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INTERNATIONAL NEWS

World economy unlikely to re-attain pre-pandemic output levels before 2022: Report

With COVID-19 still dominating major developments globally, the world economy is not likely to re-attain pre-pandemic output levels before 2022, says a report.

According to Dun & Bradstreet Country Risk and the Global Outlook, "nothing about the pandemic can be classified as over, despite recoveries in activity levels in some economies in Q3, as evident in PMIs (Purchasing Managers Indices), Google Mobility data and monthly economic data".

Unemployment will keep rising above the pre-pandemic baseline as government programmes are phased out and cease to protect workers, while the pace of what recovery there is may yet weaken in Q4, said Arun Singh, Global Chief Economist, Dun & Bradstreet.

Singh further said "we do not expect the world economy to re-attain pre-pandemic output levels before 2022. The biggest question mark is not over the depth of the recent shock but over its persistence."

According to Singh, "in India, the pace of economic revival will depend on how quickly the health concerns abate as India is yet to witness a peak, economic activity restarts with 'Unlock 4′ and importantly the psychological impact of the COVID-19 ebbs away."

The steady rise in case-loads, even as India demonstrates one of the highest recovery rates, and the spillover effects of the strict lockdown measures undermines the growth impulses in Q2 and Q3 of the fiscal year, he added.

India's economy suffered its worst slump on record in April-June, with the gross domestic product (GDP) contracting by 23.9 per cent as the coronavirus-related lockdowns weighed on the already-declining consumer demand and investment.

On the employment front, all countries that Dun & Bradstreet covers (with the exception of Serbia) are showing year-on-year declines, the report said.

"Indeed, we believe that the road ahead will be one of further spikes and troughs in economic activity, with considerable regional variations. Even if all jobs were to be saved, the decline in 2020 corporate profits in most OECD (Organisation for Economic Co-operation and Development) economies would be at least 5 per cent," it said.

On Asia Pacific, the report said "optimism that leading Asia-Pacific economies' early containment of the virus could lead an exceptional GDP performance is receding, with South Korea on the brink of lockdown in August, Japan suffering case numbers comparable to those in western European countries, and even virus-free Taiwan region's economy shrinking year-on-year in Q2".

Source: financialexpress.com– Sep 07, 2020

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UK could quit Brexit talks if no deal by Oct 15: Johnson

The United Kingdom could walk away from talks with the European Union (EU) within weeks, British Prime Minister Boris Johnson has said ahead of a post-Brexit trade talks. Insisting that a no-deal exit would be a 'good outcome' for his country, Johnson said an agreement would only be possible if EU negotiators are prepared to 'rethink their current positions'.

British chief negotiator David Frost and his EU counterpart Michel Barnier are scheduled to meet in London beginning September 10 for the eighth round of negotiations. The key sticking points are European boats' access to UK fishing waters and state aid to industries.

Johnson said the country would 'prosper mightily' even if the United Kingdom had 'a trading arrangement with the EU like Australia's', according to global newswires.

While the United Kingdom accuses the bloc of making demands that it has not imposed on other countries it has free trade deals with, such as Canada, the EU is blaming the former of failing to seriously negotiate.

Barnier said last week he was 'worried and disappointed' by the lack of progress and said the United Kingdom had not 'engaged constructively'.

Britain left the European bloc on January 31, three-and-a-half years after the country narrowly voted to end more than four decades of membership. That political departure will be followed by an economic break when an 11-month transition period ends on December 31 and the United Kingdom leaves the EU's single market and customs union.

January 1 will bring tariffs and other economic barriers between the United Kingdom and the bloc, its biggest trading partner. without a deal.

The EU says a deal has to be struck before November to allow time for parliamentary approval and legal vetting before the transition period expires. Johnson gave an even shorter deadline, saying an agreement needed to be sealed by an EU summit scheduled for October 15.

French foreign minister Jean-Yves Le Drian recently said talks were 'not going well' and dismissed British attempts to drive a wedge between EU nations on issues like fishing.

Source: fibre2fashion.com– Sep 07, 2020

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Xinjiang: apparel groups expect Trump administration blocking order on Chinese textile imports

US apparel groups are expecting a Trump administration decision as early as this week blocking imports of Chinese-made textile and apparel products on the grounds that they are the products of forced labour in the Xinjiang region of China, according to textiles industry sources and a former Trump White House trade official.

Such an order, which would come from US Customs and Border Protection (CBP), has the potential to affect tens of billions of dollars of US textile and clothing imports that contain cotton, yarn or fabric produced in the Xinjiang Uygur Autonomous Region (XUAR). It also could boomerang back on US cotton producers if Beijing is provoked into retaliation.

The mandate, known as a Withhold Release Order (WRO), would not be an actual import ban. But goods subject to a WRO have to be re-exported or destroyed if CBP determines they were made with forced labour.

CBP did not respond to requests for comment.

Barring the use of any Xinjiang cotton in clothing shipped to the United States would be an escalation of US actions expressing disapproval of forced labour and other human rights abuses in the region. The US Commerce Department already has placed close to 50 Chinese operations on its Entity List for involvement in those practices, effectively banning US companies from doing business with them without a special license.

US-China relations have deteriorated dramatically in the past year over a number of issues, including Beijing's handling of the early stages of the coronavirus outbreak in Wuhan, its crackdown on political dissent in Hong Kong and its treatment of the Uygurs, an ethnic Muslim minority.

The US State Department, in its most recent annual report on human trafficking, has accused the Chinese government of engaging in "widespread forced labour," partly through the arbitrary detention of more than one million Uygurs, ethnic Kazakhs, ethnic Kyrgyz, and other Muslims in the XUAR.

POLITICO reported last month that the Trump administration has been mulling whether to formally label China's brutal repression of the Uygurs a "genocide."

About 85 per cent of China's cotton is grown in Xinjiang, according to the US Agriculture Department. And a coalition of union and activist groups, who have called on clothing brands and retailers to stop sourcing from the Uygur region within 12 months, estimate about one fifth of all cotton garments sold in the world contain Xinjiang cotton or yarn.

The United States imported between US$40 billion and US$50 billion worth of textiles from China last year, and Uygur cotton, yarn and fabric is used by other countries such as Vietnam, Indonesia, Cambodia, Bangladesh and Sri Lanka to make clothing.

The activist groups charge that nearly the whole apparel industry – including brands such as Adidas, H&M, Lacoste, Nike, Ralph Lauren and Zara – is linked to specific cases of forced labour in the region. They back up their claim with reports from governmental agencies, news outlets, think tanks and associations.

Earlier this year, a bipartisan group of lawmakers in both the House and the Senate introduced legislation that would require corporations to prove with "clear and convincing evidence" that any products sourced from the XUAR are not made with forced labour before they are allowed entry in the United States.

Click here for more details

Source: scmp.com– Sep 07, 2020

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Cambodia is exploring the possibility of establishing a Free Trade Agreement with Japan.

This was conveyed to the Japanese Foreign Minister Motegi Toshimitsu when he visited Cambodia in the 3rd week of August.

This was said by Prime Minister Hun Sen when he chaired the Cabinet Meeting last Friday.

He added that Cambodia as well as Asean member states have yet to maximise the benefits from its regional trade framework and this must be further improved to gain advantages t from the regional trade with China, South Korea, Japan and other countries.

"We have not done enough. We did a tittle concerning the regional trade frameworks. I have suggested to the visiting Japanese foreign Minister Motegi Toshimitsu recently that, both countries should do free trade agreement.

PM Hun Sen recalled that Japan's outgoing Prime Minister, Shinzo Abe is close to him since they both knew each other since 2001 to 2007. Abe is an active prime minister and he will resign due to his poor health.

The premier also called for a speedy process of negotiations in the context of RCEP, although without India, given the fact that such RCEP market is too big that includes South Korea, New Zealand, among others.

"We must work to take advantage from such market in the bloc. I am asking the minister of commerce to speed up the process so that we can export more Cambodia's products to overseas market."

The Regional Comprehensive Economic Partnership (RCEP) is a proposed free trade agreement in the Asia-Pacific region between the ten member states of the Association of Southeast Asian Nations (ASEAN), namely Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam, and four of ASEAN's FTA partners—Australia, China, Japan, New Zealand, and South Korea.

RCEP negotiations were formally launched in November 2012 at the ASEAN Summit in Cambodia. In 2018, the 16 negotiating parties accounted for about half of the world's population and 39% of the world's GDP. Without India, the 15 negotiating parties account for 30% of the world's population and just under 30% of the world's GDP.

The Cambodia-Japan trade volume decreases slightly by 3.7 percent to $1.01 Billion in H1, 2020.

Figures from the Japan External Trade Organisation (JETRO), from January to June shows that Cambodia exported $791.6 million worth of products to this northeastern Asian market, a year-on-year decrease 0.2 percent.

At the same time, Cambodia spent $218.6 million buying products from Japan, a 14.6 percent decrease.

Source: khmertimeskh.com– Sep 07, 2020

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Sri Lanka: Readymade garments and batik imports suspended

State Minister of Batik, Handloom Fabrics, and Local Apparel Products Dayasiri Jayasekara said steps have been taken to restart all small-scale handloom textiles to meet local demand as the Government has decided to ban all readymade garments and batik imports to Sri Lanka.

He told the media recently that the Government would take steps to stop importing all items that could be made locally.

"We will renew Prime Minister Sirimavo Bandaranaike's policies by regenerating local production. With the prevailing Covid-19 situation, all the countries around the world have taken steps to increase local production and likewise, Sri Lanka will also produce all that can be produced locally and curtail all possible imports," State Minister Jayasekara said.

Meanwhile, Jayasekara recently said that he would introduce new laws to make it compulsory for government employees to wear batik or handloom apparel once a week as a step towards promoting local apparel.

Accordingly, the prices of batik and handloom apparel would be reduced and will be available at affordable prices in order to enable all employees to purchase batik and handloom.

Source: nation.lk– Sep 07, 2020

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Bangladesh: Apparel leads export recovery

Bangladesh had witnessed a steep fall in exports in April this year as the ongoing coronavirus pandemic has had an unprecedented effect on both the local and global economy. During that month, the country's overall export earnings reached a record low of $0.52 billion, of which the apparel sector contributed $0.37 billion.

The job market was subsequently jolted and a few thousand employees were terminated when the factories where they worked at either halted production or shuttered their businesses altogether due to the Covid-19 fallouts. In a bid to curb the spread of Covid-19 within Bangladesh, the government enforced a two-month 'general holiday', beginning on March 26, during which all economic activities were shut down while public movement was limited as well.

However, in April, May and the first two weeks of June earlier this year, thousands of workers brought out processions and put up barricades on roads and highways to demand security for their jobs.

As the major retailers and brands of western markets began to slowly reopen their stores midway through June, local factory owners also started resuming production. This ensured that not as many workers would lose their jobs as previously thought.

A big relief came for the garment sector, which typically contributes more than 84 per cent of the national exports in a year, when international retailers and brands started to gradually accept their cancelled work orders. In April and May alone, international retailers and brands solely in the garment sector cancelled work orders worth $3.18 billion, putting local suppliers in a tight spot.

The government's generous spoon-feeding programme for exporters, especially those in the garment sector, also helped a lot during this crisis time. The government provided a Tk 10,500 crore stimulus package for export-oriented sectors, particularly the apparel industry, so that they could pay their workers' wages from April to July under the scheme with only 2 per cent service charge.

So after a perilous journey, the country's exports started recovering and like previous times, the garment sector is again leading the recovery. Ahsan H Mansur, executive director of the Policy Research Institute (PRI), said exports have recovered to some degree but it is not exactly what it was during the pre-pandemic era.

This is because the virus is making a comeback in many countries, such as Germany, Italy and Spain, which are in the EU, one of Bangladesh's main export destinations. About 58 per cent of Bangladesh's total exports are destined for the EU while a walloping 64 per cent of the country's garment shipments head for the same area.

Therefore, the EU's economic recovery is a major factor for the recovery of Bangladesh's economy, employment and export receipts, Mansur said. Since the EU and US markets are slowly returning to normal, so is

Bangladesh's export, he added. But although the garment sector is rebounding well, the rest of the economy is trying to do the same. Imports have also increased, albeit gradually.

Bangladesh now imports $6 billion worth of goods each month but is currently struggling to bring it back down to $3.5 billion. MA Jabbar, managing director of DBL Group, a leading garment exporter, said that usually August-September is a lean period for the garment sector.

It was not the same this year for DBL though as buyers asked the factory management to continue production in order to cover the losses that were incurred in April and May because of the pandemic.

"We have definitely recovered, although not fully. Price is very low. But we are not thinking about prices now. It is our priority to run our business now," Jabbar told The Daily Star over the phone. "Full recovery in business will not take place this year. Our strategy is to stay alive. Buyers are also struggling," Jabbar said. At the end of the current fiscal year, DBL's total export might be only 15 per cent less than their target, which Jabbar declined to reveal.

Currently, his factories are running at 75 per cent capacity but it is expected that this capacity will reach 90 to 95 per cent by November or December this year. Jabbar also began recruiting new workers for a new unit which will be inaugurated soon. "So, I am hopeful that exports will return to its previous position soon as the vaccine is also expected to arrive shortly," he said.

Mahmud Hasan Khan Babu, managing director of Rising Group and former vice-president of the Bangladesh Garment Manufacturers and Exporters Association, said a gradual recovery is taking place in the garment sector since mid-June this year. For a full recovery, we will have to wait until January or February next year. Most buyers are reissuing cancelled work orders, which is good for the sector.

"It may even take one year to fulfil all the cancelled work orders, which is better than if they remained cancelled. We appreciate the buyers who are taking back their cancelled work orders," Babu said. "To sustain our recovery in garment exports, we will have to wait for Christmas sales in the western world and US election in November," Babu added. Leather goods exports are not recovering as fast as the garment sector because leather goods are not basic items, these are luxury items, said Saiful Islam, president of the Leather and Leather goods Manufacturers and Exporters Association of Bangladesh.

Globally, the consumption of leather goods has decreased by 35 per cent due to the pandemic, Islam also said. Moreover, the production of tanned hides in non-compliant tanneries at Savar is another perennial problem for leather goods. The manufacturers of leather goods cannot procure tanned leather from local tanneries as those are processed in non-compliant factories. Moreover, the consumption of imported raw materials by the local leather goods manufacturers has gone down because of a restriction imposed by the National Board of Revenue (NBR), he said.

As a result, local leather goods exporters have been facing challenges in availing raw materials. "We have not terminated any workers until now from the leather goods manufacturing units. The inquiries are coming from the buyers gradually in this sector," Islam told The Daily Star over the phone.

"Work orders are coming back now. My factory's recovery began back in June, when my UK, German, Canadian and French buyers started placing orders for winter clothing items," said Mostafa Sobhan Rubel, managing director Dragon Sweaters. Usually, shipments of winter clothes stop in September but this year, the factories are running at full swing even now as the buyers extended the timeframe in consideration of the Covid-19 situation, he said.

So, the shipments of winter clothes will continue up to October this year, according to the managing director, who exported sweaters and other garment items worth $30 million last year. Rubel expects to earn about $29 million from exports by the end of this year as well.

"But I am not unhappy to export less than $1 million by the end of this year as this is a crisis time when people do not have work or jobs and are undergoing financial hardship," said Rubel. Kazi Belayet Hossain, president of the Bangladesh Frozen Foods Exporters Association, said frozen foods shipments is increasing gradually as buyers are returning with a lot of work orders.

Buyer response is better now than what it was in April-May as they are offering lower prices for frozen foods, he said. Frozen shrimp is a luxury food item and so the buyers are offering just $1 less per kilogramme because incomes of most of western customers was also reduced due to the Covid-19 fallout, Hossain added. Mohammed Monsur, general secretary of the Bangladesh Fruits, Vegetables and Allied Products Exporters Association, said the situation is nearly normal in his sector as more than 500 tonnes of perishable goods are shipped from the Hazrat Shahjalal International Airport in Dhaka on a daily basis.

Before Covid-19 emerged, more than 700 tonnes of perishable items were shipped by different airlines, he said. In the April-May period, shipment were almost zero and the local vegetable exporters were just passing time idly. However, shipments gained pace from mid-June, when the western world started reopening their economies. Monsur, however, said that the quality of goods deteriorates because of scanning delays at airports. Sometimes, vegetables cannot be shipped on time and miss the flights because of this, he added.

Source: thedailystar.net– Sep 07, 2020

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Vietnam: Textile firms survive on weekly export orders

The textile and garment industry continues to be hurt by the Covid-19 pandemic with only weekly orders coming in due to uncertain demand.

Shipments of textile and garment, Vietnam’s third largest export earner, fell 11.6 percent year-on-year in the first eight months to $19.6 billion because of the pandemic, the Ministry of Industry and Trade said in a recent report.

Producers receive orders by the month or even week because of the plunging global demand due to Covid-19, whereas in previous years by this time they would have received orders for the first half of the following year, the report said.

Some producers have seen September orders drop by 40-50 percent, while orders have not been confirmed for the rest of the year and 2021, it added.

Global demand for textile and garment products in the third quarter has not shown sign of reviving, as consumer confidence remains low in the U.S., the E.U. and Japan, three of the Vietnam’s largest buyers.

This has affected producers like Vietnam National Textile and Garment Group (Vinatex). Cao Huu Hieu, its deputy CEO, said the company forecasts a 20 percent fall in revenues this year.

"We have barely received orders for the last quarter, which is a major challenge for our production plans. Prices of masks have dropped to just enough to cover costs."

Companies are doing all they can to survive. Garment 10 Corporation Jsc (Garco10) is working to get long-term orders to ensure cash flows and retain jobs, while Vinatex seeks to boost domestic sales.

Truong Van Cam, deputy chairman of the Vietnam Textile and Apparel Association (VITAS), said the domestic market is promising amid the pandemic though revenues from it would not be high since consumers are also trying to cut down spending.

Companies want the government delay loan repayments to banks.

There are around 6,800 textile and garment businesses in the country. Last year their exports were worth $32.85 billion, increasing 7.8 percent year-on-year.

Source: e.vnexpress.net– Sep 07, 2020

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Vietnam textile and garment businesses strive to seize EVFTA opportunities

To compensate for a drop in export orders due to COVID-19, Vietnam's local textile and garment businesses are striving to seize opportunities brought about by the EU-Vietnam Free Trade Agreement (EVFTA), says the Vietnam Textile and Apparel Association.

Vietnam exported textiles and garments worth $19.2 billion during the first eight months of the year, registering a year-on-year decline of 11.6 per cent. The number of export orders in the HCM city dropped approximately 25 per cent in April, and over 30 per cent in May, with predictions of continued dip during the second half of the year, says the HCM City Association of Garment Textile Embroidery and Knitting.

The complicated nature of COVID-19 pandemic has exerted a range of negative impacts on the sector's export markets, with global purchasing power in general plummeting, while a series of well-known fashion brands such as Brook Brother, New York & Co, and JCPenny have declared bankruptcy.

Currently, local textile and apparel firms need to reach a total of $7 billion in export orders to achieve the export turnover target of last year, with the EVFTA offering the best opportunity for local firms to fulfill their goals.

To take full advantage of the trade pact, local businesses must take into consideration key factors such as prices, fast delivery, and tax incentives presented by the EVFTA in order to compete with strong rivals from Bangladesh and Turkey, says the association With regard to rapid delivery requirements, aside from improving logistic capacity, there should be improvements in simplifying administrative procedures and reducing the clearance time faced by export businesses.

Moreover, the domestic textile and garment sector must be proactive to use import materials from countries that have signed FTAs with the nation and the EU, therefore making use of preferential tariffs due to flexible rules of origin stated within the EVFTA.

The industry should also shift to supply high-tech garment and textile products, including protective clothing, sports, and medical equipment.

Source: fashionatingworld.com– Sep 07, 2020

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Dhaka yet to take call on EU proposal for jobless workers

Bangladesh has failed to arrive at a decision on a European Union (EU) proposal to offer incentives for jobless garment factory workers in the country three months after receiving it because of unavailability of a list of laid-off workers, a proper work plan, ambiguity over criteria for jobless workers and a consensus among the factory owners.

The government's economic relations division (ERD) and the owners say they are mulling over sitting with officials of the EU embassy in Dhaka soon to determine who will get the incentives and how.

After Bangladeshi exporters approached the EU with a request not to cancel orders and force the buyers to purchase products, the latter proposed the incentive plan for jobless workers following several rounds of discussions.

The bloc wanted to give a total of €117 million, including a €20-million contribution from Germany, a news agency reported quoting an official at the ERD' European division. Discussions were held as to who will get the help and how much, he said.

Readymade garments sector entrepreneurs say the proposal got stuck due to complexities, primarily over definition of jobless workers and determining the number of such workers.

The EU money could be used to help the workers of the factories that want an exit route due to a financial crunch, according to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA).

BGMEA president Rubana Haq said the EU incentives will come in handy if the authorities use the money for food, medicine or hospital for the workers instead of supplementing pay. If the complexities persist, the entrepreneurs will make this proposal to the EU, she added.

Source: fibre2fashion.com– Sep 07, 2020

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Two Years of PTI-Led Government: Reviewing Economy of Pakistan

As the world severely got hit by the COVID-19 pandemic, the economies all around the world nearly collapsed, while Pakistan's economy which was already in its recovery phase sank again. The pandemic induced lockdown throughout the country brought all the economic activities to a halt and the country suffered greatly. But eventually due to the constant efforts of the Government and their enforcements, the country was able to get back on track, showing clear signs of recovery.

Once the rising pandemic was controlled, Government started cautiously resuming the economic activity in the country, along with providing relief packages to the businesses to provide support and boost their morale in order to get the economic wheel going again. To support exporters in these challenging times and to prevent liquidity problems, SBP announced several measures including refinance scheme to support employment and prevent layoff of workers and relaxing credit requirements for exporters.

In April-2020 the exports showed a downwards trend of 54% as compared to April-2019. But after the month of April, the efforts made by the Government to encourage the export sector started paying off and the signs of recovery could be seen in the month of May-20 which only saw 33% decline in the exports.

Same momentum continued in June-20 as well, as the downwards trend had been brought down to a single digit figure of 6%. In July-20, textile exports revived by increasing 14.4 per cent year-on-year to US$ 1.272 billion compared to US$ 1.112 bn in the corresponding month of last year.

Textile & Clothing had the largest share among all export commodities with an average 57% market share over the 6-month period followed by Agro-Food goods with a market share of 22%. Textile & Clothing remained the largest export commodity with a market share of 60% in June, 2020 followed by Agro-Food and Engineering & Manufacturing goods which held market share of 19% and 8% respectively.

Revival of Textile Exports:

The total value of textile exports increased from US $ 404 million in May to US $ 959 million in June; growing by 21%. Despite the robust recovery of Textile & Clothing goods; there is still significant room to further grow the trade value of Pakistani exports in this category in the second half of 2020.

In Textile group; Knitwear remained the top export commodity with a CAGR of 2.0% followed by Readymade garments, Bedwear, Cotton Cloth and Cotton Yarn in descending order by their trade value with respective CAGR rates of -7.2%, -3.1%, -5.9% and -5.1% respectively.

Following an Identical trend - the all others category constituted 27% of Pakistan's total textile exports in the month of June followed by Knitwear and Readymade garments having 23% and 19% in share of exports respectively.

Along with the positive trend, the export figures also projected that the strategies of the geographical and the product diversification were also turning out to be fruitful, since there was significant growth seen in the exports. The overall textile sector and value-added products have shown improvement while, at the same time, the export of cotton yarn and fabric has gone down, but as a result of overall progress, the trade balance has improved by US$ 8.7 Billion, which shows that the Current Account Deficit is also at manageable levels.

In terms of export strategy, greater emphasis has been on product diversification. Government is still being optimistic towards achieving the export targets in the new fiscal year and the policy of product and geographical diversification will continue to be actively pursued for success in this regard. We are confident that the growth momentum will remain continue and country & exports will scale new heights.

Source: brecorder.com– Sep 07, 2020

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NATIONAL NEWS

RBI releases expert committee report on resolution framework for Covid-related stress

The Reserve Bank of India (RBI) on Monday released a report by the K V Kamath Committee which was formed to make recommendations on the required financial parameters to be factored in the resolution plans under the 'Resolution Framework for Covid-related Stress'.

In an official statement, the RBI said that the Committee has recommended five financial ratios and sector specific thresholds for 26 sectors which could be factored by lending institutions while finalising a resolution plan for a borrower. These include aspects related to leverage, liquidity and debt serviceability.

The recommendations of the Committee have been broadly accepted by the Reserve Bank, it said in the statement.

The framework enables lending institutions including NBFCs, which are an essential part of the lenders' pool under this framework, to implement a resolution plan (RP) in respect of eligible corporate exposure even without change in ownership while classifying such exposure as standard, subject to specified conditions.

Key financial ratios suggested by the Kamath committee include total outside liabilities / adjusted tangible net worth (TOL/ATNW); total debt / EBITDA; current ratio, which is current assets divided by current liabilities; debt service coverage ratio (DSCR); and average debt service coverage ratio (ADSCR).

The 26 sectors specified by the RBI include automobiles, power, tourism, cement, chemicals, gems and jewellery, logistic, mining, manufacturing, real estate, and shipping among others.

"Sector specific parameters may be considered as guidance for preparation of resolution plan for a borrower in the specified sector. The resolution plan may be prepared based on the pre-Covid-19 operating and financial performance of the borrower and impact of Covid-19 on its operating and financial performance in Q1 and Q2FY21, to assess the cash-flows for FY21 / FY22 and subsequent years," the report noted.

The central bank said that the ratios would provide a requisite assessment framework for resolution plan.

However, in respect of the sectors where threshold parameters have not been specified by the Committee, lenders can make their own internal assessments for the solvency ratios, keeping in view the contours of the circular dated August 6, 2020 and the follow-up circular issued today, the central bank added.

It also said that given the differential impact of the pandemic on various sectors/entities, lending institutions may, at their discretion, adopt a graded approach depending on the severity of the impact on the borrowers, while preparing or implementing the resolution plan.

On August 7, the RBI had announced the constitution of a panel under the chairmanship of veteran banker K V Kamath to make recommendations on the required financial parameters to be factored in under the 'Resolution Framework for Covid19-related Stress' along with sector specific benchmark ranges.

Source: timesofindia.com– Sep 07, 2020

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RBI accepts Kamath panel report on relief to 26 sectors

Companies in sectors such as retail and wholesale trade, textiles and engineering, which were repaying loans before the Covid crisis, can look forward to easier terms of repayment while NBFCs, power, steel and real estate businesses that were struggling even before the crisis may have to face the pain of recovery action.

The RBI said on Monday it has broadly accepted the recommendations of the five-member expert committee headed by K V Kamath.

The panel has identified 26 sectors impacted by the crisis and has prescribed six key ratios within which the resolution plan has to be finalised. For sectors not mentioned, the ratios can be decided by the individual bank. These ratios essentially determine how much debt a company can build up in relation to its capital and income. TNN

Checklist of 26 sectors has both pros & cons for banks

Time is of essence at the present juncture. Considering the large volume and the fact that only standard assets are eligible under the proposed scheme, a segmented approach of bucketing these accounts under mild, moderate and severe stress may ensure a quick turnaround.

To complete this task, simplified restructuring for mild and moderate stress may be prescribed. Severe stress cases would require comprehensive restructuring," the panel said.

For instance, all sectors must have a debt service coverage ratio equal to or more than 1. What this means is that the company has to generate operating income to cover its annual debt and interest payments after restructuring. Also, all banks are required to have a current ratio of at least 1. This means that the company's debt due in a year or less are on a par with their assets.

The only exception is aviation, where a ratio of 0.4 has been allowed, because airlines follow the cash and-carry model for revenue purpose, thereby creating almost nil debtors and higher current liabilities in form of advance received from customers. Also, airlines enjoy 6-9 months of credit from vendors.

The 26 sectors specified by the RBI include automobiles, power, tourism, cement, chemicals, logistic, mining, real estate, and shipping. The advantage of this checklist is that banks restructure loans of all companies that fulfill the conditions without fear of subsequent action by enforcement authorities if loans go bad.

The flip side is that these fixed parameters could reduce the headroom for banks to restructure loans for some sectors using their judgment.

Source: timesofindia.com– Sep 08, 2020

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Entire GST shortfall will be compensated, says Centre

States and Union Territories will get full compensation for the shortfall in GST collection this year, the Centre reiterated on Monday. It made it clear that it will be irrespective of the fact whether the shortfall is on account of GST implementation or on account of the Covid pandemic. “It has never been the stand of the Union Finance Minister that the loss of revenue due to Covid would not be compensated.

The Central government has, time and again, committed that the entitlement of the States would always be for full compensation. The entire compensation on account of the shortfall in collection of GST will be paid and honoured,” a senior Finance Ministry official said.

Total GST revenue shortfall during FY 2020-21 is estimated at ₹3-lakh crore. Since collection through the compensation cess is likely to be ₹65,000 crore, the net shortfall could be ₹2.35-lakh crore. Out of this, based on 10 per cent nominal growth and other assumptions, the shortfall on account of GST implementation and pandemic are ₹97,000 crore and ₹1.38-lakh crore, respectively. The Centre has proposed two options for States – borrow ₹97,000 crore through a special window or borrow the entire ₹2.35-lakh crore from the open market.

According to sources, working out revenue shortfall on account of GST implementation is just a mechanism to assess how much of the shortfall should be met by borrowing and how much could be deferred. Borrowing for meeting the entire shortfall when the private sector is struggling to stand back on its feet could hurt them badly.

If States go for option 1 and borrow ₹97,000 crore, it does not mean they will have to forego the remaining compensation. The remaining compensation will be paid to states after the above borrowing has been fully repaid. Therefore, “where is the doubt about the Centre not meeting its commitment,” asked the official.

Under the GST law, the compensation cess is a tax owned by the states and under Article 292 of the Constitution of India, the Centre can borrow on the security of its own taxes and resources which is Consolidated Fund of India. It cannot borrow in the security of the tax which it does not own, the official explained.

Source: thehindubusinessline.com– Sep 07, 2020

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Fashion brands are sending retail trucks to residential colonies to boost sales

The retail sector is yet to recover from the sales slump due to the pandemic, but as footfalls continue to remain low at shopping malls and complexes even after easing of restrictions, big fashion brands, including Levi's Strauss, Pepe Jeans, Max Fashion, Forever New and Bata, are sending retail trucks and pop-up stores in residential colonies, in a bid to reach out to customers and boost sales.

"After practically no sales for about three months, we recovered around 30 per cent of our last year's sales numbers in June. It went up 50 per cent in July. But people are hesitant to go out and shop," said Manish Kapoor, CEO, Pepe Jeans London. Although there has been an increase in online sales, it cannot deliver that "brand experience" to the consumer, he says.

The denim and casual wear brand has now started sending fashion trucks to residential colonies in Mumbai and Delhi-NCR this month. "It's not only about doing sales, it's also getting that connection back with the consumer and telling them that we are there with you even when you cannot reach us. Rather than seeing individual garments on a click, a person will be able to see them in terms of the stories that they tell, different colours and various trends," said Kapoor, adding that they are planning to extend the service to areas like Thane and Pune.

Footwear brand Bata has set up mobile stores in over 40 cities and are witnessing a "steady increase in sales". They have segmented consumers in three categories — digital natives, digital adopters and digital novices. "For our digital novices, like the elderly, children and homemakers, who have not been stepping out of the house as much, we have launched Bata Store on Wheels, as we wanted to enable them to make hyperlocal purchases from the safety of their condominiums and apartments," said Sandeep Kataria, CEO, Bata India Limited.

According to him, people are buying more casuals than formals and there is also a shift from fashion to fitness. "We are seeing demand for comfort footwear in the open category and also for our new collections like Easy

Wash and Work From Home, as well as new offerings like apparel and masks," he said.

Bata is planning to keep 'Store on Wheels' as an additional channel in the longer run, along with Bata ChatShop, another hyperlocal channel, which allows digital adopters to shop from local Bata stores via WhatsApp.

Apparel and jeanswear brand Levi's Strauss & Co is sending retail trucks to select residential colonies in Delhi and Gurgaon. "Our main motive is to ensure that our consumers feel safe and comfortable while shopping. We have tops, shorts, and lightweight comfortable denim led 'work from home' collection for this store concept.

Our consumers can try out the garments at their homes and for alterations, the team on the ground takes measurements and the final product, after being modified at the nearest store, it is delivered to the customer," said Sanjeev Mohanty, MD — South Asia, Middle East & North Africa, Levi's Strauss & Co.

"We've got phenomenal response in terms of sales. And in fact, numbers have been much higher than what we had expected… We had a lot of youngsters, who could otherwise buy online, come to the stores," said Kapoor.

Source: indianexpress.com– Sep 06, 2020

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India's garment exports to the US increases

As OTEXA released July '20 import data of US, the data shows India managed to increase its share in the US market following months of lockdown to attain gradual normalcy. The country, however, fell by 33.28 per cent on Y-o-Y basis in January-July '20 period to ship $1.75 billion worth of garments to US, but it increased by 87.93 per cent over June '20 to ship $213.21 million worth of garments in its largest exporting destination.

China's shipment of apparels to US in year-to-date valued US $ 7.35 billion, which is 49.34 per cent lower than January-July '19 period. The monthly surge is certainly there as it grew 37.39 per cent in July '20 over June '20 to value $1.58 billion. On Y-o-Y basis, the shipment from China saw a decline of 50 per cent in July '20 as US imported $3.17 billion worth of garments in July '19 from China.

The second largest apparel exporter to US – Vietnam – saw a decline of 11.06 per cent in January-July '20 period and shipment was worth $6.94 billion as against $7.80 billion in the same period of 2019.

In July '20, there was a fall of 11 per cent in US apparel import from Vietnam over July '19 and it valued at US $ 1.29 billion. However, as compared to June '20, Vietnam's shipment increased by 51.76 per cent.

As far as Bangladesh is concerned, US imported $2.90 billion worth of garments, noting 18.54 per cent Y-o-Y fall. Particularly in July '20, US's import from Bangladesh stood at US $ 436.34 million with a significant monthly growth of 52.74 per cent over June '20.

Source: fashionatingworld.com– Sep 07, 2020

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'Textile India 2020' Virtual Fair to be held in November

JK craft exporters, entrepreneurs urged to participate, prepare 3D showrooms

After the success of EPCH and CEPC Virtual Fairs, the Ministry of Textiles is planning to organize another Mega Virtual Show – 'Textile India 2020' - in the month of November to bring the exporter and business community related to handicrafts and handloom sector on the global platform.

The event will be promoted globally and organizations like India Brand Equity Foundation (IBEF) and Invest India will be involved for branding and promotion of the mega event across the globe.

In a statement, the Directorate of Handicrafts & Handloom, Kashmir, has urged craft exporters and entrepreneurs from Jammu and Kashmir to participate in the upcoming Virtual Fair which shall provide excellent marketing opportunities for sale of their famed product line.

The statement added that in view of Covid-19 pandemic, the UT Government is making strenuous efforts to promote participation of craft businessmen in virtual mode exhibitions which provide an ideal opportunity to sell finished handicraft and handloom products in outside markets.

The Directorate of Handicrafts and Handloom also called upon the exporters, consortia and craft entrepreneurs to come up with their respective company profiles, booth display, virtual showrooms and e-catalogues to make an impression on online buyers in future exhibitions being held in virtual mode.

The statement added that feedback received from participation of craft businessmen from Kashmir in EPCH and CEPC Virtual Fairs has been very positive with thousands of business queries generated and new buyers and destinations having been explored.

The craft exporters and entrepreneurs from Jammu and Kashmir participated in 49th IHGF Virtual Fair organized by EPCH in July and India Carpet Expo organized by CEPC in August in which the participants were conferred with several awards.

All craft promoters and businessmen interested in participation in 'Textile India 2020' have been advised to coordinate with the Directorate of Handicrafts and Handloom, Kashmir, Kashmir Haat, Srinagar or reach out on adh.exportpromotion@gmail.com.

Source: knskashmir.com– Sep 07, 2020

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