.

At CEAT, workers have found it difficult to go to the factories since the colonies where they are reluctant to let them go out, S Venkatesh, president of HR at RPG Enterprises, told FE.

Rajesh Goel, senior VP (marketing & sales), Honda Cars, said the resumption of operations would depend on the uninterrupted supply of components especially since there are restrictions on movement in hotspots and red zones.

Moreover, dealerships needed to be opened, Goel said, adding the initial production levels would likely be low given the limited workforce. RPG’s Venkatesh said the problem was not as severe at KEC International where 25,000 workers are employed during peak operations since they live at or near construction sites.

Bharat Forge Limited said on Tuesday that it is gearing up to start operations at its Baramati plant, by the weekend, having obtained the relevant permissions.

Several other companies – Toyota Kirloskar, Dabur, Hero Motocorp — too have said they are resuming operations. While manufacturers of consumer goods, two wheelers and passenger vehicles aren’t looking to ramp up production to full capacity just before the festive season sets in, they nonetheless want to operate at 40-50% levels.

After zero production in April, makers of auto parts say indications are that production at OEMs could gradually go up to 20-30% by June-July, provided no additional restrictions are imposed. With e-retailers now permitted to deliver non-essential goods, in the green and orange zones, manufacturers of household gadgets, mobile phones and smaller items have got a boost.

Source: financialexpress.com- May 05, 2020

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Spending will revive economy: Abhijit Banerjee

"Spending is the easiest way to revive the economy," said Nobel laureate and eminent economist Abhijit Banerjee while interacting with former Congress president Rahul Gandhi on the economic situation during the pandemic.

Suggesting a stimulus package for at least 60 per cent of the people who are in the bottom of economy, he said targeting will be costly at this moment.

Agreeing to the assumptions that a lot of businesses are going to hit, he said, people need a stimulus package. "That's what the US is doing, Japan is doing, Europe is doing.

We really haven't decided on a large enough stimulus package. We are still talking about one per cent of GDP. United States has gone for 10 per cent of GDP," he said.

Banerjee said it was wise to put a moratorium on debt payments. "We could do more than that. We could even say that the debt payments for this quarter will be cancelled and will be taken care of by the government. So you could do bit more than that, so that you don't actually have to pay for a quarter where you never to," he said and added that it's not just a matter of rescheduling, but permanently cancel it. "We could do that. But beyond that, it is not clear that targeting the MSME sector is the right channel.

It is more reviving demand. Giving money in the hands of everybody, so that they can buy in stores or they buy consumer goods. So MSME produces a bunch of stuff that people will want. They've not been buying it. If they had money or even if you promise them money, it doesn't have to be that the money is right now. If you are in the red zone, you can say look whenever lockdown is lifted will have money in your account, Rs. 10,000 in your account and you can spend it," he said.

Banerjee added "I think spending is the easiest way to revive the economy. Because then the MSME people get money, they spend it and then it has the usual Keynesian chain reaction."

He said he would argue for broader measures for the poor. "I think targeting is extremely costly. You try to target in this mess, who has become poor after their shop was shut for six weeks. I don't know how you'd figure this out. I would say bottom 60 per cent of the population, we give them some money, nothing bad will happen in my view.

If we gave them money, well some of them might not need it. Fine they'll spend it. If they spend it, it would have a stimulus effect. The only place where I'm more aggressive that you are in that sentence is that I would go beyond the poorest people," he said.

He said the government should introduce a mismatch of supply and demand by giving people spending power. "If people were reassured that in 2 months or whenever the lockdown is lifted, they will have some money in their hands, they will be much less worried about (it), they will be more willing to spend already.

Some of them have some savings. I feel you must not necessarily rush into it, because there may be places where there is no production right now, no supply right now. Putting money will just burn the money, there will be inflation. You want to wait for that. With that caveat, yes, soon," he said.

Source: thehindubusinessline.com- May 05, 2020

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Govt to go digital for hearing acrylic fibre dumping cases

Two cases to be heard on May 8

To make participation easier in anti-dumping probes during the Covid-19 pandemic by domestic and foreign businesses, the government has scheduled oral hearings of two important cases, both related to dumping of acrylic fibre into India, later this week through web-room mode and video conferencing.

Both hearings, one related to anti-dumping investigations on import of acrylic fibre from the European Union, Belarus, Peru and Ukraine and the other, a sunset review for continued imposition of anti-dumping duties on imports of acrylic fibre from Thailand, are scheduled on May 8.
'Sensitive for industry'

"Anti-dumping and other trade remedies cases are sensitive and important for the domestic industry. If remedial duties are not imposed on time, it could cause losses to the national economy. It is, therefore, not desirable for oral hearings to be deferred. That's why the Directorate General of Trade Remedies is taking all steps to ensure that proper hearings are enabled in the digital mode where all can take part," an official told BusinessLine.

In the initiation notification of probe against import of acrylic fibre from the European Union, Belarus, Peru and Ukraine, following complaints of alleged dumping by the domestic industry, the Designated Authority stated that it prima facie found evidence of dumping of the goods, originating in or exported from the given countries. Injury to the domestic industry and causal link between the alleged dumping and injury also existed to justify initiation of an anti-dumping investigation, it added.

In the second case, the Designated Authority, based on the facts and evidence presented by the domestic industry, found prima facie that there was a need to review for continued imposition of the duties in force from 2015 (for a period of five years) in respect of acrylic fibre.

In a circular, the DGTR observed that it may be difficult for many participants to share their IP addresses in advance because the Covid-19 situation had placed severe restraints on technical capacities.

Therefore, the DGTR decided to provide a web link which would enable participation in the web room by just clicking on the link. "The idea is to make it as simple and easy for participants to take part as possible. Both sides should get a fair chance to present their case," the official said.

The circular has been sent to Embassies of the countries involved asking them to ensure participation.

Source: thehindubusinessline.com- May 05, 2020

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Manufacturing, media, IT professionals least confident about future opportunities: Survey

Professionals working in I.T., manufacturing, and media have reported low confidence towards job stability and career progression as companies in these industries buckle under the pressure of COVID-19, a survey said on Tuesday.

According to LinkedIn's second Workforce Confidence Index, one in four manufacturing professionals, more than one in five IT professionals, and more than two in five media professionals feel their companies will fare worse in the next six months, exhibiting a bleak outlook towards the short-term future.

However, the same industries are confident about strong long-term growth as 77 per cent of manufacturing professionals, 67 per cent of media professionals, and 65 per cent of IT professionals feel their companies will fare better in the next two years.

The Index, a fortnightly pulse on the confidence of the Indian workforce, showed a slight dip in the overall confidence towards future opportunities with a composite score of (+) 51, two points less than last fortnight's score of (+) 53.

"A tough jobs market, pay cuts, and an ailing economy are suspected to have caused unrest amongst Indian professionals as findings show that one in three Indians have reported a decrease in their personal incomes, whereas 48 per cent of active job seekers and 43 per cent of full-time professionals anticipate fewer job openings in the next two weeks," the survey said.

As various sectors announce a hiring freeze, job-seekers have reset their expectations as more Indian professionals anticipate fewer job openings going forward. Findings support this by stating that 48 per cent of active job seekers think there will be a decrease in available job opportunities, up 9 per cent from last fortnight's findings.

Online learning continues to see a steady rise in demand as 67 per cent professionals (in comparison to 64 per cent professionals from last fortnight) will increase their time spent in online learning, while 37 per cent of Indian companies (in comparison to 31 per cent from last fortnight) will offer online resources to professionals in India.

The Workforce Confidence Index is a fortnightly pulse on the confidence of the Indian workforce. It is based on an online survey of 2,254 members across two weeks: April 1-7 and April 13-19. It is a measure of how professionals feel about their job stability and access to opportunity as well as how business leaders expect to invest in their companies in the near and mid-term.

Source: thehindu.com- May 05, 2020

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India asks its missions to help identify business scope

Indian commerce and industry minister Piyush Goyal recently urged Indian missions abroad to help identify business opportunities for domestic firms, exporters and make India a preferred investment destination.

The minister, along with external affairs minister S Jaishankar, interacted with 131 missions through video conference, a ministry statement said.

“We should aim for an economic growth higher by 3x ... Discussion have happened at the highest levels where clear instructions have been given to capture the opportunities opening after the post-COVID scenario,” Goyal was quoted as saying in the statement.

“Indian missions should help us with identification of business opportunities that exist in their countries,” Goyal said.

He added that Invest India and the Department for Promotion of Investment and Internal Trade are working to create a genuine single window for setting up factories and manufacturing units.

As per the statement, all the missions have been asked to send a proposal to look at the opportunity post COVID-19. The proposal should have innovative ideas and should be submitted, containing suggestions to improve the country’s exports.

It said that missions need to start networking, communicating with companies, come up with business leads and new contacts, and identify technology which can be implemented in India and ‘fight for India’ in their countries.

The statement quoted Jaishankar as saying that outcome of this pandemic is that now the whole world is aware of the consequences of over dependence on one geography and the recovery path for India will be through trade and investment.

He specifically identified the opportunity in the pharmaceutical and agricultural sectors, and in the African region.

Source: fibre2fashion.com- May 05, 2020

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FMCG to apparel, discounts to make a comeback soon

It's almost back to business for consumer incentives in FMCG and grocery chains, online and brick and mortar. Discounts, cashbacks, bank and digital wallet offers are reappearing. And consumers may soon also see large apparel retailers, other big brands and ecommerce majors rolling out huge discounts across categories as soon as most markets and malls reopen.

Deals on grocery and FMCG had evaporated days before lockdown in March last week when panic buying had started. But as supplies get normalised and the spike in demand dips, players such as Amazon, Grofers, BigBasket and Spencer's Retail are rolling out incentives. Grofers CEO Albinder Dhindsa said with supply chain now getting streamlined, costs of operation are down and these savings are being passed on to consumers.

Spending Worries

Leading biscuit-maker Parle Products' category head Mayank Shah said with supplies improving, discounts are returning. Seshu Kumar, national head (buying and merchandising) at Big Basket, said discounts will now be restored completely in next 15 days.

Ecommerce marketplaces like Amazon, Flipkart and Paytm Mall too are working on discount sales as soon as 80-85% of pin codes become operational. Plans are to roll these out later this month or early next month, industry executives said.

Paytm Mall senior VP Srinivas Mothey said the marketplace is in discussion with banks to offer cashbacks. Both Paytm Mall and Amazon said prices are determined by sellers, while Flipkart did not respond.

Avneet Singh Marwah, CEO of SPPL, manufacturer of online focused television brands Kodak and Thomson, said “brands need to clear inventory… considering demand may falter”.

Brands and retailers fear consumer spending will dip across categories over the next few months with salary cuts and fear of job losses disrupting shopper sentiments.

Arvind Fashions CEO J Suresh said most apparel retailers and brands may go on sale right from day one the market reopens. “Ideally, we should have delayed it to July to allow some sales at full price, but with cash flow severely affected and summer collection unsold, sale will start early,” he said.

Yogeshwar Sharma, executive director at Select Citywalk Mall in New Delhi, said fashion retailers will open with attractive offers to bring in consumers since they need liquidity and demand may take some time to return to normalcy. Future Group is planning a sale immediately after lockdown for apparel formats like FBB and departmental chain Central.

Source: economictimes.com- May 06, 2020

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No business and industrial activities in textile town

Business and industrial activities in the textile town of Ichalkaranji have remained shut even though it has been included in the orange zone.

The densely populated town, with population of around 2.88 lakh, on Sunday reported its fourth Covid-19 positive patient. The areas where positive patients have been found have been sealed and declared containment zones.

District collector Daulat Desai said, "After one person was found positive for Covid-19, we have asked the local administration to be alert. Some restrictions have been relaxed in the district from May 4 as per the government rules but we expect that the lockdown in Ichalkaranji will continue as it is. We may have to tighten the restriction if people do not follow the rules and advisory issued by the local administration."

Vikas Kharat, sub-divisional officer (Ichalkaranji), said, "Orders have been issued to the health department officials to conduct door-to-door survey and prepare the list of the people that came in contact with the new positive patient."

An industrialist from the textile town said, "The government has relaxed norms for industries that fall in the MIDC area and not in the areas falling under the municipal council or municipal corporation.

Almost all the processing units and power looms in Ichalkaranji are concentrated in Ichalkaranji town. With the chances of spread of coronavirus pandemic the industrialists are not keen on starting operations. But some want to start operations so that the migrant workers that are in mood of leaving to their hometowns in Uttar Pradesh and Madhya Pradesh will stay back."

Source: timesofindia.com- May 06, 2020

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Covid lockdown fallout: Retail sector loss reaches Rs 5.50 lakh crore, says CAIT

Indian retail sector comprising around 7 crore traders has witnessed a loss of Rs 5.50 lakh crore since March 25 when the lockdown was imposed to contain the coronavirus infection, traders' body CAIT said on Tuesday.

Besides at least 20 per cent of Indian retailers are likely to wind up their businesses in the next few months, the Confederation of All India Traders (CAIT) said in a statement.

Following these challenging times, CAIT has urged the government to award a substantial package to traders to ensure their survival. COVID-19 has caused a huge dent in retail trade which will have a devastating effect on the whole country, CAIT Secretary-General Praveen Khandelwal said.

"Indian retailers do a daily business of around Rs 15,000 crore and since the country is in a lockdown there has been a huge loss of over Rs 5.50 lakh crore of business, which is done by 7 crore traders of the country. This will force around 1.5 crore traders to permanently down their shutters and a further 75 lakh traders, who are dependent on these 1.5 crore traders, will fold up in the medium term," he added.

At least 2.5 crore traders in India are micro and small in nature who do not have deep pockets to sustain this severe economic catastrophe, he added. On the one hand, they are paying salaries, rentals, other monthly expenses and on the other hand, they will have to deal with a sharp dip in disposable income of consumers along with strict social distancing norms, which will not allow business to return to normalcy for at least 6-9 months, Khandelwal said.

The Indian economy was already passing through a recessionary phase and there was a significant downturn in demand across sectors, but this pandemic has delivered the knockout punch and washed away all hopes of revival, he added.

CAIT National President B C Bhartia urged the government to intervene otherwise the sector will suffer unprecedented damage. "If there are no steps taken now to resolve this the economic pandemonium will be even bigger than the Corona pandemic," he added.

Source: financialexpress.com- May 05, 2020

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RBI may extend moratorium on loans by another 3 months

With further extension of the nationwide lockdown, the RBI is considering a proposal for extending the moratorium on bank loans by another three months to help people and industry impacted by the ongoing lockdown to contain COVID-19.

Suggestions from various quarters, including from Indian Banks' Association, have come for the further extension of moratorium and the RBI is actively considering them, according to sources.

The government on Saturday extended the lockdown for further two weeks till May 17 with certain relaxations for red, orange and green zones.

Income stream will not resume due to the continuation of nationwide lockdown, the sources said, adding that so many entities and individuals will be unable to service their debt in this circumstances at the end of the present moratorium period ending on May 31.

So, extension of moratorium by another three months would be a practical approach from the regulator, a senior public sector bank official said.

It will help both borrowers and banks in these difficult times, the official added.

The Reserve Bank of India (RBI) had on March 27 allowed banks and financial institutions to offer a moratorium of three months on payment of instalments of all term loans outstanding as on March 1 to help mitigate hardship faced by borrowers.

"All commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all -India Financial Institutions, and NBFCs (including housing finance companies and micro-finance institutions) ("lending institutions") are being permitted to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020," the RBI had said.

Accordingly, it had said, the repayment schedule and all subsequent due dates, as also the tenor for such loans, may be shifted across the board by three months.

As a result of this moratorium, individuals' EMI repayments of loans taken were not deducted from their bank accounts, providing much needed liquidity.

The loan EMI payments will restart only once the moratorium time period of 3 months expires.

RBI Governor Shaktikanta Das on Saturday held a meeting of held meeting with public and private sector banks where the issue of loan moratorium was also reviewed.

Credit flows to different sectors of the economy, including liquidity to non-banking financial companies, microfinance institutions, housing finance companies, mutual funds, etc, and post lockdown credit flows including provision of working capital, with special focus on credit flows to MSMEs were also deliberated.

The Supreme Court earlier this week directed the RBI to ensure that its March 27 guidelines directing lending institutions to allow a three-month moratorium to all borrowers is implemented in letter and spirit.

Source: financialexpress.com- May 04, 2020

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Chennai MSMEs allege bias in permission given to restart operations

Fear loss of orders from OEMs if the closure continues

The Confederation of SIDCO Industrial Associations, Chennai region, has alleged that the grant of permission for limited resumption of industrial activities in and around the region has been done in an inequitable way.

MSME industrial estate associations have pointed out that only select areas have been permitted to resume operations from May 7, while units in industrial estates in the outskirts of Chennai have not been given permission to open, citing increased instances of Covid-19 infections.

“When the government permits large companies like Hyundai, Ashok Leyland and Nissan Renault to resume operations, while denying permissions to tier II III units in the industrial estates in Ambattur, Thirumazhisai, Thirumudivakkam, Thirumullaivoyal, Kakkalur, Guindy, Perungudi and Villivakkam, it creates anxiety in the minds of these entrepreneurs who look to resume operations at the earliest, given their losses in the past two months,” said AN Sujeesh, President, Ambattur Industrial Estate Manufacturers’ Association.

A delayed resumption of operations will have a negative impact on the MSME clusters in this part of Tamil Nadu. Also, it will create challenges for companies in the disbursement of salaries for April.

“With OEMs (original equipment manufacturers) gearing up to resume operations, there are real possibilities of orders placed with us to be given out to units in other functional clusters. This will lead to loss of orders and difficulty in retaining existing clients," Sujeesh said.

The labour workforce housed in the estate units have been waiting to restart work. Therefore, an ill-advised extension of this lockdown period could lead to unnecessary problems, he added.

The Confederation of SIDCO Industrial Associations, Chennai region, which accounts for a turnover of ₹26,250 crore, has requested the State government to allow MSMEs within industrial estates to operate with 50 per cent labour and implementing the minimum stipulated SOPs (standard operating procedures) with reference to the access control measures as laid down by the Centre.

GST collection

The Associations felt that the government's support in restarting operations in industrial estates will also help improve GST collections, which has hit an all-time low due to the Covid-19 pandemic.

Source: thehindubusinessline.com- May 05, 2020

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COVID-19 crisis: Certain economists, academicians for incentive to exporters, delayed GST payment

Certain sections of economists and academicians have suggested various measures such as an incentive package for exporters and relaxation to businesses for delayed GST payment, with a view to help the economy tide over the impact of the COVID-19 pandemic.

The recommendations are part of a report titled 'COVID-19: Challenges for the Indian Economy – Trade and Foreign Policy Effects'.

The Engineering Export Promotion Council of India (EEPC India) in a statement said it is an initiative where 40 economists and academics of Indian and international institutions have written their assessment of the economic, social and political impact of COVID-19.

The Council said it would brainstorm various ideas and assessments.

Nitya Nanda, director of Council for Social Development, suggested that the government could allow delayed depositing of GST, "say, one more month to deposit GST dues without any penalty".

Businesses may be allowed to deposit only a part of the GST dues and retain the balance that can be adjusted against the input credit, Nanda said.

Sanjib Pohit, professor, National Council of Applied Economic Research (NCAER), said that a cut in intermediate tax during this time would definitely help the economy.

It is essential that the Union government transfers the states' share of GST amount due immediately, Pohit said adding that the Centre should be proactive in releasing the GST due amount of firms immediately.

Another academician has stated that the government should invest heavily on infrastructure like power, roads, ports, and water possibly in a public-private partnership (PPP) mode to motivate the private sector to have some ownership of the infrastructure for long-term sustainability.

Sacchidananda Mukherjee, associate professor, National Institute of Public Finance and Policy (NIPFP), has stated that on revenue mobilisation, the government may consider acceleration of disinvestment programmes, auction of licences of natural resources extraction and utilisation (such as 5G spectrum and coal blocks) and reduction of unproductive subsidies.

Another writer has recommended that the exporter community will need to be given "big incentives and stimulus" to overcome the challenges in tough times.

The ASEAN-India Centre (AIC) at Research and Information System for Developing Countries (RIS) in collaboration with the EEPC has produced this report.

It has also mentioned that views expressed by the authors in the report are their own and do not represent the views of the AIC, RIS or EEPC India.

Source: financialexpress.com- May 05, 2020

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Collector holds talks with trade representatives

Collector Shilpa Prabhakar Satish on Tuesday held comprehensive discussions with officials and representatives of traders and entrepreneurs on the issue of reopening businesses in the district.

Chairing the meeting at the Collectorate here, the Collector said large commercial complexes, supermarkets, teashops, salons, beauty parlours, massage centres, automobile and jewellery showrooms, air-conditioned textile stores, domestic appliances outlets, cabs and autorickshaws would not be allowed to function as per norms. The larger industries should apply separately for permission to resume operations.

Shops in urban areas would be allowed to function from 10 a.m. to 5 p.m., while those in rural areas could start their operations an hour earlier. Restaurants and eateries could allow only 'take-aways' as serving food on the premises was strictly prohibited. Construction workers should be allowed to stay at their workplace instead of being ferried to the site everyday. At the same time, there would be no bar on hospitals, pharmacies, agriculture and related businesses, Ms. Shilpa said.

Gunasingh Chelladurai, president, Chamber of Commerce and Industries, Tirunelveli, suggested that cement and hardware dealers might be allowed to work twice a week so that aspiring buyers could stock construction material for the next couple of weeks. "It will be a win-win situation for all concerned. While this arrangement will fulfil consumer needs, it will also ensure decent business to the stockist. At the same time, shops functioning for only two days a week will not affect vehicular traffic within the city," he said.

The Collector agreed to the suggestion. On the possibility of opening centrally air-conditioned supermarkets, jewellery and textile showrooms, Ms. Shilpa made it clear that multi-storeyed buildings could not be allowed to reopen as per norms laid down by the government during lockdown. "Though shops with 'ground plus one' structure can open and transact business, there should be proper ventilation on the first floor as per the norms," she pointed out, indicating that prospects for resumption of business were not bright.

Deputy Commissioner of Police (Law and Order), Tirunelveli City, S. Saravanan said supervisors of liquor shops, which would be opened on May 7, should erect casuarina poles and draw 100 circles to make the crowd line up within them. “The supervisor should ensure that there is no crowding at any point of time.”

Although retail vegetable sale went on at Schaffter Higher Secondary School, the wholesale market continued to function from Nainarkulam Market for transporting produce to various destinations including neighbouring Kerala. Fearing that the gathering of a large number of traders at the spot would lead to viral contraction, Corporation officials sealed the market on Tuesday.

When the wholesale traders appealed to the Collector to allow them to continue their business from the same place, Ms. Shilpa told them that they should cooperate with the district administration and shift their shops temporarily to the now deserted new bus-stand at Vaeinthankulam.

But traders, who were not ready to shift, indefinitely closed the market, which was subsequently sealed by Corporation officials.

Source: thehindu.com- May 05, 2020

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