TEXTILE INTELLIGENCE CENTRE
IBTEX
INFORMATION BUREAU TEXPROCIL
TEXPROCIL NEWS CLIPPINGS
An ISO 9001:2015 CERTIFIED COMPANY
The Cotton Textiles Export Promotion Council (TEXPROCIL)
Engineering Centre, 5th Floor, 9, Mathew Road, Mumbai 400004. Maharashtra State. INDIA
W. www.texprocil.org E. ibtex@texprocil.org T. +91-22-23632910 to 12 F. +91-22-23632914

IBTEX No. 145 of 2020 July 06, 2020

US 74.46| EUR 84.02| GBP 93.03| JPY 0.69

NEWS CLIPPINGS

INTERNATIONAL NEWS

China's e-com transactions exceed 34 trillion yuan in 2019

China led the world e-commerce space in 2019, employing around 26 million despite mounting downward economic pressures and lingering trade tensions, according to a report from the Chinese commerce ministry. The country's e-commerce transactions hit 34.81 trillion yuan (about $4.9 trillion) last year, with online retail sales reaching 10.63 trillion yuan, up by 16.5 per cent year on year.

E-commerce has contributed a great deal in terms of "promoting consumption, stabilizing foreign trade, alleviating poverty, and boosting employment," playing a key role in ensuring the country's steady and high-quality development, the report said.

In 2019, online retail contributed 45.6 per cent of the growth in the country's total retail sales. The report also said that China has established bilateral e-commerce cooperation mechanisms with 22 countries, according to a top Chinese newspaper.

In addition, China approved 24 cross-border e-commerce pilot zones in 2019, bringing the total number to 59. These pilot zones provide a streamlined system with simplified regulations for faster examination and approval, customs clearance and easier information sharing for cross-border e-commerce imports and exports.

Since the start of the year, the e-commerce industry has played a prominent role in guaranteeing supplies, facilitating work resumption and stimulating consumption amid the COVID-19 epidemic, said the report.

The ministry pledged more measures to promote the digitalization of traditional industries and ensure the high-quality growth of the e-commerce sector.

China had more than 900 million internet users at the end of last year, with an internet penetration rate of 64.5 percent, the report added.

Source: fibre2fashion.com– Jul 06, 2020

HOME

****

Challenges and prospects for Egypt-US economic ties amid coronavirus

The United States celebrated on Saturday the 4th of July holiday, also known as Independence Day. It is a federal holiday in the country, commemorating the Declaration of Independence in 1776.

On the occasion, Daily News Egypt sheds light on Egyptian-US trade and investment relations, and how the novel coronavirus (COVID-19) pandemic has affected these relations. We will also look into the two countries' efforts to increase this cooperation.

Daily News Egypt also takes a look into the trade agreements between the two countries, in addition to reviewing the efforts to increase Egyptian exports to the US.

Egypt-US economic relations

The most recent data from the US Department of Commerce showed that Egypt was the second-largest recipient of US direct investment in Africa after Mauritius in 2017. It was also the fourth in the Middle East after Israel, the UAE, and Saudi Arabia, according to the American Chamber of Commerce in Egypt (AmCham).

According to the Central Bank of Egypt's (CBE) latest data, US foreign direct investments (FDI) in Egypt reached $279.4m during the second quarter (Q2) of fiscal year (FY) 2019/20.

The trade exchange between the US and Egypt recorded $2984.9m during the first two quarters of the recently ended FY 2019/20. Egypt's exports to the US amounted to $1368.8m during the period from July to December 2019, while Egypt's imports from the US reached $1616.1m, according to the CBE.

Alaa Ezz, Secretary-General of the Federation of Egyptian Chambers of Commerce (FEDCOC), told Daily News Egypt that the majority of Egyptian exports to the US are value-added manufactured goods. On the other hand, the majority of US exports to Egypt are industrial and agricultural inputs, as well as machinery and equipment, which contributes significantly to job creation on both sides.

He said that Egyptian exports to the US went up 35.7% to $2,489m in the period from January to September 2019, compared to only $1,834m in the same period in 2018.

Ezz revealed that Egyptian non-oil exports to the US went up 24.7% to $1,551m from January to September 2019. This compared to only $1,243m in the same period in 2018, showing an increase of $308m, representing 62.4% of total exports.

He added that Egyptian oil exports to the US also went up 58.5% to $938m during the first nine months of 2019, compared to the $591m recorded in the same period in 2018, representing 37.6% of total exports.

"The main Egyptian export items to the US, worth $854.1m equivalent to 34.3% of total exports, are readymade garments during the period from January to September 2019," said Ezz.

Other Egyptian exports to the US include artworks and handicrafts, petrochemicals and plastics, salt and sulphur, iron and steel, fertilisers, aluminium and its products, meat and fish, vegetables, glass and its products, oilseeds, and fruits.

Ezz noted that US exports to Egypt went up 11.3% to $4,304m in the first nine months of 2019, compared to $3,866m in the equivalent period in 2018, an increase of $438m.

Main US exports to Egypt include transport equipment and spare parts, oilseeds, petroleum and its products, machinery and equipment, cars and its components, petrochemicals, cereals, and electric equipment.

"Egypt's trade deficit with the US went down by 10.6% reaching $1,815m during the first nine months of 2019, compared to $2,032m during the same period in 2018," according to Ezz.

Expectations amid COVID-19

Alaa Arafa, Chairperson of Arafa Holding, said the global industrial sector has been affected by the coronavirus, and that as long as there is no demand, there will be no supply.

He explained that markets worldwide have closed down on the back of the pandemic, and subsequently factories are not working with the same capacity, so the exports globally are affected.

"As the global clothing industry shrank due to the COVID-19 pandemic, Egypt was also affected, as clothing make up about a third of Egyptian exports to the US,' Ezz said. 'However, the decline in 2020 might be offset by an increase in other export items, bouncing into supply chains of American multinationals. Accordingly, Egypt's non-oil exports might increase by end of 2020."

Responding to DNE's question about methods of increasing Egypt's exports to the US, especially amid the coronavirus, Ezz said that Egyptian companies should work fast on filling part of the gap created by the supply chain disruption in the past three months.

Click here for more details

Source: menafn.com– Jul 06, 2020

HOME

****

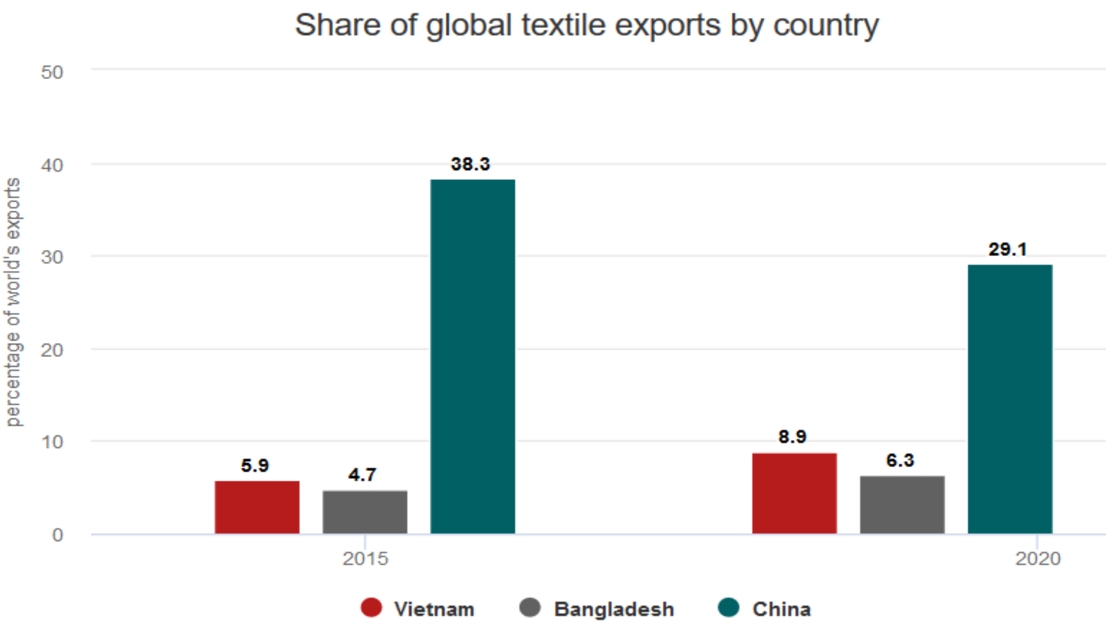
Vietnam gets bigger slice of world export pie as companies leave China

Vietnam’s share of world exports in textile and consumer goods has increased in the 2010-2019 decade as companies shift production out of China.

The country’s share of textile exports rose from 5.9 percent in 2015 to 8.9 percent last year, while that of China fell from 38.3 to 29.1 percent, according to a report by market research firm Fitch Solutions.

Some other countries, such as Bangladesh, also saw rising export share in the period.

"This is a clear sign that as a result of rising labor costs in China, textiles, one of the most labor intensive types of manufacturing, is now rapidly being shifted out of China to reduce production costs," the report said.



A similar trend is happening with consumer goods produced with low technology. Vietnam's share of furniture exports rose from 3.3 percent in 2010 to 8 percent last year, an increase of $5.3 billion in value.

Its share of fishing equipment exports rose from 2.1 percent to 3.9 percent in the period, an increase of $77.9 million in value. Its share of umbrella exports rose from 0.1 percent to 0.7 percent in the period, an increase of $18.6 million in value.

Other Southeast Asian countries that have seen their share of exports rising in recent years are Cambodia, Indonesia, and Malaysia.

The trend of shifting manufacturing away from China is expected to continue because of the U.S.-China trade tensions and the Covid-19 pandemic prompting companies to diversify their supply chains.

Products that are going to be produced more outside of China are electrical appliances and electronics such as vacuum cleaners, electric shavers and lamps, Fitch Solutions said.

There is also direct evidence that Vietnam is among the beneficiaries of production moving out of China in recent years. Major tech giants like Apple, Google and Microsoft have begun or plan to start production in Vietnam this year.

The world's largest contract manufacturer Foxconn has recently confirmed that Vietnam is its largest manufacturing hub in Southeast Asia, with capacity bigger than in South Asian giant India.

Source: e.vnexpress.net– Jul 04, 2020

HOME

****

China's T&C exports decline by 1.17%

According to the statistics of the General Administration of Customs, from January to May this year, the total exports of textiles and clothing by China totaled $96.16 billion, a year-on-year decrease of 1.17 per cent, which was 8.8 percentage point less than the previous four months.

Among them, the cumulative export of textiles was $57.95 billion, an increase of 21.3 per cent year-on-year; the cumulative export of apparel was $38.21 billion, a year-on-year decrease of 22.8 per cent.

Exports of masks continued to drive textile exports to maintain high growth in May In May, China's textile exports were $ 20.65 billion, driven by the export of masks.

This month's textile exports increased significantly by 79.2 per cent year-on-year and maintained a high growth under the high year-on-year growth of 51% last month.

According to official statistics, from March 1 to May 31 this year, the country exported 70.6 billion masks and 340 million protective clothing to 200 countries and regions around the world.

From January to April, China's cumulative export of masks was $8.855 billion, and the total export of protective clothing was $801 million.

Source: fashionatingworld.com– Jul 04, 2020

HOME

****

China sells 8,060 tonnes of cotton at auction of state reserves on July 3

China sold 8,060.2184 tonnes of cotton, or 100% of total offer, at auction of state reserves on Friday, the China Cotton Association said on its website

* Average price of the cotton sold was 11,398 yuan ($1,613.17) per tonne, according to a statement on the industry website

* The industry association has also set floor price of cotton auction at 11,895 yuan per tonne for the week starting July 6, it said in another statement. ($1 = 7.0656 Chinese yuan renminbi)

Source: in.reuters.com– Jul 05, 2020

HOME

****

Vietnam Outperforms Among Asia's Frontier Sovereigns

Vietnam is positioned to stand out among Asia's frontier and emerging markets this year in terms of its economic resilience and success in bringing the coronavirus outbreak under control, says Fitch Ratings. These factors should support Vietnam's 'BB' rating, which we affirmed in April 2020 while revising the Outlook to Stable from Positive. Nevertheless, the country faces a number of challenges, including contingent liability risks from state-owned enterprises and structural weaknesses in the banking sector.

Vietnam is one of only four Fitch-rated sovereigns in the Asia Pacific (APAC) that we expect to post positive economic growth in 2020. Official data show the economy expanded by 0.4% yoy in 2Q20, despite the impact of the coronavirus pandemic on tourism and export demand, in line with our full-year 2.8% growth projection. Fitch forecasts that the pace of expansion will accelerate in 2021, as external demand, including tourism exports, recovers.

The relative strength of Vietnam's growth momentum owes much to its success in curbing the pandemic. Vietnam had no reported deaths from COVID-19 as of end-June, according to the World Health Organisation. This could reflect a variety of factors, including the effectiveness of the official health policy response.

Vietnam has introduced fiscal stimulus of around VND271 trillion (3.4% of GDP) to help offset the effects of the pandemic. This includes tax deferrals, cuts and exemptions, as well as cash transfers to affected workers and households, the latter being worth 0.4% of GDP. We expect the general government debt-to-GDP ratio to rise to around 42% in 2020, from 37% in 2019, based on Fitch estimates, but this still below the 59% median for 'BB' rated sovereigns.

The State Bank of Vietnam has also loosened monetary policy to support the economy, but the lower interest-rate environment and state pressure on banks to ease lending terms will weigh on bank profitability. Meanwhile, slower economic growth and loan forbearance will add to asset quality problems.

These factors will aggravate the structural weaknesses in the banking sector, such as low capital buffers and under reporting of problem loans, which have already dragged on the sovereign rating. Slower credit growth may, however, provide some relief on capital.

Vietnam's economic outlook remains vulnerable to shifts in external demand. The country has benefitted from trade diversion associated with rising costs in China and the US-China trade war, and early data suggest it made further gains as China's exports were disrupted by the coronavirus. Vietnam's share of US apparel and textile imports rose to 15.5% in 4M20, from 12.9% in 4M19, according to the US Office of Textiles and Apparel. The country also attracted a healthy USD8.7 billion in realised capital investment from overseas in 1H20.

Nonetheless, both textile and apparel exports to the US and realised capital investment were lower yoy, illustrating Vietnam's vulnerability to the evolution and impact of the pandemic. As elsewhere, restrictions remain on inbound tourism and remittances are declining. Tourism directly accounts for about 10% of GDP, with a higher contribution if indirect spillover effects are considered, while remittances were worth over 6% of GDP in 2019.

Vietnam is also susceptible to policy action by its main trade partners. Its National Assembly ratified the EU-Vietnam Free Trade Agreement on 8 June, which should underpin stable trade relations with the EU.

However, Vietnam is on the US Treasury's watchlist of potential currency manipulators, and relations with China are complicated by clashing territorial claims in the South China Sea. Nonetheless, our base assumption is that trade ties with both countries will remain stable.

Source: fitchratings.com– Jul 05, 2020

HOME

****

Texworld Summer 2020 to go virtual

Messe Frankfurt has decided to take the summer edition of its show Texworld to a virtual platform, with the aim to support the sourcing community through these unprecedented times. .

The transition to a virtual event reinforces the fierce commitment to supporting the industry through both good and challenging times. With the returning support of long-standing exhibitors, international and domestic, the July event will open with similar features found on the trade show floor. An online showroom will highlight material innovations, while allowing visitors to chat with representatives about specific requirements, factory options and more.

Attendees and exhibitors will have the opportunity to get connected through smart and intuitive networking tool that calculates and recommends the most relevant people and sessions to users.

In addition to the digital exhibit presentation, a comprehensive educational program will run alongside. Topics will range from sustainability initiatives, environmental and ethical impacts to business tips and sourcing options amidst a pandemic.

The next Texworld USA will be held in January 2021, Intertextile Shanghai Apparel Fabrics from 23 -25 September and Texworld/Apparel Sourcing Paris in February 2021.

Source: fashionatingworld.com– Jul 04, 2020

HOME

****

Indonesia says trade, investment deal with Australia takes effect

An Indonesia-Australia deal that eliminates most trade tariffs between the two nations and aims to open up investment, took effect on Sunday, Indonesia's Trade Ministry said.

The Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA), signed last year and ratified by the Indonesia's parliament in February, aims to boost bilateral trade that was worth $7.8 billion in 2019.

"COVID-19 has resulted in economic slowdown in nearly all countries," Trade Minister Agus Suparmanto said in a statement. "IA-CEPA momentum can be used to maintaining Indonesian trade and improve competitiveness."

In a signing ceremony last year, the two countries said the pact would eliminate all Australian tariffs on imports from Indonesia, while 94% of Indonesian tariffs would be gradually removed.

Australia aims to boost exports including wheat, iron ore and dairy, while Indonesia hopes to increase automotive exports, textile and electronics. The deal opens up investment, including for Australian universities in Indonesia.

The ministry said in the statement it has issued three regulations to allow for implementation of the deal.

Source: wtvbam.com– Jul 05, 2020

HOME

****

Pakistan: What ails exports

In the previous year's federal budget, withdrawal of SRO 1125 and imposition of 17 percent General Sales Tax (GST) on the export oriented sectors has increased the cost of doing business to unsustainable levels as a consequence of pending refunds, liquidity squeeze and bleak industrial production and bulk of industry's investible capital being soaked up by the sales tax refund cycle.

As the entire textile value chain gets drained of its potential capital, the industry becomes fragile and continues to operate in a state of distress.

In the budget for the upcoming year, the government has completely overlooked the demands of the export sectors for restoration of zero rating.

The government sought budget proposals from all stakeholders including renowned business associations but failed to incorporate them, rejecting their proposals to make Pakistan a more hospitable place for carrying out business and investment.

Textile export sector, which is backbone of economy had it needs ignored once more. Denying the textile sectors valid concerns will eventually result in the decline

of exports, closure of industries & markets and a potential tsunami of unemployment.

Abolition of the zero rating regime has only resulted in unfair treatment against local industry supplying inputs to the export oriented units while, the exporters are importing their material through different schemes i.e. DTRE, Bonds, or EOU which are exempted from 17 percent GST as domestic supply is subject to General Sales Tax which takes many months to get refunded. Surely a level playing field for domestic suppliers viz a vis imports in the face of trade deficits is essential for sustaining domestic industry.

The cardinal rule is that when you have multiple tax rates for similar goods in identical markets, the system is bound to be abused and will be gamed and crumble as a result. Instead of actively substituting domestic production with imports there is a dire need to develop and support the domestic industry.

This GST implementation coupled with a major devaluation of Pakistani rupee has further aggravated the export industry's existing cash flow crisis.

Prior to July 2019, the industry had become competitive and profitable and had the zero-rating scheme continued, these funds would have been injected to upcoming new projects for upgradation and expansion of the industrial base which undoubtedly would've increased exports for the country.

The economic cost of the withdrawal of zero rating has been colossal. As a result of the misplaced withdrawal of Zero Rating, the entire textile industry has suffered immensely and the levy of sales tax in its present form and design has led to almost Rs. 120 billion liquidity moving from the industry to FBR.

From the point of view of domestic industries, the incentive to cheat and smuggling has increased substantially.

Withdrawal of zero rating has increased the tax free imports via different schemes such as DTRE, Bonds and EOU which are detrimental to the survival of the domestic industry.

Under these schemes any registered exporter can import duty and tax free imports. Factually, no one will be willing to pay 17 percent tax on local goods and wait for an indefinite amount of time to get their refunds.

This shows that withdrawal of zero rating is hurting the local industry and in time could lead to closure of local industry. Prior to withdrawal of SRO 1125, locally manufactured goods had advantage over imports because of instant availability and assurance of shorter lead times.

The GST regime has distorted the level playing field for domestic industry. The current situation of COVID-19 also suggests that we should promote our domestic industry in order to stabilise the economy and retain the employment levels.

Under current circumstances in the country due to COVID-19 and global economic recession coupled with this sales tax regime is likely to be disastrous for exports, local manufacturing and employment levels.

In the textile sector alone, over one million jobs are at stake. Demand for Pakistani products will remain between 70 to 80 percent for the foreseeable future.

The price competition to retain market share will be intense and competitive pricing for Pakistani exporters are essential. It is estimated capacity of over $5 billion will remain unutilised.

This year situation has changed dramatically for the industry, as export orders have been cancelled, domestic demand has crashed due to shutdowns, payments due against LCs have been delayed, and new orders have not been issued.

This is because of a complete collapse of markets and demand for textiles in Europe and United States of America. Circumstances are not expected to return to normalcy for quite some time and this sales tax regime is bound to induce more havoc within the country as the local manufacturing halts and employment levels plummet.

The amount of sales tax being stuck in the system is even more that the annual profits of most companies. Many companies have had to borrow from banks to finance this unjustified levy resulting in an increase in their cost of production.

This, negates the government claims to move on a policy of reducing the cost of doing business in Pakistan. The centric point of this contention of FBR was that since domestic sales constituted 50% of textile output, this was breeding grounds for tax evasion of up to a tune of $12 billion in sales.

At the time, textile sector had proved that this was a false assertion and this fact has now been admitted by FBR.The FBR has now stated on record that the domestic sales of the textile sector only account for 20% of the overall value of textile production of the country.

Sales Tax refunds are not forthcoming as per the promised and unequivocally stated claims that payments would be paid within 72 hours of filing of H forms. This has not happened and the sales tax claims even after filing of H forms have remained unpaid for months on end. In fact, the flow of quantum of refunds was very tightly regulated by the Ministry of Finance/FBR and processing of payments limited to the quantum/value predetermined by the Ministry of Finance.

The Sales Tax returns/H forms were routinely deferred or rejected by FBR on artificial limits established by them which had no basis in reality of the industry. In other words, nothing had changed from previous years in terms of refund processing.

The government had at the time of withdrawal of SRO 1125 assured the industry that it would review the situation in 6-8 months' time.

More than a year has now passed, and it is evident that the Sales Tax system is not contributing significantly to the FBR kitty. On the other hand, the government, FBR and the entire industry is constantly holding meetings and wasting money and time on resolving the issue of refunds.

Implementation of 17 percent GST for industry which is uneven has resulted in higher costs for exports. It would be difficult for small and medium sized exporters to survive under the current circumstances. Indirect exporters cannot recover the input tax used in manufacturing process because there is no refund till the final export. Another issue is segregation of input taxes and any system which needs apportionment would lead to serious impediments.

It is not possible to expect the value chain to keep on paying Sales Tax with little chance of obtaining their refunds in a timely and agreed manner from FBR. This delay results in affecting the entire supply chain as the exporters delay payments to their suppliers who in turn are forced to delay down the line. This has resulted in severe cash flow problems in part owing to the banks reluctance to finance these payments.

Should government still wish to collect sales tax on domestic sales, from a market that is already in dire straits, then it should collect the sales tax at the Point of Sale. The point of taxation must be the point of sales, whereas rate of sales tax on local supplies of finished articles of textile and finished fabric raised from 6 per cent to 15 percent for integrated business and 9 percent to 17 percent for others. Further 3 percent tax chargeable on all supplies made to an unregistered person under section 3 (1A0 of the Sales Tax Act, 1990).

In the foreseeable future the continuation of the sales tax regime applicable to an industry with 80% exports is counterproductive and will make recovery of exports to any significant level post-COVID very difficult and even make it impossible.

To achieve the targeted exports, business-friendly policies should be ensured for the industry to grow and further achieve enhanced targets. Our industry is currently not equipped to achieve significant target within a shorter period since there are numerous time-consuming issues including the development of infrastructure, etc. to become a true player in the world market. However, there is a will and potential in the textile industry to play for the economic turnaround and achieve the targets if it is incentivised properly.

Under these circumstances it is pertinent to immediately restore the SRO 1125 i.e. zero rating for the textile supply chain or reduce tax to 5 percent across the value chain. Capturing organised retail sector worth $12 billion is only possible if lower sales tax is applied across the value chain. As lower tax rate will garner higher revenues as greater volumes will be subject to a lower sales tax rate.

Furthermore, incentive to cheat or smuggle will also be discouraged. As a result, domestic market will be documented and largely "Made in Pakistan".

It is high time for government to re-evaluate its economic direction in order to move forward on the path of economic development & growth by encouraging businesses.

On contrary if the government decides to remain indifferent to the needs of the industry, it will only result in de-industrialisation, huge liquidity crisis, a precipitous fall in exports and unemployment.

Source: thenews.com.pk– Jul 06, 2020

HOME

****

Bangladesh: Primary textile sector still deprived of bailout funds

The primary textile sector is yet to receive funding from the government's Tk 30,000 crore stimulus package, despite being in dire straits due to the ongoing coronavirus pandemic.

Following a slump in sales, manufacturers unable to resume operations in full due to a lack of working capital, leading to large stockpiles of yarn and other fabrics.

Spinning, weaving and dyeing factories are eligible for a loan, according to the guidelines banks must follow when disbursing funds from the stimulus package.

From the $8 billion invested in the primary textile sector, Tk 20,000 crore has been lost to the coronavirus fallout, various millers said.

Making matters worse, about 11,000 micro, small, medium and large firms engaged in the industry could not manufacture any goods in the March-April period as it coincided with the government's two-month nationwide lockdown aimed at curbing the spread of coronavirus within Bangladesh.

As a result, these millers missed the two biggest sales windows of the year -- Pahela Baishakh and Eid ul Fitr, they added.

No one has been able to avail the loans from the bailout package as of yet, said Mohammad Ali Khokon, president of the Bangladesh Textile Mills Association (BTMA).

The primary textile sector requires heavy investment since its operational costs are so high and due to the coronavirus outbreak, the sale of yarn and other fabrics has dropped significantly.

Besides, international demand began to pick up again after stores started reopening in the US and EU, the two major export destinations for Bangladeshi garment products.

Therefore, millers need a large amount of funding so that they can restart their businesses, Khokon added. Currently, the number of spinning mills operating in the country stands at 450 with total investment in the sector amounting to Tk 40,000 crore, said Monsoor Ahmed, secretary to the BTMA.

Moreover, Tk 30,000 crore is invested in the weaving and dyeing sectors, he said, adding that those units need immediate loans to supply raw materials for the garment sector.

"Banks are reluctant to receive applications from us. I have corrected my application several times as my bank cited new excuses again and again," said Rashidul Hasan Rinto, proprietor of Chistia Sizing Mills.

Rinto is seeking to borrow Tk 1.20 crore to expand his factory in Narsingdi.

Millers who serve local markets with traditional garbs like sarees and lungis are also finding themselves in trouble for several reasons.

For instance, export-oriented textile millers who produce yarn and other fabrics are now targeting the local market due to a slump in demand from apparel exporters.

As a result of the excess supply, the price of yarn fell significantly in the domestic market, Rinto said.

A month ago, yarn sold for Tk 130 per pound. It is now selling at Tk 110 per pound.

Besides, millers have the added challenge of preserving unsold stockpiles due to the decreased demand, he added.

"This time, I expect the bank to disburse the loan as Bangladesh Bank asked the scheduled banks to complete disbursements from the stimulus packages by next month," Rinto told The Daily Star over the phone.

On July 2, the central bank issued a notice directing all scheduled banks to release a major portion of the bailout package as loans by the end of the current month while the remainder is to be distributed next month in a bid to ensure proper utilisation of the funds.

Like Rinto, Abdullah Al Mamun, director of Abed Textile Processing Mills, is waiting for his loan application to get approved.

"I hope that my bank will disburse the amount now as the central bank asked scheduled banks to make quick disbursements," he added.

The Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), the association responsible for coordinating the disbursement of loans from the government stimulus packages, expects to see a reasonable flow of funding for both existing and new loan applications soon.

"The momentum should be visible to all within two weeks. District business chambers and sectoral associations are in touch with FBCCI in this regard," said FBCCI President Sheikh Fazle Fahim.

Working out the challenges faced by borrowers is a continuous process that requires constant communication between the government and various stakeholders. To streamline the process, applications, disbursements, approvals, declines and customer service is being monitored by the FBCCI, Fahim added.

As of July 1, Bangladesh Bank approved applications to disburse a total of about Tk 4,100 crore from the Tk 30,000 crore-package.

Source: thedailystar.net – Jul 05, 2020

HOME

****

Bangladesh: There will be rebound of apparel shipment to US. But it will be slow and steady

Bangladesh's garment exporters expect a slow rebound of shipment to the US market, the country's single largest export destination, this year as American buyers have been consumed by a confidence deficit amid an economic meltdown lurking round the corner.

Due to the coronavirus pandemic, garment export to the US plunged 12.50 per cent year-on-year to $2.32 billion in the January-May period of this year, according to the Office of Textiles and Apparel (OTEXA) of the US.

Though retail stores in the US have started opening up gradually, it will take a lot of time for normalcy to return as consumers are still staying at home amid the fear of contagion, exporters said.

The pandemic has badly impacted the US economy bringing down sales of commodities including clothing items, they said.

"Garment shipment from my factory to the US market might not pick up soon although orders are coming back from the American buyers gradually," AK Azad, managing director of Ha-Meem Group, told The Daily Star over the phone.

The US market accounts for about 80 per cent of Azad's $450 million annual shipments.

"Within December, I might get 70 per cent of the work orders I had received at the same time last year."

However, everything is depending on the invention of a vaccine, he said, adding that the shipment to the American market will increase if the vaccine comes this year.

The export trend was positive in 2019 but after the coronavirus broke out, orders from the US have nosedived, said Mostafa Sobhan Rubel, managing director of Dragon Sweaters. Almost half the products of his company are destined to the US.

Many of his customers complained that their stores were not logging the expected sales even after the lockdown was withdrawn in most US states.

"I am fortunate that I work with some very good customers in the US and we did not face any order cancellations."

But new orders from these existing customers have dropped by almost 60 per cent, he said, while attributing this to the current second wave of infections and a lack of confidence among buyers in the throes of fears of an economic meltdown and job losses.

"However, we expect that the US market will rebound strongly in 2021 as American buyers and importers are looking for an alternative to China because of the political conflict between the two economic powerhouses," he added.

Rubana Huq, president of the Bangladesh Garment Manufacturers and Exporters Association, said she was hopeful about a faster rebound of apparel shipment to the US market.

"With the gradual opening of stores, there's huge potential for Bangladesh to grow in the US market," she added.

Like Bangladesh, garment export to the US from major peer countries also declined in the January-May period compared to the same time a year ago, according to OTEXA data.

Despite being a least-developed country (LDC), Bangladesh does not enjoy zero duty benefit on garment exports to the US, as the American government does not allow zero duty benefit on export of garment items except some African countries under the African Growth and Opportunity Act (AGOA).

As a result, Bangladeshi garment exporters face 15.62 per cent duty on export of apparel items to the US although America allows zero duty benefits for 97 per cent products of the LDCs.

Bangladesh exports more than $6 billion worth of garment items to the US market a year though the country's garment items are not included in the 97 per cent package.

The country has been performing well in the US market because of rising demand for Bangladeshi goods among American consumers.

Source: thedailystar.net – Jul 06, 2020

HOME

****

NATIONAL NEWS

Two-way India- Bangladesh trade via West Bengal restored after Delhi's herculean efforts

The impasse on the Indo-Bangladesh border trade through Petrapole-Benapole has finally been resolved with the first truck from Bangladesh entering India on Sunday since March restoring two-way bilateral trade following the Central government's franctic efforts led by MEA.

ET has learnt that this has been made possible following herculean efforts by MEA, MHA and Commerce as well as Indian High Commission in Dhaka. The West Bengal government had refused entry of trucks following fears of the spread of Covid.

India-Bangladesh trade has remained disrupted since March 23 due to restrictions at Integrated Check Post (ICP) Petrapole- Benapole imposed by the Govt of West Bengal. The trade resumed at ICP Petrapole on April 29 but was soon halted on May 2, owing to some local protests at Petrapole.

Trade at the ICP again resumed on the ICP Petrapole –Benapole on June 7 and gradually the truck movement increased from 24 trucks/day to around 250 trucks per day.

However, West Bengal Govt permitted only one way trade from India (Petrapole) to Bangladesh (Benapole). No exports from Bangladesh to India have been allowed by the West Bengal Govt since March 2020, while Bangladesh has allowed Indian trucks to move into Bangladesh from all border points in West Bengal.

"There has been some discontent brewing in Bangladesh on the decision of the government of West Bengal to not allow the Bangladeshi trucks to come on the Indian side. This has led to some protests at the ICP on July 1 and blocking of Indian trucks moving towards Bangladesh. Some partial trade resumed in the evening 106 trucks crossed from Indian side. But it was again disrupted," a person familiar with the issue told ET.

The Home Ministry had in April taken up the issue of cessation of permission by the government of West Bengal for trucks and goods vehicles along India’s border with Nepal, Bhutan and Bangladesh.

The Home Ministry on the advice of MEA had mentioned that closure of trading points particularly for the landlocked neighbors was an international issue and called into question India's implementation of legally binding international agreements.

It had also stated that the act of the West Bengal government was in clear violation of orders issued by MHA under the Disaster Management Act 2005 as well as well as Articles 253, 256 and 257 of the constitution.

Some 70 percent of India Bangladesh land trade takes place through the ICP Petropole-Benaople. The disruption of trade through this ICP and the inflexibility of the state government to allow trucks from Bangladesh has had a negative impact on bilateral trade.

The bilateral trade for the period April-May 2020 was $ 424 million. In contrast, in April-June 2019 bilateral trade was nearly $ 2bn. Meanwhile, Bangladesh exports to Tripura have more or less remained uninterrupted during the lockdown period.

Source: economictimes.com– Jul 05, 2020

HOME

****

Exporters want flexibility in fixing rates under new RoDTEP duty refund scheme

Call for calculating rates at broader four-digit classification level instead of eight-digit

Exporters have asked the government to allow more flexible fixation of refund rates under the Remission of Duties and Taxes on Exported Products (RoDTEP) scheme, that is scheduled to replace the popular Merchandise Export from India Scheme (MEIS) at the end of December 2020, so that certain sectors are not worse off after the switch.

"Many exporters have proposed to the government to allow classification of items more broadly at the four-digit HS level instead of eight digits for fixing the rates for refund of taxes on inputs under the RoDTEP scheme. The option for fixing a slightly higher refund rate through broad classification of product groups is needed as several products could be at a disadvantage once the popular MEIS scheme is withdrawn at the year-end and replaced with RoDTEP," a government official told BusinessLine.

HS (Harmonised System) code description categorises goods into various commodity groups, which is accepted and implemented by most countries. The higher the digits, more detailed is the classification. At the two-digit level, only the broad chapter of the good is identified, the next two digits denote the heading or the specific category within the chapter, while the additional digits denote finer sub-categories.

"If you are fixing the refund rates at eight digit level, there is not much flexibility available for you. The flexibility increases at the four digit level. Assuming at eight digits you have 200 products.

So, if you want to help the industry, you can take the best rate of the 200 products and fix at the 4 digit rate. That's the flexibility," a Delhi-based exporter explained.

Moreover, a narrower classification at eight-digit HS level, will also take a much longer time and it may not be possible to fix rates for all items by the stipulated time-line of 2020-end, the exporter added.

India is replacing the MEIS scheme, under which exporters get duty credits at 2 per cent, 3 per cent and 5 per cent of the export value depending on the product and the target country, with the RoDTEP scheme, as it has been ruled as being non-compliant with WTO norms.

Input taxes key

Since the RoDTEP scheme will be strictly based on the input taxes paid by various sectors, including on fuel and electricity, the rates of refund for sectors where the incidence of such taxes is low, will be much less than what these sectors enjoy under the MEIS scheme.

"Sectors like textiles, which do not have incidence of taxes on fuel, will have lower rates under RoDTEP than say the engineering goods sector, especially steel and ferro alloy, where the incidence of such taxes is higher," said Ajay Sahai, Director General, FIEO.

The Centre right now is collecting from various export sectors specific data such as Central and State taxes paid on fuel and electricity, stamp duty and embedded taxes in the transport sector to work out RoDTEP rates.

Source: thehindubusinessline.com– Jul 05, 2020

HOME

****

India must work with other countries to erode China's economic influence

The latest border standoff has aggravated anti-China sentiments in India to a record high. Faced with an assertive neighbour and multiple occasions of confrontation in recent years, India is scrambling for an effective response.

As of now, the focus is on economically damaging China by boycotting its products and regulating incoming Chinese investments in the economy.

Moves to boycott Chinese goods and restrict Chinese capital in India are driven by some fundamental concerns. These include safeguarding national security by reducing Chinese financial and functional presence in strategic sectors like telecom; reducing import-driven economic dependence on China, which might limit flexibility in responding to aggressive Chinese behaviour; and finally, the overpowering urge to teach China a lesson.

India's concerns, particularly those on security, are valid. But economic sanctions won't hurt China. Rather, they might end up damaging the Indian economy in the foreseeable future.

India is not among China's biggest markets. Out of $2.5 trillion overall Chinese exports in 2018, India accounted for around $70 billion, roughly 3% of total exports. This is a rather small share. Targetting such a small share through boycott and tariffs is not going to inflict any damage on China. India, as it is, would find it difficult to stop most Chinese imports. A very big chunk of what it sources from China is essential for the domestic industry.

These include electrical equipment and machinery, mechanical appliances, semi-conductor devices, fertilisers, iron and steel products, coal, auto components, textile fabric, project goods and accessories, and antibiotics. Indian industry's dependence on these imports is organic and has developed over the years and decades. India's supply chains are critically reliant on these imports. China is certainly not the sole source of these products, but it is the leading source. No other country is able to supply such large volumes as quickly at competitive prices like China.

It is impossible for the Indian industry to stop using Chinese imports at a time when industrial systems across the world are functioning way below normal capacity due to Covid-19. This makes the prospects of sourcing same imports from other countries limited. Furthermore, if India imposes tariffs on these imports, they would become more expensive for the domestic industry, increasing their economic hardships when they are struggling to revive sales and reduce operating costs. Tariffs can't also be raised on critical consumer goods imports like hand sanitisers, aprons, protective clothing, and goggles. These are extensively required by hospitals and healthcare staff for fighting Covid-19. China is the leading source for all these imports. These imports can neither be boycotted nor made less affordable.

China is also not among the largest sources of inward FDI into India. In Asia, Singapore and Japan are the largest recipients of Chinese investments. In more recent years, Chinese investment has been increasing in Asian countries that are part of its Belt and Road Initiative (BRI), such as Malaysia, Sri Lanka, and Pakistan. India is not a part of BRI and therefore not a recipient of large-scale infrastructure funds from China.

Tighter rules on Chinese inward FDI in India won't damage much the overall prospects of such investments. However, Chinese businesses, particularly the Alibaba and TenCent groups, have been funding several tech startups in India. Tighter rules on upfront Chinese investments might dry up funds in India's startup space. On the other hand, it might not be entirely possible to block Chinese funds. They might be routed through Hong Kong, or other global investment hubs such as Cayman Islands.

The current border provocation has irked India into precipitate action on Chinese goods. But instances of such calls for boycott have been witnessed before too. These instincts are rooted in a phobia around China, along with a larger deep-rooted aversion for imports, pushing the idea of replacing everything foreign by local substitutes. This has made India walk out of major regional trade agreements like the RCEP.

Several domestic industry lobbies described it as a free trade agreement with China and vociferously campaigned for staying out of it. By opting out, India lost the great advantage of being part of a trade pact, which could have helped it in reshoring some supply chain functions. RCEP has several Indian allies, Japan, Korea, Australia, Vietnam, Singapore, Indonesia, who could have been instrumental in doing so.

Ad-hoc economic actions like boycotts won't affect China. For eroding China's economic influence, India must work with other countries. It has damaged such prospects by quitting trade pacts and pushing economic nationalism. India is boycotting Chinese products. But none others are till now. It would be difficult for India to mobilise a collective economic offensive against China.

Source: timesofindia.com– Jul 05, 2020

HOME

****

Losing The Thread | Textiles

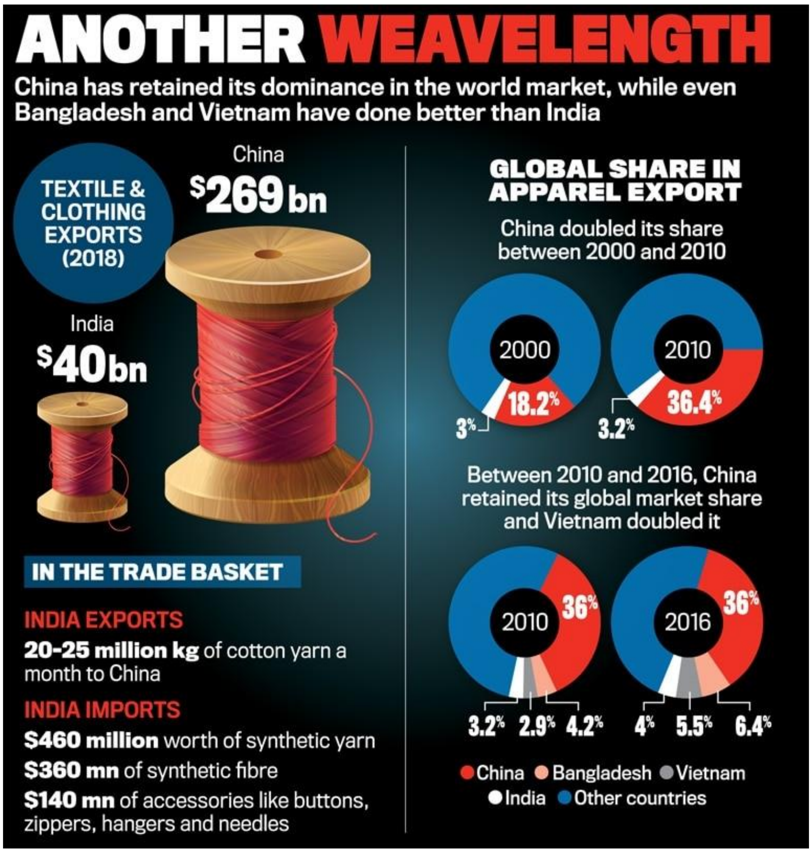
Once dubbed 'Manchester of the East', the textile town of Bhiwandi in Thane district, 40 km north of Mumbai, is today reeling under competition from the 25-30 per cent cheaper Chinese fabric. Ask Sharadram Sejpal, 58, a powerloom owner here and spokesperson of the Bhiwandi Powerloom Association, why they can't match Chinese pricing and he says: "Electricity is costlier here and taxes are high." Ironically, 90 per cent of the powerlooms in India are cheap imports from China.

Over and above the cheap looms that sustain small loom owners such as Sejpal, India is dependent on China right across the entire textile value chain, starting with raw materials for textile production, the synthetic yarn, the fabric and even the final product, be it garments or home textiles. China is India's fourth largest trading partner in purified terephthalic acid (PTA), which goes into making polyester fabric, and the largest trading partner in polyester staple fibre (PSF), made using PTA as one of the inputs. In 2019, China exported around 41,000 tonnes of PTA to India.

India imports $460 million worth of synthetic yarn mills used to make fabric and $360 million worth of synthetic or man-made fabric from China annually. It also imports over $140 million worth of accessories like buttons, zippers, hangers and needles.

In February this year, the Centre removed anti-dumping duty-ranging from $27 to $160 per tonne-imposed earlier on PTA imports from China and other countries after the textile industry asked for it to reduce production cost and enhance global competitiveness. This would have been a further boost to PTA imports from China but for the Covid-19 pandemic, which brought all industrial activity to a near-standstill.

On the garments front, though China is the world's largest exporter, when it comes to India, it is allegedly indulging in back-handed practices and routing garments through Bangladesh into the country. Chinese fabric is going into Bangladesh, being converted into garments and exported to India. These are 15-20 per cent cheaper than Indian garments. Bangladesh exported $499.09 million worth of garments to India in 2018-19. Indian fabric too goes to Bangladesh, is made into garments, and exported back to India, but in much smaller numbers than Chinese exports via Bangladesh. India also ships 20-25 million kg of cotton yarn a month to China, which is converted into cotton fabric and exported to other countries such as Bangladesh to be made into finished garments.



However, even as China constitutes an important trading partner for India, its exports to India are a fraction of its global exports. Of the $20 billion worth of PSF China exported worldwide in 2018, India had just a 3.8 per cent share. Its PTA exports to India were just about 6 per cent of its total exports of the commodity worldwide.

China exported $151.37 billion in readymade garments and clothing accessories globally in 2019, so its exports to India in that category (routed through Bangladesh, as alleged) are just about 3 per cent of its global sales. The balance of trade is also clearly in China's favour. In 2018, India imported $3.46 billion worth of textiles and clothing from China. However, its exports of textiles and apparel to China in the same year were a little over half that, at $1.8 billion.

Textiles is one of India's oldest industries, contributes 2 per cent to GDP, employs about 45 million people and contributed 15 per cent to India's export earnings in 2018-19. Globally, India ranks second in textile exports, with a 6 per cent share, and fifth in apparel exports, with a 4 per cent share.

The country also has the second-largest vertically integrated textiles production base in the world after China. Yet, despite its many advantages, Indian productivity, technology and products lag far behind China's or even of countries such as Bangladesh and Vietnam, who have built their capabilities fairly recently.

India's textile and garment exports of $40 billion are small compared with China's $269 billion in 2018. Between 2000 and 2010, China doubled its share in global apparel export from 18.2 per cent to 36.4 per cent, while India's share went up from a mere 3 per cent to 3.2 per cent.

Another six years from then, China retained its global market share, Bangladesh increased it from 4.2 per cent to 6.4 per cent, Vietnam from 2.9 to 5.5 per cent, but India inched up from 3.2 to 4 per cent. This is because the apparel export sector in India is largely composed of small and medium enterprises that lack pricing power, access to cheap credit and technical knowhow.

To attract big manufacturers to Surat, the Union minister for textiles Smriti Irani visited the textile town this January to initiate the process of developing it as a textile machinery hub that could provide affordable state-of-the-art technology.

Textile units in Surat currently depend on machinery imported from China, Korea and Germany. But efforts such as these look piecemeal when compared to the integrated approach countries like China follow.

In India, the major components of the textile business-the making of cotton or synthetic yarn or thread, the looms where the yarn is made into cloth, the printing and dyeing and later the garment-making-are scattered across the country, making logistics cumbersome and the cost of production high. China, on the other hand, has created clusters, saving on costs and enabling easy movement of goods across the supply chain.

The textiles sector in India is beset by underproductivity, outdated machinery and a distorted duty structure that encourages import of high-value apparel instead of raw cloth that can be turned into value-added garments for the international market. Wages, too, have been on the rise in India, adding to costs. Moreover, India continues to focus on cotton fabric when the world is moving toward man-made fibre that is both convenient and cost-effective.

We also lack a brand image in the international market, says Kumar Doraiswamy, CEO of the Tiruppur-based Eastern Global Clothing company. Tiruppur, which exports garments worth Rs 26,000 crore a year, had already been reeling from the bankruptcies filed by retail giants in the past year when Covid-19 struck and the country went into a lockdown, with none of the factories managing to resume production at full capacity.

However, as Raja Shanmugam, president of the Tiruppur Exporters' Association, points out: "While we were shut, China was ready to supply to the world." Its factories were up and running, moving in to capture the potential market for personal protection equipment kits. We, on the other hand, have failed to capitalise on the prevailing anti-China sentiment globally.

India has a window of opportunity to expand exports of readymade garments, but neither we nor other countries potentially have the scale or size to take material advantage of the opportunity available due to disruption in Chinese supplies, according to Hetal Gandhi, director at Crisil Research.

Moreover, countries such as Bangladesh, Vietnam and Pakistan have free trade agreements with the European Union, which means their goods attract zero duty while India pays 9 per cent. "We have a cost disadvantage," says Gandhi. Shutting down big retailers will also have a significant impact. According to Crisil estimates, FY21 could see a 30-35 per cent drop in readymade garment exports.

When it comes to garments, China can produce in 45 days what India takes a year to produce, says Rahul Mehta, president of the Clothing Manufacturers Association of India (CMAI). "For the past four years, our export growth has remained static," he says.

The Covid lockdown may have brought exports to a complete halt, but introduction of the Goods & Services Tax in July 2017 had slowed down exports significantly, Mehta adds. While cotton fabric, made from cotton yarn, attracted GST of 5 per cent, it was 18 per cent for man-made synthetic fibre; silk and jute are totally exempted from GST purview. GST rates on apparel, too, vary, with apparel below Rs 1,000 attracting a GST of 5 per cent, and the rest 12 per cent.

China also has huge economies of scale while India's focus is on smaller orders in smaller quantities, requiring smaller production factories. Indian productivity per tailor or machine is also much lower than its competitors'. A majority of India's factories are in the small and medium scale range, from 50 to 500 or, at a stretch, 1,000 machines. In China, Bangladesh or Vietnam, even a 1,000-machine factory is considered small. Besides, India has been focusing only on cotton casual wear, when formal winter wear, sportswear and specialty garments are a huge market.

"There cannot be a 100 per cent shift (from China), but we have a good chance of getting some spillover from their factories," says Mehta. Some companies want to shift a part of their garments business to India, but seem to lack confidence in the business environment, especially the uncertainties surrounding the lockdown. Industry is still unsure about opening up in the hotspots of Mumbai, Delhi, Chennai and Ahmedabad, which are large markets for the business and also the worst hit.

Business does not have much hope from the government, which they feel either doesn't have the funds or the inclination to extend any, although it did announce some credit-linked succour to MSMEs as part of a Rs 20.06 lakh crore Covid relief package in May. What companies want, though, is not easier access to credit but a restructuring of loans, which is the RBI's remit.

Meanwhile, textile secretary Ravi Capoor says "the Rebate of State and Central Taxes and Levies Scheme to assist exporters is extended. To offset disadvantages faced by industry players vis-à-vis countries that have zero duty charges in big/ thriving markets, this ministry is proposing schemes such as MITRA (Mega Integrated Textiles Region & Apparel) Parks and FPIS (Focus Product Incentive Scheme)".

Even as anti-China sentiment rises across the world, it is far too integrated with the world economy to be ignored. And for all the calls of boycott of Chinese goods in the wake of the current border hostilities and the push for Atmanirbhar Bharat, it's a task easier said than done. "There is a certain amount of consumer emotion in favour of atmanirbharta," says Mehta.

"But building self-reliance cannot happen overnight. We also have to see if it can be sustained and the alternative products available. It's a long-drawn process."

Source: indiatoday.in– Jul 04, 2020

HOME

****

The economy is not looking too bad

Reform-based stimulus amid the lockdown helped sustain supply. The need is to spur demand prudently, given the fiscal constraint

Based on sharp falls during the lockdown and due to the widespread misconception that equated the fiscal stimulus to the promised new expenditure of about 1 per cent of GDP, market analysts and international agencies are forecasting negative growth rates for India in 2020-21.

But the demand stimulus is the excess of expenditure over taxation. As revenues shrink, this will be much larger than 1 per cent. The Central plus State fiscal deficit is widely expected to be in excess of 10 per cent of GDP, even as the RBI's borrowing support allows expenditure to be made before revenue materialises.

Analysts also underestimate human resilience. Endogenous growth theories tell us a temporary real shock such as an earthquake or a war, after which human capital remains relatively intact, leads to a rapid recovery — people strive to make up for loss. Second, there is expenditure to rebuild capital. Today, we have a war against a virus, with expenditure needed for building up medical facilities.

Of course, uncertainties on the evolution of Covid-19 are a question mark on a possible recovery. But building on the early lockdown that contributed to flattening the curve, increasing preparedness and awareness, the gradual unlock may be able to avoid a US-type second spikes. Mega cities continue to be locked down, but the digital age enables much of their work to be done from home.

Absolute numbers of infections look high, but they are still low per million of population.

Positive growth

The data from June, the period of Unlock 1.0, gives good news. Manufacturing PMI rose to 47.2, after a low of 27.4 in April. CMIE unemployment averages around 11 per cent for June compared to 23.5 per cent in May. It reached the pre-lockdown 8.5 per cent in the week ending June 21, although it was lower in rural and higher in urban areas. GST collections in June rose sharply to ₹90,917 crore (91 per cent of the collections in June last year). Exports rose to 88 per cent of last June. Forward-looking stock markets are booming in a thumbs-up for the economy.

It is a source of national shame and sorrow that the absence of job insurance for migrant labour in cities led to their panic return under the extended lockdowns. But it was waiting for them at home. MGNREGA was an institution that delivered — 53 per cent higher job man-days were created in May. Empty Shramik trains have stopped, but returning trains are full, as urban jobs revive. Even so, there are longer lasting rural initiatives that may allow a better distribution of labour, facilities, and wages.

Therefore ,we may not see a sharp fall in the April-June quarter, as June makes up, or a negative growth for the year as widely forecast. The NCAER June Review, which correctly builds in the monetary-fiscal stimulus, forecasts a 1.3 per cent growth for the year if supply constraints do not bite. The June data indicates this scenario is most likely to be right.

Reversal of policy tightening

Industry has not done well since 2011, but a severe slowdown started in 2018 due to tightening of financial conditions after the IL&FS fiasco. A reversal of these conditions from mid-2019 led to a recovery in January-February 2020. Many high-frequency indicators showed this. PSB NPAs were in single digit; they had gained from recoveries via the NCLT. But the Covid-19 impact starting in February and the lockdown in March brought in Q4 growth at 3.1 per cent, lower than the previous quarter, but still above market forecasts of about 1 per cent. In the absence of more granular monthly analysis, declining quarterly growth supported the general perception India was already in a bad condition when Covid-19 struck, and thus was likely to be badly hit.

But counter-cyclical monetary-fiscal policy delivered. An over-large stimulus in 2008-09 actually led to over-heating. Benign conditions are reducing interest rate spreads. Even NBFCs are finally getting credit from a fine-tuned government partial credit guarantee programme. Covid-19 pushed the adjustment. Appropriate stimulus is delivering again during the unlock process. Limited fiscal room, however, makes caution important.

Large early demand boosts in advanced economies did not deliver a recovery. There were sharp falls in growth rates. Indeed, transfers aimed at rescue, and are expected to be followed by more. Fiscal deficits are likely to go up to 20-30 per cent. Since households, firms and governments are all highly leveraged, adding to debt would make it unsustainable. It is argued low interest rates and inflation make the circumstances best for monetary financing, which is unlikely to create risks. There is even advocacy for helicopter money, where some central bank (CB) assets are written off to enable transfers to government.

But such policies quickly raise risk premiums for emerging markets (EMs) and discredit hard-won CB independence. There is a view that some of the money created should be given to EMs, but this is unlikely to happen. Fortunately, inflation is likely to remain low in oil-importing EMs like India, and reversing liquidity tightening gives space to support government borrowing. Already, 10-year G-Sec yields have reached an 11-year low of 5.81 per cent.

Even so, India cannot afford universal unconditional transfers, especially given the large population and potentially unlimited demands. Fiscal expansion has to be controlled, reversible and avoid the over-reaction of 2008.

Reform-based stimulus, as in the mid-May package, helps fiscal sustainability and may even improve private spending to the extent that forward-looking behaviour foresees lower future taxes and instability. It reassures rating agencies that have put India at the minimum investment grade. But growth is also important for ratings. It is the best way to reduce debt ratios.

Sequencing is essential to economise, and make expenditure effective. Under the lockdown, supply fell more than demand, and so initial government measures rightly focussed on survival transfers, delaying compliance, food and medical expenditure. But under Unlock, supply has recovered more than demand.

As shops open, demand is the more immediate constraint. Businesses and consumers are fearful, each looking to the other to start; and so, this is the right time for a further fiscal boost from the government — the only one free of fear. This is similar to how government credit warranty overcame banks' fear and risk aversion.

Strategic push

To stimulate demand, further expenditure of about 2 per cent of GDP could be strategically distributed over: Coupons to spend that expire in three months, since earlier transfers went into precautionary savings; temporary cuts in GST and house registration fees; a special, Centrally-sponsored scheme to provide 100 days' employment on demand in urban areas, to be used to help municipalities fight Covid-19 and make it safer for migrants to return; wage subsidies for GST-registered positive turnover and viable MSMEs, since only about 10 per cent get bank loans.

There are supplementary demand sources, such as agriculture (which is doing well); reviving exports; rebuilding inventories; pent-up demand for consumer durables, which increased 45 per cent in June; retail housing; import substitution for Chinese goods; and the coming festival season.

These are testimony to India's growing diversity that helps absorb shocks. Some sectors are hurt, but others are doing well. The government only has to set the ball rolling.

Source: thehindubusinessline.com– Jul 05, 2020

HOME

****

Commerce Ministry finalising draft on national logistics law

The commerce ministry is considering to replace the multi-modal transportation of goods act with a full fledged national logistics law with a view to promote growth of the sector, a senior government official said on Saturday.

Special Secretary in the logistics division of the ministry, Pawan Agarwal said a National Logistics Efficiency and Advancement Predictability and Safety Act (NLEAPS) is under consideration and this law tends to define various participants of the logistics space and create a light regulatory ecosystem.

"What the logistics sector is all about is not very clear to us as of now and in that direction, we need to clearly define what the logistics sector is and what are the various elements in it. In this direction, there is a thinking that the earlier legislation multimodal transportation of goods act. be replaced with a full-fledged national logistics law." NLEAPS is under consideration, he said at a webinar organised by industry chamber PHDCCI.

Multimodal transportation includes a combination of more than one mode of movement, such as rail, road or sea, for end-to-end delivery of goods.

The Special Secretary sought views of the industry on the new law.

He said the logistics division is also working on how to modernise and formalise the logistics services and promoting digitisation in the sector, which is key for the smooth movement of goods.

National logistics portal

Although the digital transformation of the sector is happening but adoption of technology across the board is still "very poor" particularly in the trucking sector, he said adding work is also going on for the development of a national logistics portal.

Agarwal suggested the trucking sector adopt providing electronic proof of delivery, install GPS devices to further improve the services.

"We are working towards finalising a national logistics policy. We will be having consultations once the draft is finalised," he added.

The move assumes significance as high logistics cost impacts the competitiveness of domestic goods in the international market.

Effective implementation of the policy would help provide an impetus to trade, enhance export competitiveness, and improve India's ranking in the Logistics Performance Index.

India's logistics sector is highly fragmented and the government aims to reduce the logistics cost from the present 14 per cent of GDP (Gross Domestic Product) to less than 10 per cent.

Source: thehindubusinessline.com– Jul 05, 2020

HOME

****

Ludhiana manufacturers add 'Made-in-India' labels to PPE kits, masks

As the anti-China sentiment is gaining momentum among consumers, makers of face masks and personal protective equipment (PPE) kits in Ludhiana — the biggest manufacturer of the same in the country — are ensuring to attach 'Made in India' tags to their products.

Stating that Chinese products were not be being accepted by customers, the mask makers said the latter were seeking only indigenous stuff these days.

Ludhiana district chemists' association chairperson Manjit Singh said in the prevailing scenario, no customer wants to buy Chinese items and preferred locally-made masks and PPEs.

"We are receiving orders for locally-made N-95 masks from hospitals. There are reasons for it. First, the current border tension between Indian and China and secondly the poor-quality material supplied by Chinese firms. China has used India for dumping its medical equipment.

Majority of its N-95 masks and PPE kits were of poor quality and did not meet the standards. The filter on these Chinese masks used to get detached easily and was made of substandard material," said Manjit.

Similarly, PPE and N-95 mask manufacturer Avneesh Aggarwal said Ludhiana industry has both the potential and expertise to manufacture better quality face masks and PPE kits.

The need to put a barcode, lot number and place of manufacturing was felt as many people were importing products from China and selling them in the market, said Avneesh Aggarwal.

"But following the killing of our soldiers, people started boycotting Chinese-made goods. We were receiving feedback that people were asking about the place of manufacturing. So, we decided highlight our products with 'Made in India' tags," he added.

Another manufacturer Ujjwal Miglani said they were receiving direction from buyers to mandatorily attach made-in-India logos on the products made by the firm. "Not only customers, but the labourers working in the factory do not want to use any product made in China. This anti-China sentiment is proving to be blessing in disguise and will give push the MSME industry of the city." said Miglani.

Federation of Industrial and Commercial Organisation (FICO) textile division head Ajit Lakra said, "The anti-China sentiment is dominating every sector of the industry. But we have to keep in mind that over the years we have greatly depended on China in terms of machinery. While software could be replaced overnight, glitches in machinery cannot be fixed without technical support. So the government should encourage subsidised technology exchange with countries like Taiwan, Korea and Japan in order to eliminate dependence on China."

He added that the government has laid down stringent guidelines for manufacturing of PPE kits and face masks. "As per the new guidelines, the manufacturer has to mention the barcode and lot number of the product being made," said Lakra.

Source: hindustantimes.com– Jul 05, 2020

HOME

****

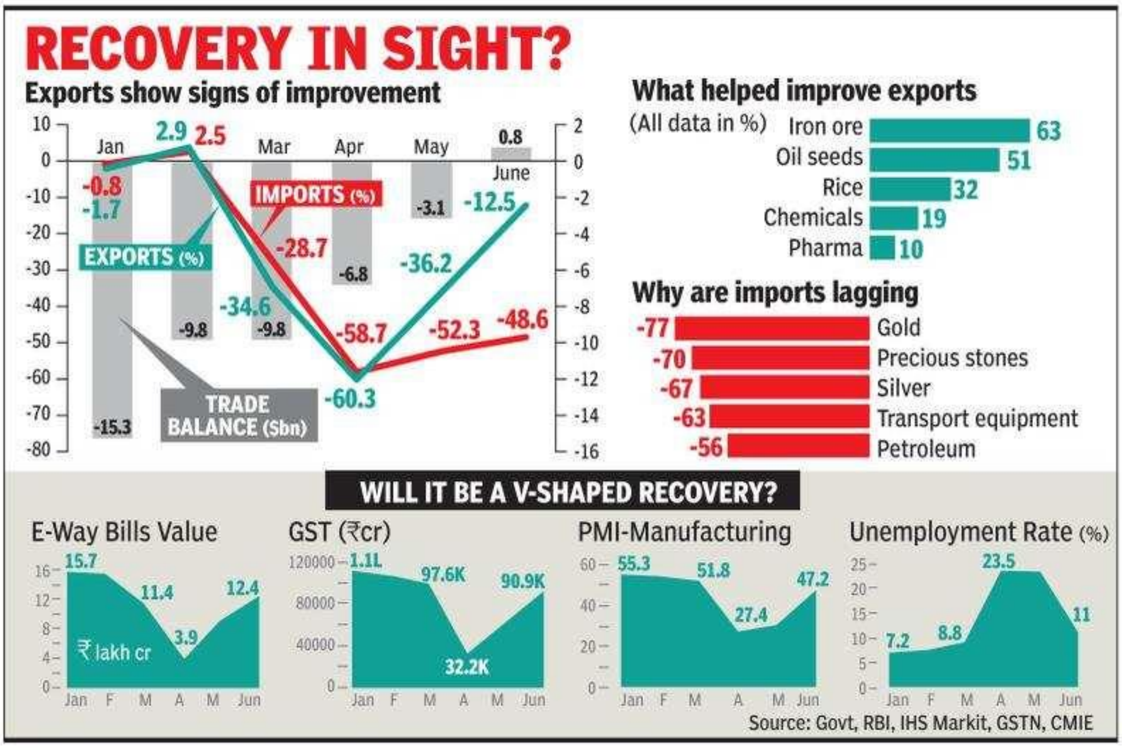
India may see first monthly trade surplus in 18 years

India may register its first monthly trade surplus in over 18 years in June as the pace of contraction of exports is estimated to have slowed down to around 12%, while imports are seen to have fallen almost 49% during the month.

Initial estimates for June, available with the commerce department, show a trade surplus of around $786 million, with imports pegged at $21.1 billion and exports at $21.9 billion. The last time India had a positive balance on the trade account was in January 2002 when it had a surplus of $10 million with exports of $4.3 billion.

On Friday, commerce and industry minister Piyush Goyal had said that exports in June 2020 had touched 88% of June 2019 level due to unlocking of the economy and resumption of activity.

The latest numbers, which will be officially released on July 15, indicated that the pace of export contraction has moderated as industries opened up (see graphic).



Policy makers, however, said that the overall pace will pick up as there is greater unlocking. Even now, given the fast growth in the number of Covid-19 cases, businesses are not fully open and discretionary spending has remained weak due to the adverse sentiment. Several sectors, including iron ore, which may have gone to China, food products such as rice, other cereals, fruits and vegetables and oil seeds reported healthy growth, the initial data shared by customs authorities showed.

But imports remain an area of concern, as it is a barometer of overall economic activity. The initial numbers suggest that the sharp decline in imports was led by gold, silver and precious & semi-precious stones, which are also linked to exports. During crises, demand for jewellery drops significantly as people look to conserve cash. Similarly, the value of oil imports was down over 55% due to a fall in global crude prices.

Imports related to the textiles sector — including cotton, fabric and made-ups — are also down sharply along with transport equipment, chemicals, iron & steel, machine tools and electronics, indicating a slump in economic activity. Some of it may also have had to do with customs going slow on clearances at ports towards the end of the month.

Source: timesofindia.com– Jul 06, 2020

HOME

****

Green shoots in economy? At 4.27 crore in June, e-way bills coming back to pre-lockdown levels

Bill generation hits 18.32 lakh, valued at over ₹54,500 crore, on June 30

E-way bill generation is inching towards pre-lockdown levels, with more than 4.27 crore bills generated in June, against an average of 5.3 crore per month in the pre-Covid period.

To curb tax evasion, the government has introduced the e-way bill system for inter- and intra-State trade. The bill, which is to be carried by the person in charge of a consignment of goods of value exceeding ₹50,000, is generated from the GST Common Portal.

The validity of the e-way bill depends on the distance that the goods have to be transported.

An upsurge in e-way bills is seen to signal a pick-up in economic activity, as it reflects an improvement in the movement of goods.

According to data released by the GST Network, the IT backbone of the indirect tax regime, with the phase-wise relaxation in lockdown, e-way bill generation reached 18.32 lakh, with a value of over ₹54,500 crore, on June 30, the last day of Unlock 1.0. Both the numbers are the highest in their respective categories since the enforcement of the lockdown.

E-way bill generation, which used to be around 20 lakh a day pre-Covid, came down drastically after the enforcement of the lockdown in March. The month witnessed the steepest fall, with e-way bill generation plunging to about 0.49 lakh on March 25.

In a month-on-month comparison, April witnessed a sharp dip at 84.53 lakh e-way bills, valued at ₹3.9-lakh crore.

‘Gathering pace’

With easing restrictions, the number grew rapidly over May and June. The data substantiate that the economy is gathering pace with the movement of goods rebounding to close to pre-lockdown levels and GST collections rising sharply, said experts.

"The upward trend means Unlock 2.0 is going to have more reasons to cheer," said the GSTN. It added that as part of easing the compliance burden, the e-way bill validity was extended to ensure the hassle-free movement of cargo that were stuck on highways during the lockdown.

Source: thehindubusinessline.com– Jul 06, 2020

HOME

****

Aatmanirbhar in agriculture will require incentives for export of high-value agri-produce

With global supply chains being disrupted because of the COVID-19 crisis and the country embroiled in a border standoff with China, Prime Minister Narendra Modi has given a clarion call for "Aatma Nirbhar Bharat". The Modi government has banned 59 Chinese apps, it has stepped up effort to check imports and investments from China, even raised import duties, and asked Indians to "be vocal for local". Many economists have described all this as "back to protectionism".

One may ask: What does Aatma Nirbhar Bharat mean? Is it self-reliance or self-sufficiency in all essential items? Can India be aatma nirbhar in crude oil, which is so essential and where import dependence is roughly 80-85 per cent? One gets fuzzy answers from the government.

Let me focus here on "aatma nirbharta" in the agriculture sector. It is presumed that for a large country like India, with a population of 1.37 billion, much of the food has to be produced at home. We don't want to be in a "ship to mouth" situation, as we were in the mid-1960s. We know the political cost of over-dependence on food aid. But there is one basic difference between the mid-1960s and today — the availability of foreign exchange reserves. In the mid-1960s, if India had spent all its foreign currency reserves — the country had about $400 million — just on wheat imports, it could have imported about seven million tonnes (mt) of wheat. Today, India has foreign exchange reserves of more than $500 billion. Even if the country has to buy 20 mt of wheat at a landed cost of $250/tonne, it will spend just $5 billion — just one per cent of its foreign exchange reserves. In that sense, the biggest reform in the last three decades that has led to "aatma nirbharta" in food is the correction of the exchange rate, coupled with the gradual integration of India with the world economy. This has helped India increase its foreign exchange reserves from $1.1 billion in June end, 1991 to more than $500 billion today.

In any case, let us look within the agricultural sector. Is India a net exporter or net importer of agricultural products? The graph presents exports and imports of agricultural commodities over the last 10 years (2010-11 to 2019-20). It clearly shows that India has been a net exporter of agri-produce. In fact, it has been so ever since the economic reforms began in 1991. The golden year of agri-trade, however, was 2013-14. That year agri-exports peaked at $43.6 billion while imports were $18.9 billion, giving a net trade surplus of $24.7 billion. That was the last year of the UPA government. Since the Modi government took over the reins of the economy in 2014, agri-exports have been sluggish and sliding. In 2019-20, when the Modi government had completed six years in office, agri-exports were just $36 billion, and the net agri-trade surplus at $11.2 billion. With this lacklustre performance, talk of doubling agri-exports by 2022 looks almost impossible.

However, if one were to look at agriculture and chalk out a strategy where exports can be augmented and imports compressed, we would need to keep in mind the principle of “comparative advantage”. That means exporting more where we have a competitive edge, and importing where we lack competitiveness. The current agri-export basket of 2019-20 gives a sense of “revealed comparative advantage”. Marine products with $6.7 billion exports top the list, followed by rice at $6.4 billion (basmati at $4.6 billion and common rice at $2.0 billion), spices at $3.6 billion, buffalo meat at $3.2 billion, sugar at $2.0 billion, tea and coffee at $1.5 billion, fresh fruits and vegetables at $1.4 billion, and cotton at $1 billion.

However, rice and sugar cultivation are quite subsidised through free power and highly subsidised fertilisers, especially urea. Together power and fertiliser subsidies account for about 10-15 per cent of the value of rice and sugar produced on a per hectare basis. But more importantly, it is leading to the virtual export of water as one kg of rice requires 3,500-5,000 litres of water for irrigation, and one kg of sugar consumes about 2,000 litres of water. So, in a sense, the two crops are leading to a faster depletion of groundwater in states such as Punjab, Haryana (due to rice) and Maharashtra (due to sugar). Thus, quite a bit of the “revealed comparative advantage” in rice and sugar is hidden in input subsidies. This leads to increased pressure on scarce water and a highly inefficient use of fertilisers. It may be worth noting that almost 75 per cent of the nitrogen in urea is not absorbed by plants. It either evaporates into the environment or leaches into groundwater making it unfit for drinking.

Why don't we offer similar incentives for exports of high-value agri-produce like fruits and vegetables, spices, tea and coffee, or even cotton, as we do for rice and sugar? This is a question that policy makers need to think about with an eye on the "comparative advantage" principle.

On the agri-imports front, the biggest item is edible oils — worth about $10 billion (more than 15 mt). This is where there is a need to create "aatma nirbharta", not by levying high import duties, but by creating a competitive advantage through augmenting productivity and increasing the recovery ratio of oil from oilseeds and in case of palm oil, from fresh fruit bunches. While mustard, sunflower, groundnuts, and cottonseed have a potential to increase oil output to some extent, the maximum potential lies in oil palm. This is the only plant that can give about four tonnes of oil on a per hectare basis. India has about 2 million hectares that are suitable for oil palm cultivation — this can yield 8 mt of palm oil. But it needs a long term vision and strategy. If the Modi government wants "aatma nirbharta" in agriculture, oil palm is a crop to work on.

Source: indianexpress.com– Jul 06, 2020

HOME

****

Why India's MSME Sector Needs More Than a Leg-Up

The Narendra Modi government two months ago announced the 'Atmanirbhar' stimulus package to reboot India's micro, small and medium enterprises (MSMEs) sector, which was recently reclassified on the basis of turnover and investment.

With effect from July 1, 2020 as per the latest redefinition, a micro enterprise is reclassified as one in which the plant and machinery investment does not exceed one crore rupees and turnover does not exceed five crore, a small enterprise would be that in which investment shouldn't exceed ten crore with turnover up to fifty crore and in a medium enterprise the investment shouldn't exceed Rs 50 crore with turnover at Rs 250 crore.

Announcing this on May 13, Union finance minister Nirmala Sitharaman stated that this new classification was being made under the 'Atmanirbhar Bharat Abhiyaan' Economic Package to assuage India's economic predicament amidst the pandemic. Under this 'abhiyan' (scheme) the government has decided to provide Rs 3 lakh crores in collateral-free automatic loans to MSMEs aimed at providing additional working capital to existing customers of banks and NBFCs. Additionally, on July 2, 2020 World Bank announced a US $750 million budget support to 15 crore MSMEs to increase liquidity access for viable small businesses impacted by COVID-19.

The 'Atmanirbhar Bharat Abhiyaan' is being hailed as major fiscal policy and relief measure package to assuage India's economic predicament amidst the pandemic with specific emphasis on MSME revival. But how far can this reclassification resuscitate the Indian economy which is barely recovering from the effects of the COVID-19 pandemic and has now been hit by the effect of a ban on Chinese products? Will these measures decrease the stress in the MSME sector?

Employing over 11 crore workers MSMEs contribute 29% of India's GDP and comprise almost half of its exports. While there are about 90.19 lakh registered MSMEs, there may be actually more than 6.33 crore MSMEs out of which 6.30 crore or 99.4% are micro-enterprises while 0.52% — 3.31 lakh are medium and 0.007% — 5,000 are medium enterprises. Despite holding 48% share in India's exports, the significance of MSMEs in creating sufficient opportunities or employment for the country's teeming millions has always occupied a secondary status.

The MSME sector has been facing a credit crunch for some time but nothing like the present freeze. Former SEBI chairman U.K. Sinha led expert committee on MSME sector had submitted its report exactly a year ago in July 2019, suggesting in the main that the (MSMED) Act, 2006 needs to be reimagined with focus on market facilitation and promoting ease of doing business. In the recent amendments, some of the suggestions have been adopted but others having a direct bearing on improving the 'ecosystem' for the MSME sector appear to have been disregarded. For example, the U.K. Sinha report recommended that since Micro and Small Enterprises (MSEs) face problems of delayed payments, all MSMEs must upload their invoices to an Information Utility. States must have more than one MSE Facilitation Council to cater to the high number of delayed payment cases. It had also recommended making 25% procurement from MSEs mandatory for PSUs through the e-market portal.

While the current stimulus will ensure adequate flow of credit, a major bottleneck that the MSME sector is facing, the fact remains that this is not entirely a novel initiative. The majority of the MSME sector comprises of the micro players which simply do not have the experience or resources, to use bank finance or engage in product promotion to ensure adequate returns. Real stimulus is possible only if credit flow is discernible. The '59-Minute loan Programme' that was launched by the government did ensure that loans were sanctions in at the earliest but the actual disbursement was simply not there. Further the 'PSBLoansIn59Minutes' portal as of now caters only to existing entrepreneurs GSTIN, Income Tax returns, bank statement, but doesn't cater to new entrepreneurs.

Special insolvency resolution framework for MSMEs has been envisaged under the Atmanirbhar package. Now if an MSME finds itself incapable of meeting its financial obligations, the insolvency resolution process could be initiated at default of at least Rs 1 lakh. But this may not find financial creditors coming on board and cooperating. So those creditors that are falling below the Rs 1 crore limit, or are owed upto Rs 1 lakh by larger private firms (or public sector undertakings) cannot invoke insolvency. Under these circumstances, bank managers would rather not lend.

Under the Rs 3-lakh-crore loan scheme for MSMEs, guarantee will be provided by the National Credit Guarantee Trust Co. Ltd (NCGTC). However, this facility is extended only for the existing borrowers with revenue of up to Rs 100 crore. While banks can charge a fixed interest rate of 9.25% with no guarantee fee to be given to NCGTC, the interest rate for non-banking financial companies (NBFCs), is fixed at 14% which is equivalent to their cost of funding preventing cost cover for the spread in a collateral free scheme. NBFCs continue to be the go-to lender among MSMEs, and they should be restored as the priority lending list. Further restrictions such as closely watching repayment ability of those who have taken the three-month moratorium on loan repayment, or no loan extension till the interest for 2-3 months moratorium period is serviced will become hinderances for MSME borrowers.

Earlier the government had tried to encourage disbursement of collateral free loans under the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMCE). Although the intention was commendable the ground reality was that no bank or NBFC would be willing to lend under this scheme because you can only apply to government to refund a guarantee after 18 months. No bank would be willing to take that hit in its balance sheet. The waiting period needs to be reduced to six months from the present 18 months.

According to Fitch ratings liquidity and asset-quality challenges to remain as key sector issues, as companies navigate the pandemic-led disruption in the months ahead. “The performance of India’s non-bank financial institutions (NBFIs) in the financial year ending March 2020 (FY20) was characterised by muted asset growth, funding challenges and the coronavirus pandemic-related slowdown, which started in March 2020.”

The current package and reclassification are not sufficient to recuse the MSME sector from the assaults of the COVID-19 pandemic and the ban on the Chinese products along with a hugely decreased demand. The #RebootIndia campaign will not succeed until the entire ecosystem for micro players with the MSME sector is simplified to the encourage even undergraduates to boldly venture into initiating a business.

The compliance framework at present is far too elaborate. While conceptually it is a commendable idea, and it has simplified interstate business the fact remains that it has mushroomed paperwork. Small players usually do not have the required documents nor do they have the capital to get the expertise services. For the MSME players only one identifier ex. Aadhar or company GST should be obligatory; all other identifiers like import export number, registrations with various entities such as Udyog Aadhaar portal, GSTN, NSIC, etc should be dispensed with in order to free up the time of the entrepreneurs, who get enmeshed in this paperwork. UK Sinha report had suggested making PAN the Unique Enterprise Identifier (UEI) for the MSME.

Another factor that should have been considered is the MSME player’s exposure towards share market to raise capital for business expansion. Lack of Equity capital restricts the growth momentum of MSME delaying the market opportunities in an increasingly competitive global market. To really thrive MSME players operating in an informal manner need support in terms of infrastructure.

The government should invest in providing more back-end services to improve performance of the MSME segment which in turn are suppliers for big industrial houses. The sector also suffers from lack of technology-based production activities. Without technological application and low investment in R&D activities the sector simply cannot become competent. Globally available technology could be subsidised by the government so that the product quality of the MSME players can be improved using existing resources. This also requires the help of academic institutions as.

Apart from these bottlenecks are the issues of low demand in the economy in large measure because of the COVID19 pandemic and the ban on the Chinese goods. Amidst a border standoff with China, Union minister Nitin Gadkari announced that China will not be allowed to invest in India's MSME sector and imports from China will be discouraged. This appears to be an impulsive reaction in response to China's military aggression and can have devastating impact on Coronavirus-hit MSME businesses. A hike in import duty or placing of non-tariff barrier on items can make input cost expensive by 10-40%.

On the bright side domestic MSMEs are known for producing expensive but better-quality products in comparison to the poor-quality Chinese products which dominate the unorganised retail sector. Despite the many issues that the sector is facing, a committed credit provision, simpler compliance framework and technology upgradation will succeed in #rebootinginda as manufacturing units contemplate shifting their operations from China to India.

Source: thewire.in– Jul 06, 2020

HOME

****

'Economic activity picking up pace; green shoots emerging in some sectors'

Concerns remain over availability of labour and supply chains, officials say

Economic activity in many of the districts that did not go into an intensified lockdown has picked up significantly, and the easing of curbs in the regions that did face such a shutdown — Chennai, Kancheepuram, Tiruvallur and Chengalpattu — from Monday is likely to add momentum to what the Tamil Nadu government hopes will be the beginning of an economic revival.

Senior government officials said economic activity had reached 60-65% in several districts, and close to 70% of pre-lockdown levels in a few regions that did not face an intensified lockdown. "The momentum of economic activity has picked up. Electricity and fuel consumption has gone up. The bulk diesel consumption for freight hasn't really stopped. There have been no real complaints about the disruption of cargo movement by road, except during the initial phase of the lockdown," a senior official said.

Another official said many industries had indicated that they had seen green shoots, especially in the automobile and textiles sectors. The IT/ITeS sectors too have been performing well, with government officials saying, citing feedback, that productivity has gone up to 90-95%, with employees working from home. According to officials, in districts like Tiruppur and Coimbatore and the western belt, textile manufacturing facilities are functioning at almost full production capacity, and have sought further relaxations to allow them to function on Sundays as well.

As far as Chennai and its surrounding districts are concerned, the extent of the economic revival would be known only after a month, an official said. While industries continued to function with limited capacity in these regions, the availability of labour was a major issue, the official said. "However, some industries told us that they were able to find labour, albeit at a slightly higher cost.

Other issues like supply chains need to be addressed, and we are looking at those," the official added. "For example, the automobile industry has told us that even if they produce [vehicles], showrooms and dealers can't reopen. So, the entire [supply] chain has to slowly come back," the official pointed out.

When asked if there would still be a demand for products, considering that a number of industries have slashed jobs and instituted pay cuts, officials said this was one of the primary reasons why the State government took a conscious decision not to defer the salaries of government staff. "This was a very conscious decision.

Two reasons — one, we are telling the private sector not to cut salaries, and we cannot do something contrary to that; two, we believe that when expenditure needs to pick up, people need to have purchasing power. If we are able to put that money into the system, people are going to be able to spend," an official said.

Source: thehindu.com– Jul 06, 2020

HOME

****

T.N. govt. opens exclusive cell to facilitate exports

The Tamil Nadu government has established an exclusive cell to facilitate exports, Neeraj Mittal, MD and Chief Executive Officer, GUIDANCE, said here on Saturday.

At a virtual conference organised by the Confederation of Indian Industry (CII) on 'Explore Export 2020', he said GUIDANCE has now export promotion as a mandate with dedicated resources. The cell would answer questions from exporters, match trade partners, incentivise exporters and address export issues. The government had taken sector-specific measures to promote exports, he said.

Thoothukudi VOC Port Trust chairman T.K. Ramachandran said the VOC Port could be a major attraction for investors to establish industries in southern districts. The port, which has well-trained personnel and state-of-the-art gadgets, could handle large volumes of cargo. It has a plenty of land for industrial development, he said, inviting entrepreneurs to set up shop here. CII Tamil Nadu Chairman Hari K. Thiagarajan said exporters should utilise government schemes, especially those under 'Make in India'.

Exporters from this region should aim not only for job creation but also a higher share in India's exports on a higher gross value. By producing higher volumes, local consumption could improve and products would be visible in global markets, he said.

Since the lockdown due to COVID-19, the exports had declined to 35% between March and May, but the situation was promising from mid-June, said Dinesh Dua, CII (North India) and chairman, Pharmexcil. The next three months looked positive for exports as the industry, especially the health sector, had made face masks and personal protective equipment to tackle the COVID-19 pandemic worldwide.

Event chairman V. Krishna Shankar said the objective of the conference was to prompt exporters to achieve a 5% share in world merchandise trade and services trade by 2025.

Source: thehindu.com– Jul 06, 2020

HOME

****

Gujarat: Demand slowdown hits MSMEs

Slowing demand in automobile, textile and other sectors, coupled with a global slowdown during the pre-Covid period had left Micro Small and Medium Enterprises (MSMEs) grappling with liquidity crisis.

As a result, with the Covid outbreak, the bad loan burden for MSMEs in the state has gone up.

According to the latest report by State Level Bankers' Committee (SLBC) the gross non-performing assets (NPAs) for MSMEs has grown by 27%. The NPA burden grew by Rs 2,259 crore in Gujarat, up from Rs 8,222 crore in financial year 2018-19 to Rs 10,481 crore in 2019-20.

Industry players indicate that in Gujarat, several MSMEs felt the heat of slowdown in the automobile and textile sectors, among others which are facing a demand downside over the past two years.

BAD LOANS RISE

Period	Outstanding*	NPA*	% NPA to outstanding ratio
2018-19	1,27,174	8,222	6.47
2019-20	1,29,032	10,481	8.12

*In ₹ crore, Source: SLBC Report

"MSMEs are among the worst hit due to slump in demand in both domestic and international markets in various sectors including automobile and textiles. Since these enterprises comprise an integral part of the manufacturing value chain, decline in sales will directly impact their order books," said Chintan Thaker, co-chair, Assocham – Gujarat state council.

"Moreover, the fall of Non-Banking Finance Companies (NBFCs) on which, small enterprises are dependent for working capital loans further impacted credit inflow for MSMEs. With stretched payment cycles, no ease on liquidity and fixed overheads, bad loan burden kept on mounting," Thaker went on to say.

Interestingly, while NPAs mounted, the credit outflow for MSMEs remained almost stagnant during the year. The SLBC report states that the loan advances for the MSME sector, went up only marginally by 1.5% from Rs 1.27 lakh crore in the year that ended on March 31, 2019 to Rs 1.29 lakh crore as on March 31, 2020.

Bankers claim that MSMEs have been under stress since at least two years, due to a demand slowdown. “If the payment cycles are stretched and demand is hit, NPAs are bound to mount,” said a well-placed source.

“There have been ample efforts on part of banks to ease liquidity for MSMEs. While the RBI has come out with a one-time window for restructuring of accounts which were classified under NPA, even banks have extended credit by reassessing working capital limits and providing loans under Covid emergency credit line and other schemes. This will certainly help ease liquidity for medium and small enterprises,” said Vikramadiya Singh Khichi, convener, SLBC – Gujarat.

Source: timesofindia.com– Jul 04, 2020

HOME

****