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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

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NEWS CLIPPINGS

INTERNATIONAL NEWS	
No	**Topics**
1	Global economy to contract by 5.2 per cent in 2020 as coronavirus continues to spread: Report
2	Why Trump's trade war failed
3	China: Analysis of influencing factors on cotton prices
4	H&M to decrease store count by 40 in 2020
5	Messe Frankfurt France providing digital platform from Sep
6	China to be the largest importer of Cotton Lint in 2019-20: ICAC
7	Turkish apparel makers positive about revival with demand picking up in EU, US
8	Cambodia: Garment exports fall, factories hit by virus
9	Bangladesh: BGMEA requests govt to register apparel buying houses
10	Bangladesh: Garment work orders coming back slowly

INTERNATIONAL NEWS

Global economy to contract by 5.2 per cent in 2020 as coronavirus continues to spread: Report

The global economy is likely to contract by 5.2 per cent in 2020 with the coronanvirus still spreading and the economic prospects of countries across the world looking muted, says a report.

According to Dun and Bradstreet's Country Risk and Global Outlook Report, that covered 132 countries, the wider global context remains sombre and the global economy will not reach pre-pandemic levels of activity again before 2022.

"D&B is currently forecasting that the global economy will contract by 5.2 per cent in 2020 – the biggest decline since the Second World War and a far stronger contraction than the 1.7 per cent recorded in 2009 during the global financial crisis," the report said.

The Asia Pacific region is unlikely to shake off the economic effects before the end of 2020, it added.

"Widespread quantitative easing means that financial asset prices globally are not reflecting the shock to fundamentals. But with many countries easing their lockdowns, a more varied picture of upgrades and downgrades has emerged," Dun & Bradstreet Chief Economist Arun Singh said.

Singh further noted that "worryingly, a sharp recession is still forecast, and we expect that the world economy will not attain pre-pandemic levels of activity before 2022."

The report said any recovery into 2021 (even without a second bout of the pandemic) is going to be curtailed by several factors. Foremost will be the presence of degrees of social distancing (despite the easing of lockdowns) and higher levels of post-lockdown unemployment and poverty.

Meanwhile, the number of cases around the world linked to COVID-19 has crossed 1.18 crore and the death toll has topped 5.44 lakh. In India, the death toll due to the disease rose to 20,642 and the number of infections increased to 7,42,417 on Wednesday.

Singh further said India's economy is expected to contract this fiscal year after four decades of positive growth.

"In March, we downgraded India's rating to DB5c from DB4d – both the magnitude of the downgrade and the risk level are the highest since 1994," Singh noted.

DB5 means high risk and denotes that "considerable uncertainty is associated with expected returns. Businesses are advised to limit their exposure and/or select high risk transactions only."

Dun & Bradstreet's Country Risk Indicator provides a comparative, cross-border assessment of the risk of doing business in a country. The risk indicator is divided into seven bands, ranging from DB1 to DB7, with DB1 being lowest risk.

Each band is subdivided into quartiles (a-d), with 'a' representing slightly less risk than 'b' (and so on). Only the DB7 indicator is not divided into quartiles.

Source: financialexpress.com – Jul 08, 2020

HOME

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Why Trump's trade war failed

Before Donald Trump took office, he promised he was going to stick it to China on trade. When he assumed power, he indeed did so — threatening and then levying tariffs on hundreds of billions of dollars worth of Chinese imports. China responded in kind, before agreeing to a largely symbolic trade agreement in January only to have it disrupted by the coronavirus pandemic.

The problem the Trump administration was ostensibly trying to solve was America's enormous trade deficit, which Trump has portrayed as the U.S. being ripped off by foreign countries. This was also the motivation behind the renegotiation of the North American Free Trade Agreement, and a threatened trade war on Europe that is also now on hold.

Yet all these actions did not shrink the trade deficit. On the contrary, the deficit widened for the first few years of Trump's presidency, shrank back to about what it was before he took office in late 2019, and now has widened once again. What gives?

The answer can be found in a brilliant new book by journalist Matthew Klein and economist Michael Pettis, Trade Wars Are Class Wars: How Rising Inequality Distorts the Global Economy and Threatens International Peace. Trump's trade war failed because he did not understand what is actually driving the problems with the world trade system.

The United States has a massive and destructive trade deficit because it has become the world's consumer of last resort, which in turn is the product of inequality in foreign countries and the dollar's role in the international financial system. In effect, America has become the victim of its own centrality in the global economy. However, it is a great mistake to think of this as the fault of foreign countries. As the book's title indicates, the real competition is between rich elites and working-class people of all countries. So far elites have been winning, and the result is a dysfunctional trade system that has wreaked social carnage across the world.

Klein and Pettis have a complex and penetrating analysis of world trade, but their basic argument is quite easy to understand. It is an observed fact that rich people save more of their income than working-class or poor ones. Therefore, the more unequal a country is, the more it will struggle to actually consume all that its economy is capable of producing. A severely unequal country is liable to fall into a permanent mild depression, with high unemployment and idle economic capacity, because its workers do not have enough income to consume what they produce.

However, trade provides a way to escape this trap. If unequal countries can find export markets and develop a trade surplus, they can keep their economies running at full capacity — at the potential cost of victimizing the countries that are necessarily forced into deficit. Under certain conditions, like when a richer country sends actually productive capital investment to poorer countries to kick-start their growth, which happened between the U.K. and the U.S. in the 19th century, this can be a mutually useful arrangement. But it can also cause terrific economic carnage, as when cheap U.K. textile exports obliterated the industrial base of India, and badly worsened several murderous famines.

Incidentally, this is close to what Lenin famously argued was the root cause of World War I: Capitalist European powers had to scoop up colonies to vent their surplus production, and once the entire world had been gobbled up, they were sure to come to blows sooner or later. However, Klein and Pettis side more with English economist John A. Hobson, whose analysis Lenin's was based on. Hobson argued that this could have been rectified by making the European income distribution more equal, and that most colonial export markets were at the end of the day not that profitable.

At any rate, it follows that countries develop a big export surplus not because they are good at manufacturing, but because their workers are underpaid and can't afford to buy what they make. Sure enough, the biggest exporters today, Germany and China, are extremely unequal. German wages have been basically flat for 20 years thanks to a suite of neoliberal reforms in the 1990s and 2000s, while in China, "workers at nonfinancial corporations in China are paid only 40 percent of the value of what they produce," Klein and Pettis write.

The difference today is that it is mainly not poor countries who are roped into choking down the global surplus, if only because they do not have nearly enough income to do so. Instead the U.S. has become the world's surplus dumping ground.

Now, one might think that by the above argument the U.S. should also be a surplus country, because it is so unequal. But the dollar's status as the world's reserve currency means the U.S. basically cannot help but run a trade deficit. That's because two main groups create a tremendous demand for dollars.

First, foreign central banks, especially in middle- and lower-income countries, have built up giant dollar hoards to protect themselves. This is so they can defend their currency values from attack from financial speculators, who can and often do manipulate exchange rates to make a quick buck (for instance, by taking out a loan in one currency, swapping it for a second, then causing a sharp devaluation in the first one so the loan repayment is cheaper). They also want to avoid political interference from the International Monetary Fund, which is supposed to help countries in currency troubles, but instead has typically forced them to undertake disastrous neoliberal "structural adjustment" policies that often made the problems worse — most notoriously in Southeast Asia in the late 1990s.

Second, rich foreign savers, especially in Europe, view dollar assets as the best way to store their income. The U.S. dollar is the most widely-accepted and trusted currency, U.S. government debt is considered the safest asset in the world, the U.S. economy is large and diversified, and the American financial sector is wide open to foreign investors (and central banks). There simply isn't anywhere better for the global glut of savings to land.

So if the rest of the world is to get their hands on dollar stockpiles, then America must somehow borrow to create them. China and Germany have suppressed their spending below their earning to produce savings, and for those savings to become dollars, as a matter of financial arithmetic, that means Americans must spend more than they earn — creating a trade deficit.

In theory, the U.S. government could just issue trillions in debt instead, but thanks to the neurotic fixation on the national debt among the American elite, it has not done so. Indeed, even President Bush's epic borrowing spree in the mid-2000s did not come close to satisfying demand. So in practice, demand for dollars has pushed up the value of the currency, making American exports more expensive and foreign imports cheaper, sapping American output and sending its demand abroad, until the requisite imbalance between domestic production and consumption — again, a trade deficit — is obtained. That is why Trump's various tariffs have not closed the trade deficit. Dollar demand leaks out around them through other countries, and insofar as they do cut foreign imports, the end result is just a further appreciation of the dollar that cuts domestic output even more to compensate.

This has done tremendous damage to the American economy. A big chunk of its industrial base has rotted away not only thanks to slanted "free trade" deals, but also because U.S. manufacturers were placed in a systematically bad price position and had weaker export markets thanks to inequality-induced weak foreign demand.

Click here for more details

Source: theweek.com– Jul 08, 2020

HOME

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China: Analysis of influencing factors on cotton prices

In recent days, a series of news that could impact cotton prices has continued to come out, such as China's state cotton auction policy, lower planted areas of US cotton than anticipated, locust in India and the lower refinancing and rediscount interest rates from July 1.

Under these influencing factors from supply side, the weakness in downstream market is even not mentioned. This article summarizes the main factors affecting the current cotton price and the status of the industry, and makes some views on the future market.

1. The impact of state cotton auction

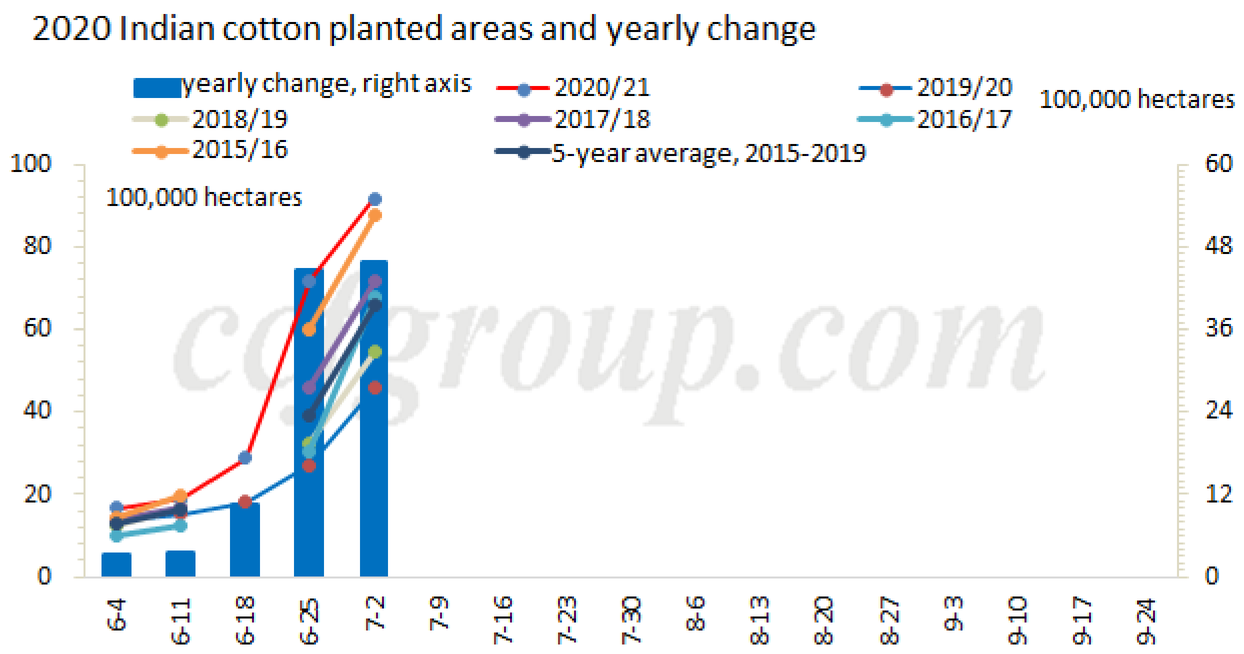
For the detailed influences on the state cotton auction, please see the previous article: 2020 China state cotton auction begins, how about the impact? In summary, the cotton prices will have no large downward pressure caused by the cotton auction, but the sales of reserved cotton are bound to put pressure on spot cotton market.

Due to the price and quality of the reserved cotton, some mills are unable to use the reserved cotton or show lower buying interests. However, under the influences of COVID-19 pandemic this year, part of mills has reduced the quality of cotton yarn and turns to produce low-count yarn. Therefore, this part of mills will turn to use reserved cotton, which brings pressure on spot cotton.

2. The impact of the locust plague in India

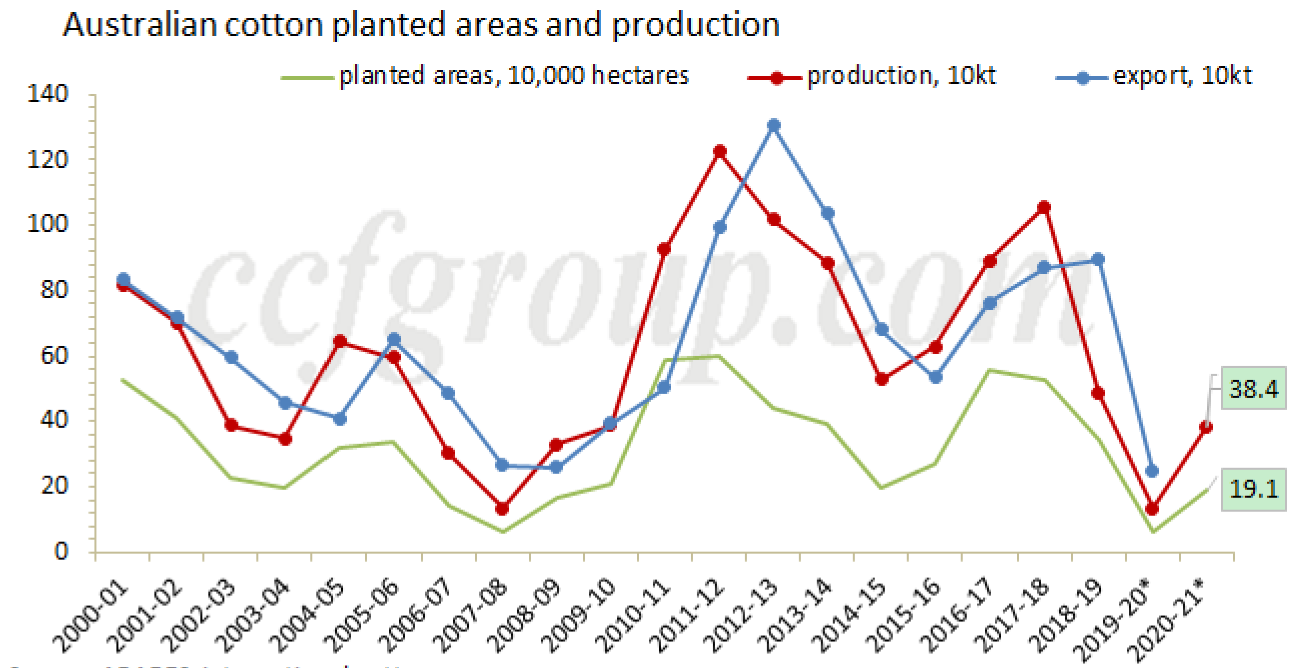
Although various news indicate that the situation of the locust in India is very serious, actually, the impact of locusts on Indian cotton is supposed to be limited. Recently, the locust was concentrated around the cotton growing areas in North India. With the monsoon rains, the locusts have not reached the central or southern cotton growing areas as forecast.

In addition, due to the early arrival of the monsoon rains, the progress of cotton planting in India has accelerated. According to the weather forecast, there will be plenty of rainfall afterwards in India, which not only helps to maintain a faster cotton planting progress, but also is not conducive to the propagation and migration of desert locusts.



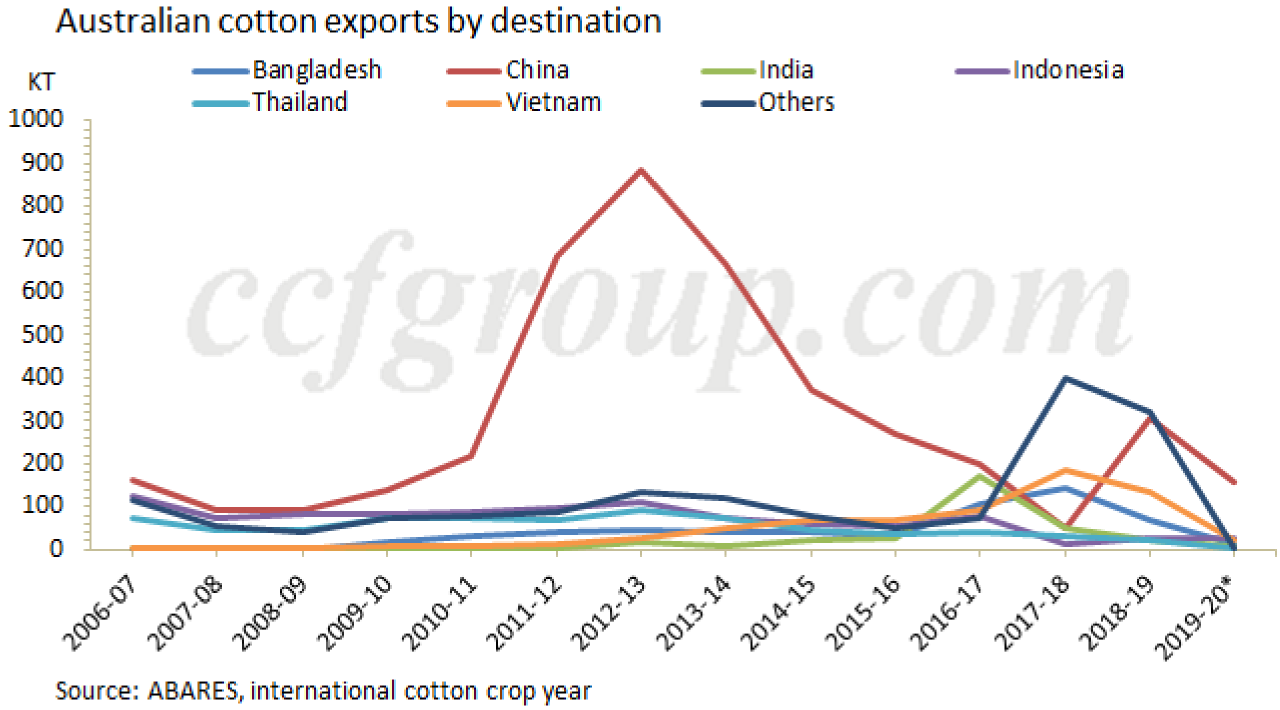
3. The impact of Australian cotton production reduction and US cotton drought

Recently, a piece of news about a reduction of 83% in cotton production of Australia lures much attention. However, the reduction is mainly for the current season. And for 2020/21 season, ABARES forecasts that the output may recover to 384,000 tons due to improved water storage.



Source: ABARES, international cotton crop year

For the current Australian cotton, demand is relatively thin. The main export destination of Australian cotton in the 2019/20 is China, while the high-quality cotton yarn is greatly affected by the pandemic, which has a certain impact on Australian cotton demand. In addition, the political conflict is also serious.

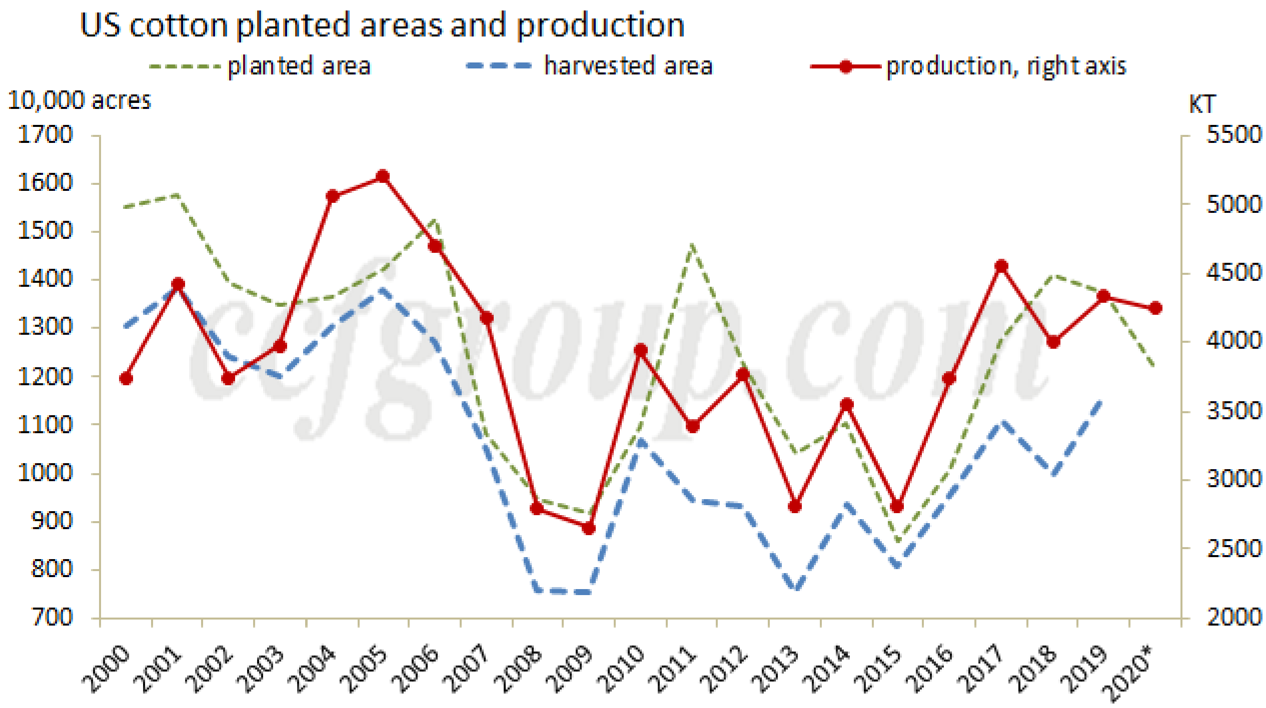


The most influential factor on the supply side is the US cotton. In its June acreage report, USDA estimated planted cotton acres at 12.2 million acres for 2020, down 11 percent from last year.

Upland area is estimated at 12.0 million acres, down 11 percent from 2019. American Pima area is estimated at 195,000 acres, down 15 percent from 2019. Then, USDA may revise lower the US cotton production. But if the reduction of harvested areas is smaller than that of planted areas, the cotton production may not reduce much.

Currently, USDA forecasts 2020/21 US cotton production at 4.2456 million tons, and based on the latest planted areas and the yield of last year, the production is forecast at 4.54 million tons, higher than the USDA's estimation.

By now, the progress of cotton squaring and setting bolls is normal, and if the reduction on harvested areas is small, the US cotton output may not reduce much.



Barring the planted area, the market is currently more concerned about the drought in the cotton planting area of Texas. The good-to-excellent ratio of U.S. cotton crops is lower than the same period last year, while the ratio in Texas declines from 23% to 21%. At the same time, ICE cotton futures market is relatively firm recently supported by the continual purchase from China and the action of US Fed. However, from the perspective of the global cotton market, new cotton crop is picking in Brazil and Cotton Corporation of India offers more discounts on the sales of 2018/19 and 2019/20 Indian cotton. If ICE cotton futures market continues to rise, the price edge of Brazilian and Indian cotton will appear gradually. Besides, the downstream demand is still in slow recovery. If China stops purchasing US cotton after completing the Phase One Trade Agreement, the pressure on ICE cotton will appear again.

4. Downstream market

In June, downstream market goes weaker gradually, especially the grey fabric market. By Jul 3, operating rate of weaving plants has reduced by 3.7% from Jun 1, and some weaving plants also plan to have holiday for the high temperature. Operating rate of cotton yarn mills also reduces slightly as some small mills cut operating rate or suspend operation. Conventional cotton yarn sales slow down and producers provide discounts to sell. Imported cotton yarn is also sold with discounts with the higher arrivals.

On spot cotton market, the trading sentiment weakens obviously in June. Although mills have rigid demand for cotton on low feedstock inventory, the purchasing willingness has weakened compared with May. Trading volumes of spot cotton reduce obviously. After the start of state cotton auction, mills that could use reserved cotton turn to purchase reserved cotton, and the demand for spot cotton lowers.

In summary, the impact of the locust plague on Indian cotton is relatively small. The impact of the decline in the US cotton planted area and the drought in Texas is relatively more substantial. From the perspective of the global cotton market, new cotton crop is picking in Brazil and Cotton Corporation of India offers more discounts on the sales of 2018/19 and 2019/20 Indian cotton. If ICE cotton futures market continues to rise, the price edge of Brazilian and Indian cotton will appear gradually.

Besides, the downstream demand is still in slow recovery. If China stops purchasing US cotton after completing the Phase One Trade Agreement, the pressure on ICE cotton will appear again. Downstream demand remains sluggish. Some mills have turned to produce conventional cotton yarn and low-count cotton yarn, and some mills turn to purchase reserved cotton, which brings pressure on spot cotton consumption. The pressure from downstream market is gradually building up.

Source: ccfgroup.com– Jul 08, 2020

HOME

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H&M to decrease store count by 40 in 2020

Swedish fashion retailer H&M Hennes & Mauritz AB has increased the pace of store closures for full-year 2020 while reducing the number of openings compared with what was previously planned. The company has planned store closures at around 170 locations and around 130 new store openings, resulting in a net decrease in the number of stores of around 40.

“I am full of admiration for our employees’ commitment, drive and perseverance during this very challenging time. As we have reopened our stores, sales have begun to recover at a faster rate than expected. To meet the rapid changes in customer behaviour caused by Covid-19 we are accelerating our digital development, optimising the store portfolio and further integrating the channels. With our ambitious sustainability work we want to continue to lead fashion retail towards a more sustainable future," said H&M CEO Helena Helmersson in the company's six-month report for December 1, 2019 to May 31, 2020.

"During the pandemic it became clear how important it is that the digital and physical channels interact to meet customers' needs. When the majority of the stores were temporarily closed in the second quarter, we focused on redirecting product flow to our digital channels, which remained open at all times in nearly all our online markets. Online sales increased by 36 percent in SEK during the quarter," Helmersson said.

The positive development of online sales has continued since we began reopening our stores. As the stores have reopened, our total sales have gradually begun to recover. Our pace of recovery varies greatly between markets, partly because local restrictions differ, but has so far been better than expected, she added.

For the second quarter ended May 31, 2020, H&M reported 50 per cent sales decline to SEK 28,664 million, compared to sales of SEK 57,474 million in same period prior year. However, online sales increased 36 per cent during Q2 FY20. Company incurred a loss of SEK 4,991 million in the quarter.

Source: fibre2fashion.com– Jul 08, 2020

HOME

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Messe Frankfurt France providing digital platform from Sep

To meet the needs fashion industry, the organiser of international textile fairs Messe Frankfurt France and Foursource, a specialist in digital textile sourcing solutions, have decided to propose a digital platform in the colours of The Fairyland for Fashion fairs: Apparel Sourcing, Avantex, Leatherworld, Shawls&Scarves, Texworld and Texworld Denim Paris.

This platform will enable exhibitors from Messe Frankfurt France tradeshows - textile and clothing manufacturers, brands, accessory manufacturers, etc to present their collections and their know-how to international buyers through a complete digital networking solution: virtual showroom, matchmaking, definition of needs, etc.

Buyers also profit from a specific section to define their requests and build their collection based on selection criteria designed for the textile world: country, minimum quantities, type of service, certificates, etc.

With the 15,000 visitors of Messe Frankfurt France tradeshows and the 15,000 professionals already registered on the online sourcing platform, nearly 30,000 textile and clothing professionals will be able to benefit from this tool. This solution, which will be available from September 1, 2020 on the trade fair websites, will be offered exclusively and for a renewable period of 6 months to exhibitors at the February edition (February 1-4, 2021) of the Paris trade fairs.

It will enable a working relationship to be maintained between buyers and manufacturers and will support them in their projects between two editions of the Messe Frankfurt France trade fairs.

Source: fibre2fashion.com– Jul 08, 2020

HOME

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China to be the largest importer of Cotton Lint in 2019-20: ICAC

Despite a 12 per cent decrease from the previous season attributed to trade tensions with the US and a slowdown in manufacturing during the COVID-19 containment, China is expected to remain the world's largest importer of cotton lint and import 1.8 million tonne of cotton in 2019-20, according to the International Cotton Advisory Committee (ICAC).

As tariffs on cotton lint increased in 2018-19, making US cotton 25 per cent more costly to Chinese importers compared to other growths, China had also increased the total volume of imports of cotton lint. As China increased its total imports of cotton lint from 1.3 million tonne in 2017-18 to 2.1 million tonne in 2018-19, US cotton exports to China decreased from 528,000 tonne in 2018 to 360,000 tonne in 2019.

Comparing the August through April period for the 2018-19 and 2019-20 seasons, global imports for the nine-month period are estimated at 1.245 million tonne, a 22 per cent decrease from the previous period, the ICAC period said.

For the 2019-20 season, Brazil is expected to export over 1.8 million tonne globally and through April 2020 (where the latest data is available), has exported an estimated 527,000 tonne to China, a 30 per cent increase from the previous period.

The United States is expected to export 3 million tonne globally and through April has exported an estimated 277,000 tonne to China, a 29 per cent increase from the previous period. Other countries and regions exporting to China that had seen increases during the 2018-19 season are showing declines in exports to China in the August through April period.

Source: fashionatingworld.com– Jul 08, 2020

HOME

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Turkish apparel makers positive about revival with demand picking up in EU, US

As Coronavirus spreads across Europe and the US, international fashion brands began delaying, reducing or cancelling their payments to Turkish apparel manufacturers. Some brands failed to inform suppliers about the status quo of their operations leaving Turkish manufacturers with$1.5 billion to $2 billion worth of stocks.

This led to the Turkish clothing sector shrinking by a staggering 65 per cent by the end of April, huge fallout for an industry sustaining over 1.5 million workers. Brands just didn't understand it was a matter of survival for many people in the country, points out Hadi Karasu, Head, Textile Clothing Manufacturers Association. The world's sixth biggest exporter of textiles and Europe's third biggest source of ready-to-wear garments, Turkey is hugely dependent on its apparel industry for survival. The country is a rare net exporter — contributing up to 15 per cent of the country's exports.

Surface-level changes make matters worse

However, tensions between brands and their suppliers began to ease in April and May, as big fashion groups such as Levi Strauss & Co, Adidas and Nike Inc started cooperating with these manufacturers. They either started making or scheduling their payments. Western governments also supported these brands in reassuring payments to suppliers. This led to a reduction in inventory to around $200 million to $300 million worth.

Though welcome, these changes are only on the surface level as some brands are still not ready to pay, says Seref Fayat, Chairperson-Clothing Committee, TOBB. He claims the support given by the Turkish government is less comprehensive in nature as it is mostly in the form of loans and limited wage support, rather than furlough schemes, interest-free lending and grants.

Mustafa Gültepe, Head, Istanbul Apparel Exporters Association blames British brands most for nonpayment of orders. British brands are opportunists as they forced discounts and threatened not to pay at all, observed Gültepe.

Difficult time for Turkish manufacturers

These COVID-19 related issues began plaguing Turkish manufacturers at a time when the industry was recovering from an economic setback caused by a range of issues, including a coup attempt in 2016 and several terrorist attacks. The lira had lost value making Turkey more competitive against developing countries. Since then, the country had been promoting itself as a vertically integrated industry with a skilled workforce.

This worked for Turkey as its ready-to-wear exports hit $17.7 billion last year. Similarly, exports in January and February totaled $3 billion raising hopes of increased capacity, new factories and innovation. As COVID-19 forced brands to divert orders to Turkey, manufacturers moved fast to capitalize amid hopes that the disease would remain localized.

Hopes for revival remain alive

There are still hopes for revival for the clothing sector as online retail is helping Turkish businesses complete orders from companies such as the UK's Asos and Germany's Zalando. The country has already launched certain digital projects such as the EU-funded business-to-business project to make the latest technology available to Turkish businesses, enabling them to design and show collections on virtual models in a digital setting without the need for samples.

There is little chance for domestic demand to plug gaps. However, Turkish brands are likely to pick up orders from international buyers. Turkish fashion leaders also expect international buyers to demand a reduction in prices. The US-China trade war has shifted focus of American manufacturers to Turkey with many brands like Ralph Lauren, Levi's and

Newtimes Sourcing Group, opening offices in the country. The clothing sector is expected to recover from its worst losses by the first quarter of 2021 with the country being on a path of growth by 2025.

Source: fashionatingworld.com– Jul 08, 2020

HOME

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Cambodia: Garment exports fall, factories hit by virus

Exports in garment sector dropped more than 5 percent to around $3.78 billion in the first half of the year, according to a spokesman of the Ministry of Labour and Vocational Training.

The Labour Ministry's spokesman Heng Sour said at a news conference on Government Measures in Response to the Impact of COVID-19 at the Ministry of Economy and Finance (MEF) yesterday that in the first half of 2020, Cambodia's garmentexports were around $3.784 billion, a fall of 5.4 percent from more than $4 billion in the same period in 2019.

"The reason for the decrease is because of the impact of COVID-19. Purchasing also dropped globally. The drop is not only in Cambodia, but also in other garment-producing nations such as Bangladesh and Vietnam," Sour added.

Ken Loo, secretary-general of the Garment Manufacturers Association in Cambodia (GMAC), said the general decline was because of the suspension of factories and fewer purchasing orders.

A spokesman at the Ministry of Labour said that, as of June, 450 factories suspended production in the garment, footwear and travelling bag sector and 83 factories were formally closed compared with 2019, when 75 factories were closed. He added that if there is no effective measures and policies of the government to support the private sector, more factories will be closed.

Sour also added that so far more than 10 factories have asked permission to transform their production chain to produce face masks. Currently there are two factories producing face masks in Cambodia. "One production chain for face masks that can produce 2 million masks a month needs 20 employees.

We are working with some factories in Cambodia to transform them so they can produce masks.”

Permanent Secretary of State at Ministry of Economy and Finance Vongsey Vissoth said that although exports of the garment sector have dropped, the total amount of Cambodia’s exports to the international market in the first five months remained positive.

“Our exports of the garment sector dropped, especially to the EU, but we must think about the total export products from Cambodia to international markets, where we see growth such as bikes, rice, electronics and some raw materials from agriculture. It is a resilient economy. We have strong fundamentals in both the economy and financial system,” Vissoth said.

Based on the semi-annual report from the National Bank of Cambodia (NBC), in the first half of 2020, Cambodia’s trade deficit dropped -20 percent. That was because imports fell but the exports continued to increase.

Imported products dropped 5 percent because of a drop of imported raw materials in the garment sector fell 15 percent. Construction equipment imports were 15 percent down. Automotive were down 2 percent, oil by 4 percent and food and beverages by 8 percent.

The decrease in imported raw materials for the garment sector was caused by an interrupted supply from China, which was affected by tough COVID-19 restrictions in early 2020.

The NBC’s report also added that that the exports of Cambodian products increased 3 percent, stemming from an increase of electronics by 45 percent, bikes by 18 percent, rice by 29 percent and other products by 30 percent while exports of manufacturing dropped around 6 percent and rubber by 27 percent.

Source: khmertimeskh.com– Jul 08, 2020

HOME

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Bangladesh: BGMEA requests govt to register apparel buying houses

The Bangladesh Garment Manufacturers and Exporters Association (BGMEA) recently requested the government to offer registration to its associate member buying houses.

The association wrote a letter in this regard to the textiles and jute ministry, which, in an April 1 circular, made it mandatory for apparel buying houses to get registered with the department of textiles.

BGMEA has been giving certificate to buying houses as its associate members. There are 1,500 buying houses at present registered as BGMEA associate members.

In August 2019, BGMEA had sent a letter to the director general of the department of textiles requesting registration for the buying houses who are its associate members, but the department did not oblige. Rather, buying houses were asked to receive membership from their respective associations.

The department has blamed the Bangladesh Garment Buying House Association for hampering the interests of 1,500 apparel buying houses, a Bangladesh newspaper reported quoting a BGMEA source.

BGMEA is the sole garment sourcing association in Bangladesh that is known by the international renowned firms, he added.

The prices of readymade garment items are being reduced day by day due to uncontrolled buying houses and arbitrarily giving registration by the associations concerned, BGMEA said.

Source: fibre2fashion.com– Jul 08, 2020

HOME

****

Bangladesh: Garment work orders coming back slowly

With the reopening of outlets of major clothing retailers and brands in the EU and US, the inflow of work orders at local garment factories has been on the rise, albeit on a limited scale.

Local factory owners said most of them are running at 80 per cent capacity as the buyers are coming back with work orders.

The apparel suppliers also said the volume of fresh work orders is less as the buyers are either reclaiming goods already manufactured or executing old work orders.

So, the inflow of new work orders is still not at the expected level although they are hoping that the situation would improve further at the end of this year if the coronavirus pandemic can be controlled.

Garment manufacturers now fear that retail sales in the EU and US will slow down again if a fresh wave of infection spreads at those major export destinations.

A slump in sales in the western world for any reason will have an effect on the inflow of work orders for Bangladesh.

The large units have been receiving a handsome volume of work orders but the country's small and medium apparel companies are still suffering.

Suppliers said they would be able to achieve at least 80 per cent of their target for exports at the end of this year if the current inflow of work orders remains stable.

"Inflow of new work orders is low. We are catering to old work orders now. There will be a nearly 30 per cent gap in receiving work orders this year compared to last year," said KM Rezaul Hasanat, chairman and CEO of Viyellatex Group, a leading garment exporter.

The outlets have been opening up gradually but the presence of customers is still thin because of Covid-19, Hasanat told The Daily Star over phone.

"Up till August, the current inflow of work orders will make due at my factories. But September onwards, the volume of confirmed work orders is reducing. I am negotiating with my buyers for new work orders," said MA Jabbar, managing director of DBL Group, another leading garment exporter.

"The inflow of work orders is not steady now. I can achieve nearly 80 per cent of my annual target of export at the end of this year," he said.

With local suppliers getting ready to begin full-scale operations, the number of new coronavirus patients in the US has increased by more than 40,000 a day, especially after July 4, when restrictions on public movement were withdrawn to mark the country's Independence Day.

So this new wave of patients in the US might force its government to prolong the shutdown procedures for retailers.

"More than 50 per cent of my goods are shipped to Germany. So far, the inflow of work orders in my factory is good," said Fazlul Hoque, managing director of Plummy Fashions, a Narayanganj-based garment factory.

Suppliers sending garment shipments to Germany are in an advantageous position as they faced less order cancellations in March, April and May.

Not only that, there is also a steady inflow of work orders to their factories even amid the Covid-19 pandemic as the German economy has been comparatively less affected by the virus till date.

"I can achieve 85 per cent of by export target by the end of this year," said Hoque.

The major problem is that nearly 100 western retailers and brands have filed applications seeking salvation from bankruptcy. Of the applicants, most purchase apparel items from Bangladesh, Hoque said.

Similarly, Bakhtiar U Ahmed, chief operations officer at Fakir Apparels, said his buyers were now reclaiming their old orders. So the volume of new orders is relatively low now, he said.

Buyers stated that they would not cancel any work orders but they would take some time to take goods that have already been manufactured, he said.

They will increase the volume of new work orders once the old inventory was sold, he added. So at the end of this year there will be nearly 10 per cent lesser work orders compared to the same time last year, he also said.

Mahmud Hasan Khan Babu, managing director of Rising Group, said he has an adequate number of work orders for knitwear items but in case of woven items, he could not take orders because he needed to import fabrics, mainly from China.

So currently, he can execute 85 per cent of knitwear orders and use 60 per cent of the capacity for woven, Babu said.

Tariqul Islam, managing director of All Weather Fashions, said he closed his factory in March as he was facing a crisis of new work orders from the buyers.

He shut down his unit which employed 473 workers as he was also facing challenges in paying bank loans as well.

Before closing his factory, he used to export goods worth Tk 50 crore annually. However, the value of his exports dropped to Tk 37 crore in 2019 because of a slump in work orders at his small factory in Pubail.

Between January and March this year, he could export garment items worth Tk 12 crore, said Tariqul, adding that he would reopen his unit again in September this year as buyers were coming back.

KI Hossain, president of the Bangladesh Garment Buying House Association, said local buying houses were facing a crisis of work orders as most retailers and brands did not prefer to travel to factories or hold meetings either virtually or any other third destination, except Bangladesh.

Source: thedailystar.net – Jul 09, 2020

HOME

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NATIONAL NEWS

Why India's trade surplus is a warning signal

Despite the lockdown, India's trade balance in April and May turned positive. This has been achieved by a sharper decline in imports, pointing towards a contraction of demand in the real economy

The RBI has released India's balance of payments data for the fourth quarter (January-March) of 2019-20. It shows that during this quarter, India has managed a small current account surplus which is around 0.1 per cent of the GDP.

Breakup of the data show that the surplus in the current account is largely driven by a lower trade deficit. This trend has continued and data from the Commerce Ministry show that for the months of April and May 2020, India's trade balance has improved further and has turned positive after many months.

This is a rare occurrence because since 1976-77, there has not been a single year when India did not incur a substantial merchandise trade deficit. A high trade deficit tends to pose a concern for both the government and the RBI.

Thanks to the surplus on account of invisibles, emanating mainly out of services exports and remittances, India's substantial trade deficit turns into a moderate current account deficit (comprising both merchandise trade and invisibles).

But why do we always tend to have a trade deficit? Tautologically, our inability to export more and import less can be held responsible. Our lack of export dynamism in comparison with our East Asian neighbours is well-known. On the other hand, large imports of oil, gold, and electronics have chronically inflated our import bills.

Thus, any news of a reduction in trade deficit is often greeted with an expectation that it may represent some dynamism of the Indian economy. Is such exuberance connected with a reduction in trade deficit always justified? Current trends in international trade raise some serious questions.

Recently released trade data from WTO show that the Covid crisis has had a severe impact on international trade. As the world went into a lockdown, it severely affected economic activities everywhere. Estimates by the WTO suggest that for the second quarter of 2020 — a period when the lockdown was in place — the global trade is likely to suffer a year on year drop of around 18.5 per cent. This is one of the steepest falls in international trade on record. Along with the lockdown, the WTO attributes this decline to the growing geopolitical and trade tensions.

India's trade also suffered. India's merchandise trade (exports plus imports) has gone down from around $66 billion (average of January and February 2020) to $27.48 billion in April before recovering to around $41.25 billion in May (see Table).

India's trade data

In comparison, India's total merchandise trade in May 2019 was $75.25 billion, implying around a 45 per cent decline in May 2020 compared to the same month last year.

Merchandise exports declined by around 36.3 per cent, but merchandise imports suffered a more significant decline and shrunk by more than 51 per cent. Though the numbers in May 2020 show an improvement in trade performance compared to April 2020, it is possible that some of the increases in May are due to the release of held-up consignments at the ports.

The impact on trade in services, however, is much less severe. After all, services trade in India is dominated by IT/ITES exports, that are less susceptible to disruptions in logistics. The average trade in services for January and February 2020 was around $33 billion.

The corresponding figures for April and May are $28.3 and $24.2 billion, respectively. Compared to the same month last year, services exports declined by 13.7 per cent, and services imports declined by 26.12 per cent.

Given that the Covid-19 crisis has led to an almost complete shutdown of some major service sectors like airlines, hospitality, and travel and tourism, this relatively moderate decline in services trade is a relief. However, unlike merchandise trade, India's trade in services shows a decrease in May compared to April.

Warning sign

Overall, India's trade balance in April and May 2020 have turned positive. Some sections are lauding this 'achievement' of India. However, as the Table shows, this improvement in trade balance has been driven mainly by a sharper decline in imports. This is a warning sign for the economy as the decline in imports, especially in merchandise goods, points towards a contraction of demand in the real economy.

A look at the details behind the import contraction suggests that the decline in imports in May 2020 was led by mainly by a sharp decline in imports of gold (-98.4 per cent), petroleum goods (-72 per cent), coal (-44.9 per cent), electronics (-40.3 per cent) and machineries (-34.4 per cent). While declining petroleum prices and rising gold prices have affected the import patterns, the sharp decline in imports of fuel and machinery do indicate a severe demand slowdown in the economy.

Covid-19 is going to have a heavy toll on the economy. The foreign trade numbers give us an early warning of the impending slowdown. The World Economic Outlook of the International Monetary Fund, released on June 24, has indicated that India's GDP is projected to contract by 4.5 per cent during 2020; if this turns into a reality, then this is going to be the second most severe contraction in post-Independence India. We are keeping our fingers crossed.

Source: thehindubusinessline.com– Jul 08, 2020

HOME

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99% businesses in India now in MSME category

A change in definition of micro, small and medium enterprises (MSME) has turned India into a country of small businesses as nearly 99% of the entities now fall under the category based on the twin parameters of investment and turnover.

An entity can be classified as a micro enterprise if investment is up to Rs 1 crore and turnover does not exceed Rs 5 crore.

The corresponding figures are Rs 10 crore and Rs 50 crore for small and Rs 50 crore and Rs 250 crore for medium enterprises .

Govt to use I-T, GST data to plug gaps

Investment in plant and machinery has been the traditional parameter on which MSMEs have been classified, enabling them access to various sops such as concessional finance, though the main benefit of excise duty relief has been lost ever since the GST regime was implemented.

Government sources told TOI that numbers with the GST authorities show that 99% of the entities have a turnover that fits into the MSME definition. More than half the businesses registered with GST Network have less than Rs 20 lakh turnover, the earlier registration threshold.

As an added relief, export turnover has been excluded to enable more units to get the benefit. Similarly, income tax department's analysis showed that when it comes to investment, the written down value of assets, that is after depreciation, there are a few thousand entities in India that have investments in plant and machinery or equipment that exceed Rs 50 crore, the ceiling for medium enterprises.

The numbers have come as a surprise to policymakers as the definition was finalized before looking at them in detail.

It is only now that the MSME ministry has sought to plug the gaps as it detected that by using one Aadhaar number, five Udyog Aadhaar Numbers could be generated, encouraging businesses to split their units into five separate entities and claim all the benefits. It has now decided to tap the income tax and GST database to get a better picture of enterprises claiming benefits.

Source: timesofindia.com– Jul 08, 2020

HOME

****

Challenging the Dragon: Is India ready to boycott China?

India and China share a complex history, often fraught with unease and discord; the most recent incident being the border dispute in Ladakh. As the reports of the clash poured in, Indian social media was flooded with appeals to boycott Chinese products and restrict trade with China–a narrative that has gained widespread traction in the last few months. The viral video from Surat in which a group of men can be seen throwing their "Chinese" television from a balcony is a glimpse of this sentiment. This narrative has found widespread support, with several renowned personalities endorsing it.

In this article, we take a step back and ask: Can India really afford to challenge the dragon? Using simple economics, we explain why it cannot. China has been India's largest import partner for some years now. During 1990 to 2018, China's share in India's imports has on an average increased and outperformed that of India's other top import partners.

While China's share in Indian imports was 15% for the year 2018, that of Saudi Arabia, Switzerland, UAE and the US remained in the range of 4% to 6%. In 2019, 14% of India's total imports came from China. For comparison, less than 1% of Chinese imports are from India.

China's share in Indian imports for intermediate inputs, capital goods and final consumer goods is 12%, 30% and 26%, respectively. This implies that a very significant proportion of these goods for India are sourced from China. Restricting the entry of these goods would harm not only Indian consumers, who would have to pay a higher price for a substitute, if any but also its producers, who would have to obtain these inputs from some other source, compromising on efficiency.

For instance, Chinese smartphones, that are now accessible to a vast majority of the population due to their price advantage, have revolutionised the market for mobile handsets. The market share of Chinese smartphones in India has been at an all-time high of about 72%.

From the point of view of domestic producers, numerous studies in the Indian context have highlighted that the 1991 trade liberalisation episode ensured the availability of a greater variety of inputs for domestic firms, which led to a significant increase in their productivity.

A protectionist policy would, therefore, serve to hurt Indian consumers and producers. To put in perspective the cost of moving away from China to another trading partner, a back of the envelope calculation reveals that China provides its goods at a significantly lower cost. In 2018, parts of telephone sets, which is the most imported product from China, was provided by China at a price 43% lower per unit as compared to top-5 competitors in the world, in this product category. China provides competitive prices in most of the products and for some categories like pharmaceutical products; it provides up to 89% cheaper goods which is nearly impossible to substitute.

To represent a range of goods, consider the following products (with their import shares in 2018 in parentheses): fertilisers (1.82%) are about 76% cheaper, electronic circuits (2.6%) 23% and data processing units (3.5%) are about 10%. Note that this represents an underestimation of the real cost of moving to another trading partner.

As a lower bound, if we consider that both countries pay a premium of even 10% to import from a different trading partner, India would have to additionally incur a cost equivalent to $7.6 billion (0.27% of its GDP). China, on the other hand, would only incur a cost of about $1.6 billion (0.01% of its GDP) if it shifts away from India to another import partner. Even if we consider that each country loses their respective value of exports completely in addition to paying a premium for new import partners, India would still incur a cost of about 0.86% of the GDP while China would incur a loss of only 0.54% of their GDP.

In reality, these costs will only be amplified, and India will suffer much more than China as the latter remains more competitive than India in the world market. Further analysis using disaggregated trade data reveals that out of the 4,090 products that India imported from China in 2019, for 571 of these, China's share in India's total imports for each of these products was greater than 75%. The combined import value of these 571 products stands at $11.8 billion, i.e., 17.2% of total imports from China.

Additionally, for 1,245 products, China's share in India's imports is greater than 50%. This implies that for these products at the very least, replacing China with some other trading partner is practically going to be very costly (if not impossible) for India since China supplies at least half of India's total import needs for these products. As with all trade wars, a trade war with China at this point of time shall, therefore, do more harm than good to India's economy.

Furthermore, the dominance of Global Value Chains (GVCs) in international trade today emphasises the redundancy of sentiments like ‘Boycott China’. GVCs imply that a product is not manufactured from start to finish in a single country. Instead, its production is fragmented into several stages; and different countries can add value in different stages of this production process.

For instance, a Bianchi bicycle undertakes its design and conception in Italy, sources parts and components from China, Japan, and Italy, among other countries and assembles them in Taiwan, China. Given such a fragmented production process and China’s high involvement in GVCs, it is practically not possible for any country to boycott Chinese products. In fact, the buttons on your favourite t-shirt, although bought from a store in India and labelled “Made in Bangladesh”, could very well have been sourced from China. Consumers can’t boycott China or any country completely.

Using the latest available global Input-Output (IO) table (2014), we find that Indian industries are much more dependent on China’s manufacturing sector for their imported inputs than Chinese industries are on Indian manufacturers. Chinese value-add in total imported manufactured inputs is more than 20% for the following Indian industries: textiles, pharmaceuticals, rubber and plastic, computer and electronics, electrical equipment, and transport equipment. Indian value added in imported inputs of China’s manufacturing industries, on the other hand, is under 5%. In addition to the manufacturing sector mentioned above, telecommunications (28%), real estate activities (32%) and legal and accounting activities (20%) in India are also significantly dependent on China for their imported inputs.

To add to these figures, one must take into consideration, the investments by Chinese conglomerates like Alibaba and Tencent, who have invested heavily in various Indian start-ups like Paytm, Make My Trip, Ola, Big Basket, Swiggy and Zomato to name a few. According to the China Global Investment Tracker, the total investment in these start-ups alone during 2017 to 2019 is about $3.4 billion.

Furthermore, China has also committed to several Greenfield investments which usually benefit the country where the investment is done. The facts presented in this article are indicative of China’s pervasive presence in the Indian economy, indicating the perils of restricting trade with its largest trading partner at this stage.

It is important to understand that it is in the interest of domestic industries (as well as Indian consumers) not to adopt a protectionist stance or engage in a trade war. We should encourage domestic industries, and an effective way for a labour-abundant country like India would be to increase participation in the labour-intensive segments of Global Value Chains, similar to the strategy followed by China since the 1990s and Vietnam in more recent years. Although we may all be dead in the long run, such forward-looking visions are what nations are built upon.

Source: financialexpress.com– Jul 09, 2020

HOME

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Cotton sowing area doubles to 92 lakh hectares

Cotton sowing has picked up pace across the country because of good rainfall, with nearly 92 lakh hectares coming under cultivation so far. Last season, farmers had completed sowing operations on 46 lakh hectares around the same period. Cotton sowing is expected to cross 115-120 lakh hectares for the 2020-21 season, according to industry bodies.

This year, sowing has doubled compared to the last year, according to agriculture ministry data. Sowing began early this year since the monsoon began on time. In areas dependent on rainfall, sowing commences June onwards while in irrigated areas, it begins as early as April.

As per the data available, cotton sowing is almost complete and reached last stages in Punjab, Haryana and Rajasthan. In Haryana, cotton acreage has gone up by 9% to 7.37 lakh hectares. Higher area has been reported from Maharashtra (33.08 lakh hectares), Telangana (15.39 lakh hectares) Rajasthan (6.27 lakh hectares) Madhya Pradesh (5.40 lakh hectares), Karnataka (2.03 lakh hectares), Gujarat (15.71 lakh hectares), Punjab (5.01 lakh hectares) Haryana (7.37 lakh hectares), Andhra Pradesh (0.90 lakh hectares), Odisha (0.03 lakh hectares) and Tamil Nadu (0.02 lakh hectares).

The Centre has raised the MSP of medium staple cotton by Rs 260 per quintal to Rs 5,515 for 2020-21 season. The same for long staple cotton has been increased by Rs 275 per quintal to Rs 5,825. According to industry people, farmers have switched to cotton since the government has increased the MSP.

Meanwhile, in Maharashtra, nearly 10-12 hectares has come under the banned variety of HTBT cotton, according to Shetkari Sanghatana president Anil Ghanwat.

Source: financialexpress.com– Jul 09, 2020

HOME

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New MSME framework may pose infrastructure problems

The proposed special resolution framework for about five-six lakh micro, small and medium enterprises (MSMEs) companies could well pose an infrastructure problem amid overburdened National Company Law Tribunals which are already bursting at the seams.

Unless the government comes up with an exclusive infrastructure to deal with these cases, even those bigger ones could get delayed making resolutions and recoveries impossible for banks.

"It will be an uphill task for existing infrastructure to deal with the flood of cases, expected due to MSME framework," said Ashish Pyasi, Associate Partner at law firm Dhir & Dhir Associates. The proposed framework for MSME should be designed in such a way so that the involvement of NCLT's or adjudicating authority is minimal."

NCLTs have been functioning amid a flood of cases and limited logistics. Lack of member judges, delay in their appointments are among those. There are only a dozen NCLT courts, many of them are hugely understaffed. Out of all those, Mumbai and the Principal bench in Delhi face the majority of the cases.

Although an increase in the number of benches coupled with a few additional appointments of judges improved the scene, it is still not sufficient.

As per latest Insolvency & Bankruptcy Board of India (IBBI) data, about 3,774 cases were reported under the Corporate Insolvency Resolution Process (CIRP) from the time of inception and out of those cases 2,170 cases are still pending in various NCLTs. The tribunals also have to dispose of matters related to schemes and operation and mismanagements.

"The need of the hour for the MSME sector is that the stakeholders will need to address this issue as one of the most crucial aspects of the entire Insolvency regime," said Priyanka Sinha, partner at law firm A&P Partner. The measures should allow MSMEs to keep their business afloat."

MSMEs employ over 11 crore workers contributing about 29 percent of India's GDP.

The draft Special insolvency resolution framework bill for MSMEs is likely to be tabled in this parliament session. It recommends a 90-day timeline instead of the existing 330 days - for completion of the process. It permits promoters of a defaulting MSME to submit resolution plans.

"It is imperative that the regulatory measures are supported by the necessary infrastructure and an effective system for implementation of these measures," said Zerick Dastur, founder of the law firm Zerick Dastur Advocates & Solicitors. This is required in order to ensure timely and effective dispensation of justice."

In the past few months, the government has announced several measures, aimed at protecting the interest of industries battling the pandemic. Those include suspension of fresh initiation of insolvency proceedings under the IBC for a period of six months.

The framework applies on MSMEs with up to Rs 250 crore yearly turnover and Rs 50 crore investment in plant and machinery.

Source: economictimes.com– Jul 08, 2020

HOME

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Banks sanction about Rs 1.14 lakh crore loans to MSMEs under credit guarantee scheme

The finance ministry on Tuesday said banks have sanctioned loans of about Rs 1,14,502 crore under the Rs 3-lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) for MSME sector reeling under the economic slowdown caused by the COVID-19 pandemic.

However, disbursements against this stood at Rs 56,091.18 lakh crore till July 4 under the 100 per cent ECLGS for micro, small and medium enterprises (MSMEs).

The scheme is the biggest fiscal component of the Rs 20-lakh crore 'Aatmanirbhar Bharat Abhiyan' package announced by Finance Minister Nirmala Sitharaman in May.

The latest numbers on ECLGS, as released by the finance ministry, comprise disbursements by all 12 public sector banks (PSBs), 20 private sector banks and 10 non-banking financial companies (NBFCs).

"As of 4 July 2020, the total amount sanctioned under the 100% Emergency Credit Line Guarantee Scheme by #PSBs and private banks stands at Rs 1,14,502.58 crore, of which Rs 56,091.18 crore has already been disbursed," the finance minister said in a tweet.

Under the ECLGS, the loan amounts sanctioned by PSBs increased to Rs 65,863.63 crore, of which Rs 35,575.48 crore has been disbursed as of July 4, she said.

At the same time, private sector banks have sanctioned Rs 48,638.96 crore and disbursed Rs 20,515.70 crore.

"Compared to 1 July 2020, there is an increase of Rs 4,158.51 crore in the cumulative amount of loans sanctioned and an increase of Rs 3,835.65 crore in the cumulative amount of loans disbursed, by both #PSBs and private sector banks combined as on 4 July 2020," Sitharaman said.

Market leader SBI has sanctioned Rs 20,628 crore of loans and disbursed Rs 13,405 crore. It is followed by Punjab National Bank, which has sanctioned Rs 8,689 crore. However, its disbursements stood at Rs 2,595 crore as of July 4.

The business units of Maharashtra have got the highest cumulative sanction of Rs 6,856 crore from banks, while disbursement was to the tune of Rs 3,605 crore as of July 4. It is followed by Tamil Nadu, with sanction of Rs 6,616 crore loans and disbursements of Rs 3,871 crore. On May 21, the Cabinet approved additional funding of up to Rs 3 lakh crore at a concessional rate of 9.25 per cent through ECLGS for MSME sector.

Under the scheme, 100 per cent guarantee coverage will be provided by the National Credit Guarantee Trustee Company (NCGTC) for additional funding of up to Rs 3 lakh crore to eligible MSMEs and interested Micro Units Development and Refinance Agency (MUDRA) borrowers in the form of a guaranteed emergency credit line (GECL) facility.

For this purpose, a corpus of Rs 41,600 crore was set up by the government, spread over the current and next three financial years. The scheme will be applicable to all loans sanctioned under GECL facility during the period from the date of announcement of the scheme to October 31 or till the amount of Rs 3 lakh crore is sanctioned under GECL, whichever is earlier.

All MSME borrower accounts with an outstanding credit of up to Rs 25 crore as on February 29, which were less than or equal to 60 days past due as on that date, i.e., regular, SMA-0 and SMA-1 accounts, and with an annual turnover of up to Rs 100 crore are eligible for GECL funding under the scheme.

Source: economictimes.com– Jul 08, 2020

HOME

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Cabinet nod for development of Affordable Rental Housing Complexes for urban migrants, poor

The Union Cabinet on Wednesday approved development of Affordable Rental Housing Complexes (ARHC) for urban migrants and poor that will make housing available at affordable rent close to the place of work, the government said.

As part of ARHC, existing vacant government-funded housing complexes will be converted into Affordable Rental Housing Complexes through "concession agreements" for 25 years, an official statement said.

Affordable Rental Housing Complexes is a sub-scheme under the Pradhan Mantri Awas Yojana-Urban. The concessionaire will make the complexes livable by repair or retrofit and maintenance of rooms and filling up infrastructure gaps such as water, sewer, sanitation, road and related work.

An expenditure of Rs 600 crore is estimated in the form of "technology innovation grant", an official spokesperson said on Twitter after the Cabinet meeting.

States and union territories will select concessionaire through transparent bidding. Complexes will revert to the urban local bodies after 25 years to restart the next cycle like earlier, or run on their own, the statement said.

Special incentives such as use permission, 50 per cent additional floor area ratio or floor space index, concessional loan at priority sector lending rate and tax relief at par with affordable housing will be offered to private and public entities to develop ARHCs on their own available vacant land for 25 years, it said.

Announced by Union Finance Minister Nirmala Sitharaman on May 14 this year, the scheme seeks to fulfil the vision of 'Aatma Nirbhar Bharat', the statement observed. Referring to the benefits of the scheme, it said government-funded vacant housing stock will be converted into ARHCs for economically productive use.

"The scheme (AHRC) would create a conducive environment for entities to develop AHRCs on their own vacant land, which will enable new investment opportunities and promote entrepreneurship in rental housing sector," it explained. Official sources said more than 3.5 lakh people will benefit under ARHCs.

ARHCs will create a new ecosystem in urban areas making housing available at affordable rent close to the place of work and will cut down unnecessary travel, congestion and pollution, they said.

"They (workers and urban poor) spend a lot of time on roads by walking or cycling to workplaces, risking their lives to cut on the expenses," the statement added.

Source economictimes.com– Jul 08, 2020

HOME

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Fashion and apparel companies still hurting

Hit by the nationwide lockdown, India's fashion and apparel sector has recovered only 35% of sales compared to January levels, according to data shared by Redseer Consulting exclusively with ET. Fashion sales in January stood at $7 billion, or $85 billion annualised, the report said, adding that the dip was the steepest in April, when sales fell to 10% of January levels.

As offline retailers continue to grapple with low footfalls in high-street destinations and malls, even online platforms have failed to match pre-Covid-19 demand in the fashion category. Offline fashion sales, including those from organized brick-and-mortar stores, fell from around 92% in January to 88-89% by mid-June, the data indicated.

Despite sluggish consumer demand, online channels gained share. The report said online reach for fashion inched up substantially from 7% to 11% over the past six months, albeit in a truncated market. "Fashion category has witnessed the slowest recovery post-Covid-19 compared to other categories," said Mrigank Gutgutia, director at Redseer Consulting and Research.

Online fashion recovered sales to about 64% of January numbers by mid-June, but all other e-tailing categories have performed better than pre-Covid-19 levels, it indicated.

"This year is about surviving with minimum impact and emerging stronger from the crisis at hand," said Abhishek Ganguly, managing director of Puma India. "I feel sportswear and athleisure would be one of the categories which would see quick revival," he added.

To get consumers into stores, struggling retailers and brands are banding together to seek a standardized safety protocol for apparel, said Arvind Mediratta, chairperson, retail and internal trade committee at industry body Ficci.

"Despite all the safety measures in stores, consumers are reluctant to enter trial rooms. There is a suggestion to partner with the government and come out with a protocol (like an ISI mark equivalent) which says apparel is certified safe to wear. Unless that reassurance is given by the government, this category will continue to struggle," Mendiratta, who is the managing director and CEO of Metro Cash & Carry India said.

The fashion industry's only hope of bouncing back will be around the upcoming festive season, said the chief executive of a top fashion brand who did not want to be named. "It is a bloodbath, and everyone is in deep red," he told ET.

"An industry which sells 98% offline is now relying on a few online channels for sales. It just doesn't move the needle," he added.

Source: economictimes.com– Jul 08, 2020

HOME

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Exclusive Investment Forum webinar: Assam invites textile investors

The Ministry of Textiles, Government of India in collaboration with Invest India organized an 'Exclusive Investment Forum' webinar. As part of the series, today's edition focused on textiles and apparel sector. Only five states were invited, Assam being one of them. Other states included Gujarat, Maharashtra, Madhya Pradesh and Telangana. The webinar saw discussion on domestic manufacturers, state clusters, scopes of apparels, textile machineries, yarn, supply chain and man-made fibres (MMF).

Chairing the webinar, Union Minister for Textiles Smriti Irani welcomed all the investors and called upon them to invest in India as it has a vast market for textile, with abundant raw materials and investor-friendly policies. Participating from Assam, Industries and Commerce Minister Chandra Mohan Patowary said, "As per the 4th All India Handloom Census, Assam has the highest number of looms and weavers in India. With 10.9 lakh weaver households and 10.19 lakh looms, the cottage industry provides huge employment opportunities to the people."

Citing that Assam has a good textile and export policy, Minister Patowary invited the textile investors to Assam and assured customized support to their business ventures in Assam. Patowary further said, "Assam has a textile park at and is contemplating on setting up another mega textile park will be set up at Rangjuli. Assam offers the advantage of seamless connectivity to East Asia. With the advancement of the Act East policy, Assam is now the Centre of South East Asia with access to 80 million people," a press release said.

Source: sentinelassam.com– Jul 08, 2020

HOME

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Migrant labour scarcity hits India's exports

Majority of migrant labours in the country have returned to their home towns after facing a lot of hardships due to the whole pandemic imposed lockdown. Further, their return is uncertain unless they were earning a lot of money. Also, the dried up cash flow has made it difficult for small and medium scale enterprises to give them incentives.

Labour Woes Amid Rising Export Orders

The Director-General of the Federation of Indian Export Organisations, Mr Ajai Sahai confirms that the export enquires from the US, Japan and Australia has seen almost a 20% increase. However, many labour-intensive export sectors are feeling the heat. Mainly due to migrant labour scarcity and also because of the rise in labour costs because of social distancing norms.

Garment Industry Hit with Shortage of Workers

The garment industry in India mainly comprises of women workers. The creches inside these garment factor are non-functional, citing reasons as the global pandemic. Thereby imposing a lot of pressure on mothers employed in these factories who leave their children alone at home.

Furthermore, many are forced to quit. A large number of the Indian workforce belong to the informal sector without proper social security or remuneration. Thus, the decision of many states to change the labour laws to increase working hours has only put more pressure on the already struggling labour force.

Labour Shortage Adds to Container Low Inventory Problem

Container shortage and labour shortage has resulted in a delay of exports of rice to Africa and the Gulf countries. CEO of Tirupati Agri Trade, Mr Suraj Agarwal reports that the demand from Africa is strong. Despite the strong demand, the shipments were being delayed because of a labour shortage.

Going forward, we have to see whether local labour replaces migrant labour in these critical industries. Also, look at how the migrant labour force can be safely brought back to work. Given the prevailing social distancing norms and restrictions on transport and travel, it is essential to look out for migrant labourers.

Source: maritimegateway.com– Jul 07, 2020

HOME

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The Indian textile sector is witnessing a drastic shift from traditional products to new ones, such as PPEs, N-95 masks and technical textiles: Ravi Capoor

India's textile sector is the second-largest employment generator in the country (after the agriculture sector) and India is the fifth-largest exporter of textiles and apparel in the world.

The COVID-19 lockdown has severely damaged this sector, halting operations for nearly two months. Now, as thousands of textile factories across the country try to limp back to normalcy, stakeholders feel more vulnerable than ever before, with many sitting on 'dead stock'—shipments that could not be dispatched due to the pandemic and have lost their market value (since textiles and apparels are season-dependent industries).

While many in the industry still hope for a rescue package from the Government, in this e-mail interview, Union Textile Secretary Ravi Capoor tells Shwweta Punj, Deputy Editor, INDIA TODAY magazine, that the pandemic has led to a drastic shift in products being made. New items include N-95 masks, technical textiles and synthetic materials.

The Government has also allowed the export of non-medical/ non-surgical masks of cotton, silk, wool, polyester and nylon (among other materials), and is currently considering allowing the export of personal protective equipment kits (PPEs), subject to restrictions.

Q. What challenges face the textile sector, and what is your assessment of the impact of COVID-19?

Domestic manufacturers and exporting units are facing huge challenges. In the midst of this uncertainty, industry players and entrepreneurs are discovering new and innovative means of operation. While the fallout from the crisis is both amplifying familiar risks and creating new ones, change at this scale also creates new openings for managing systemic challenges and ways to steadily build back business with the new normal.

One lesson learned is that since business is a function of capital and labour, the labour force cannot be taken for granted, as is evident from the reverse migration witnessed [during the lockdown]. Moreover, with the launch of the Garib Kalyan Rojgar Yojana, with an outlay of Rs 50,000 crore, to offer job opportunities to migrant workers in their native districts, there is a likelihood that many [workers] may not return to factories in textile clusters in the short run.

As the economy opens up, we will see a steady rise in demand and production. Fuel demand has returned to 80-85 per cent [of normal levels] and is likely to reach 90 per cent by month-end or in the first half of July. This indicates that the economy is limping back to normalcy. Activities in the textile sector are also slowly returning to normal, showing around 50 per cent operations, in some cases touching 60 per cent.

Due to the pandemic, businesses and supply chains are witnessing a drastic shift from traditional products to new ones such as PPEs, N-95 masks, technical textiles, synthetic material, etc. Before the outbreak of the pandemic, the PPE requirement in India was approximately 50,000 [units] per year. However, since the outbreak, India has become self-reliant in these segments with production capacity of PPE coveralls reaching 450,000 [units] per day, from zero production capacity.

Q. Is the Indian textile sector ready to capitalise on the backlash against China?

The textiles sector is gearing up to make the ‘atma nirbhar (self reliance)’ path a success, keeping in mind that no nation can fully isolate itself from the world economy.

[Many] textile manufacturers are relocating their manufacturing bases outside China and are searching for new emerging markets. As we are competing with other destinations—like Bangladesh, Vietnam, Turkey, countries in eastern Europe, Ethiopia, Mexico and other Latin American countries—the Indian textile industry, in coordination with Central and state governments, is taking many steps to remain competitive, including labour reforms. We are [developing world class] systems and procedures to give confidence to investors. The Textile Ministry, therefore, has facilitated the [operations of] Indian exporters with global buyers/ suppliers in consultation with overseas Indian Missions.

For example, a Japan quality standard desk has been set up at the Textiles Committee office in Mumbai to address issues relating to quality and compliance by exporters to the Japanese market. This desk will also provide third-party physical verification, capacity evaluation and foreign buyer inspection services to Japanese customers.

The Government has also allowed the export of non-medical/non-surgical masks made of cotton, silk, wool, polyester and nylon, among other materials, and is considering allowing exports of PPEs (with quantitative restrictions).

Q. What are your ministry's most defining initiatives to increase productivity and competitiveness?

As you are aware, the anti-dumping duty of PTA (purified terephthalic acid) was removed as a means to open up the MMF (man-made fibre) sector of textiles, which is still in its infancy in India. To reverse the trend of India importing significant quantities of technical textiles—worth $ 16 billion every year—and to position India as a global leader for this product category, a National Technical Textiles Mission was announced with a four-year implementation period from 2020-21 to 2023-24 at an estimated outlay of Rs 1,480 crore. These initiatives will put Indian firms on a level playing field with international players in the man-made fibre and technical textiles sectors.

The manufacturing of PPE kits was a challenge on account of the very few medical textile manufacturers in the country. The apparel and garments segment was brought into the production stream for PPE coveralls. Pro-active actions, wide outreach and intensive interactions with fabric manufacturers and garment companies have now [resulted in] more than 600 PPE manufacturers in the country.

Ten laboratories have also been set up for testing of PPE coveralls. Production levels have crossed more than 450,000 units per day at peak capacity. These coveralls are now available for procurement through the GeM (Government e-marketplace) portal.

In addition, the level of production and number of manufacturers of N-95 masks has been enhanced. From four BIS (Bureau of Indian Standards) licensed firms there are today eight such firms manufacturing more than 300,000 N-95 masks per day.

A proposal for setting up 10 mega integrated textiles region and apparel parks all over the country, on over 1,000 acres of land has also been mooted. These parks will have world class infrastructure and fibre-to-fabric-to-ICD for clearance. They will be a one-stop investment destination for FDI, and ideally, will be situated near ports with connectivity and links.

Q. Indian textile players say that that they have been disadvantaged over the past few years by FTAs (free-trade agreements) signed by countries like Bangladesh and Vietnam with the European Union?

Countries like Bangladesh and Vietnam have zero duty access to the EU markets, whereas Indian exporters face a duty disadvantage of 9.6 per cent in the EU market. In order to assist Indian exporters, a RoSCTL (rebate of state and central taxes and levies) scheme to assist exporters has been extended. The different schemes announced under the Rs 20 lakh crore post COVID-19 package by the Government will immensely assist exporters vis-à-vis their counterparts.

To further mitigate the disadvantages faced by Indian textile firms vis a vis firms from countries that have zero-duty access to big, thriving markets, some schemes are being proposed by this Ministry such as the mega integrated textiles region and apparel parks and the focus product incentive scheme.

Q. What is the future landscape for the sector?

The Indian textiles sector primarily operates in the cotton segment, where low value products are manufactured. Therefore, we are focusing on new emerging sector of technical textiles and man-made fibres. The idea is to promote the manufacture of high-value and functional fibres, such as those used in winter wear and technical textiles, which are currently imported. We are also focusing on the production of defence and medical textiles, geo textiles, agri textiles and special performance fibres, etc. Steps have also been taken to increase collaboration with the machine manufacturing and technology sectors, as most machines used in all segments of the textile value chain are imported.

Source: indiatoday.in– Jul 08, 2020

HOME

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Atmanirbhar MSMEs: How Modi govt's Make in India 2.0 is gateway to self-reliance for small businesses

Ease of Doing Business for MSMEs: They say that every crisis brings with itself an opportunity. Likewise, the Covid-19 pandemic brought with itself an opportunity for India, that was identified and announced by the Prime Minister of India as 'Atmanirbhar Bharat' or making India self-reliant.

When 'Make in India' as a concept was announced in 2014, it was successful in igniting the idea and now is an opportune time to execute that idea. But, what does 'Atmanirbhar Bharat' really mean? What does it imply for the future? More so, what does it mean for the MSME sector and how the sector can leverage it?

The MSME sector is the most vibrant and dynamic industrial sector contributing about 40 per cent to the GDP and significantly to the exports of the country. Multiple government policies and decisions emphasize that the MSME sector will act as the bedrock for economic revival.

The idea behind 'Make in India' is about decentralised localism that takes pride in indigenous brands, emphasises resilience and adaptability, and encourages local capacity-building and employability. This will encourage the idea of making in India for the MSME industry and help amplify their presence across sectors.

The MSME sector in India is second largest to agriculture with high employment and contribution in terms of foreign exchange earnings, the sector has established its significance in the macroeconomic value chain. It is only fair for us to now unleash the potential of this sector by leveraging the 'Make in India' concept and help this sector thrive post the Covid-19 pandemic.

As per a recent survey done by Prione, about 23 per cent of MSME have indicated that working capital has been a primary concern, making it difficult for them to sustain or restart their businesses. In order to relieve the MSME sector from the current distress caused by the pandemic, the government has rolled out stimulus packages Such as the Fund of Funds.

This scheme is intended to help MSMEs tackle the shortage of growth capital and revenue across verticals. Further, this aid will help the sector address immediate needs with regards to operations and logistics, thereby offering an opportunity to revive business.

Most of the industries have been affected due to the current pandemic and are struggling to stay afloat. The ‘Make in India’ 2.0 has been announced at an opportune time especially for the currently struggling MSME sector. The narrative around Make in India has been going on for over five years now, however, this is the first time that the idea has been backed with a concrete plan, supply of funds and required resources to be able to march towards making India self-reliant. With the conversations gaining momentum, it is an opportunity for the MSME sector to capitalize on the ‘Make in India’ bandwagon and catch on with zeal. There is ample scope for the MSME sector to identify areas for local production of goods right from raw material to the finished product.

Estimates indicate that a third of the Chinese imports comprise of low-tech goods that were earlier made by Indians, or are still being made locally but in smaller quantities due to higher costs leading to decrease in demand. With the current push for ‘Make in India’, MSMEs can utilize the economies of scale and place these products at competitive costs thus increasing the demand for locally produced goods.

Efforts in this direction will prove to be a fillip for the hundreds of small and medium firms, which have suffered due to a decrease in demand. Along with this, what is also important is inter-industry and inter organisation support. While the government is trying and doing its best to aid the sector, partnerships from large organizations will go a long way in providing support to the sector.

Having said that, the ‘Make in India’ strategy has been adopted by the Prime Minister to facilitate investment, foster innovation, enhance skill development, encourage employment, and build a sustainable eco-system for the MSME sector in India. The sector should now leverage the opportunity created by the various partners in the industry and capitalise on the opportunity to make themselves self-reliant.

It can revive itself by understanding the current operations of the ecosystem, and pool in the necessary resources available right now. Post that, MSMEs can create a long-term plan based on the available data and build a sustainable business so as to survive any obstacle or crisis in the long run. Making in India and supporting those who 'Make in India' can build and boost the economy and place us closer to the idea of an Atmanirbhar Bharat.

Source: financialexpress.com– Jul 08, 2020

HOME

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China, quid without a quo: 1954 India-China trade agreement was one-sided affair

Bilateral agreements are the outcome of negotiations. To get something you want, you yield on others. There is a quid pro quo and reciprocity. Thanks to GATT, since 1948, reciprocity has been built into WTO. Gains and losses needn't always be defined in narrow economic terms, the quid and the quo can be strategic. However, a quid without the quo doesn't sound rational. Outside the then socialist bloc, India was the first country to establish diplomatic relations with the People's Republic of China (PRC). This happened on January 1, 1950. Pakistan followed a few days later.

India followed through, in October 1954, with a trade agreement with PRC, apparently based on "equality and mutual benefit". At least, that is what the preamble to the agreement said. This trade agreement over-rode many historical rights India possessed (trade missions/trading posts) in Tibet.

They were signed away. Therefore, for the benefit to be mutual and not unilateral, India must have gained something. This was a narrow trade agreement. Unlike contemporary times, there was no talk of cross-border labour or capital movements. The gains could have been trade, or non-trade.

In any such trade agreement, while negotiating, negotiators try to identify products where their country has a comparative advantage, though comparative advantage is necessarily dynamic and changes over time. I try to get market access for items where my country is competitive and try to bargain and prevent granting market access for items where my country is relatively uncompetitive. This is the principle behind trade negotiations.

As broad heads, China was allowed to export: (1) Cereals; (2) Machinery; (3) Minerals; (4) Silk and silk piece-goods; (5) Animal products; (6) Paper and stationery; (7) Chemicals; (8) Oils; and (9) Miscellaneous items. India was allowed to export: (1) Grams, rice, pulses; (2) Kyanite; (3) Unmanufactured tobacco; (4) Raw materials and unmanufactured ores; (5) Wood and timber; (6) Hides and skins; (7) Chemicals; (8) Vehicles; and (9) Miscellaneous items. At that time, both countries were planning to industrialise, China with a first five-year plan in 1953, India with a first five-year plan in 1951.

That being the case, you would expect industrialisation aspirations, and moving away from agriculture, to be reflected in items either side was trying to push. If you look at those broad heads, this is not the impression you get. For example, India would export wood and timber, but China would export paper and stationery. China would export machinery, but India would export raw materials and unmanufactured ores. That is, barring chemicals and vehicles, India would remain a primary produce exporter to China, a continuing trend this trade agreement contributed to. However, China's exports would be broad-based and have manufacturing.

So far, I have stuck to broad heads and these are broad heads as mentioned in the trade agreement. Those weren't days when trade negotiators followed harmonised customs nomenclatures, with digits pinning down items. Such physical descriptions sufficed. Let's look at sub-heads, under those broad heads. Under paper and stationery, we find (1) Newsprint; (2) Mechanical pulp free printing paper.; (3) Packing paper; (4) Stencil paper; (5) Blotting paper; (6) Fountain pens; (7) Pencils; (8) Ink; (9) Printing ink; (10) Numbering machines. At that time, India had a strong domestic base in producing all these. Indeed, when Article XVIII of GATT was amended in 1954 to introduce Article XVIIIB, justifying quantitative restrictions (QRs) on imports on balance of payments grounds, one of the eight items India imposed QRs on was fountain pens. China's fountain pen manufacturing base in Shanghai, other than Hero, is of later vintage.

Shanghai Hero Pen Company traced its antecedents back to 1931. That is when Wolff Pen Manufacturing Company was founded, renamed Shanghai Hero Pen Company later. Companies like Jinhao didn't exist then. Given India's fountain pen and ink base, it was a bit strange that in 1954, it was pre-decided that China would have a comparative advantage in exporting fountain pens and ink, and India would not. To reiterate what I have said, we clamped down on imports of fountain pens from rest of the world, allowed them specifically for China and didn't wish to export our own to China. If Hero pens became ubiquitous in later decades, that wasn't only due to smuggling through Nepal. These were legitimate imports. This is only an example to illustrate the broader point about a biased trade agreement.

Trade is not based on narrow notions of comparative advantage. A country can simultaneously export and import the same item. However, if an item figures in one country's list and not on the other's, that suggests an odd kind of preference. In market access schedules, items specifically mentioned are important. What is dumped into a "miscellaneous" basket is relatively insignificant. If you scrutinise the schedules, you will find non-manufacturing items in China's miscellaneous list, but many manufactured items in India's miscellaneous list (light engineering, plastic manufactures, cement, agricultural implements, and paper). By any yardstick, the 1954 agreement was one-sided. Today, any negotiator who agreed to this would be hauled over the coals.

Nor, since GATT has already been established in 1948, could one claim India lacked in relative negotiating capacity. I mentioned the quid pro quo gains, of trade or non-trade. Obviously, there were no trade gains. One gave away and received little in return. Non-trade gains are also dubious. "Equality and mutual benefit" was picked up from the trade agreement and incorporated into the Panchsheel later in the same year.

Source: financialexpress.com– Jul 09, 2020

HOME

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Private investment for farmers, villages: Govt creates Rs 1 lakh cr agri infra fund; here's how it will work

The Union Cabinet today approved to form 'Agriculture Infrastructure Fund', which is aimed at injecting formal credit to farm and farm processing-based activities while creating several job opportunities in rural areas.

Through interest subvention and financial support, the scheme will provide a financing facility for investment in projects related to post-harvest management infrastructure and community farming assets. Agriculture Minister Narendra Singh Tomar said that the agri infra fund will provide loans to Primary Agricultural Credit Societies (PACS), Marketing Cooperative Societies, Farmer Producers Organizations (FPOs), Self Help Group (SHG), and farmers.

The facility of loans will also be extended to the Joint Liability Groups (JLG), Multipurpose Cooperative Societies, agri-entrepreneurs, startups, Aggregation Infrastructure Providers, Public-Private Partnership project sponsored by the government agency or local body. The loans under the new scheme will be disbursed in the span of four years starting with a sanction of Rs 10,000 crore in the current year and Rs 30,000 crore each in the next three financial years.

The government notified that all loans under this financing facility will have an interest subvention of 3 per cent annually up to a limit of Rs 2 crore. While the interest subvention will be available for a maximum period of seven years, credit guarantee coverage will be available for eligible borrowers under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme for a loan up to Rs 2 crore.

The agri infra fund will be managed and monitored through an online Management Information System (MIS), which will provide a platform to the qualified entities to apply for a loan under the fund. The online platform will also provide benefits such as transparency of interest rates offered by multiple banks, scheme details including interest subvention and credit guarantee offered, minimum documentation, and faster approval process. Meanwhile, the government assured that the national, state, and district level monitoring committees will be set up to ensure real-time monitoring and effective feedback. The scheme is designed for a span of ten years from FY 20 to FY 29.

Source: financialexpress.com– Jul 08, 2020

HOME

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RBI should continue to build its forex reserves

This will be useful if global financial conditions deteriorate further, causing turbulence in currency markets

A bright spot in the current gloomy economic scenario is the foreign exchange kitty crossing the $500-billion mark recently. It is welcome that the RBI is trying to add to its reserves, which will be useful if global financial conditions deteriorate further, causing turbulence in currency markets. The central bank was able to increase its reserves by $79 billion over the past year and by $29 billion since the beginning of this fiscal year.

While the dollar-rupee swap auctions conducted in March and April this year have helped increase reserves to some extent, a couple of other unplanned and somewhat fortuitous developments are behind the increasing reserves — rising external commercial borrowings and an unexpected trade surplus. These factors also contribute to making the reserves situation quite vulnerable to fluctuations.

With global central banks pumping in enormous amount of money into the global economy and moving interest rates lower, Indian companies have found it easier to raise funds overseas at cheaper cost. ECBs raised in FY20 were 127 per cent higher compared to FY19. In the first two months of this fiscal, corporates had already borrowed over $2 billion. Increased overseas borrowing has downsides — corporates can struggle to roll over the loans if the rupee continues depreciating or if the interest rate cycle overseas turns adverse. The favourable trade balance is also not something to cheer about as it has been caused mainly by declining demand. Merchandise imports were sharply lower in April and May this year, in line with contraction in global trade. Once domestic demand revives with the economy unlocking, demand for petroleum and other products is likely to revive, causing pressure on the trade balance once again.

On the other hand, foreign portfolio investments have not been too robust in 2020 with outflow from equities amounting to around ₹21,000 crore while debt outflows have been over ₹1,00,000 crore. While FPIs have turned net buyers in equities in May and June, they can turn net-sellers again if risk-aversion spikes, causing outflows from global emerging markets, if the pandemic does not abate by the end of this calendar.

Similarly, while foreign direct inflows were strong until March — inflows in FY20 were 40 per cent higher compared to the previous fiscal year — direct investments are likely to be much lower in FY21 as businesses struggle to stay afloat amidst the pandemic. Remittances from NRIs are also likely to be lower with many overseas Indians witnessing pay-cuts or job losses.

The RBI is, therefore, being only prudent in its strategy to continue buying dollars. Not only does this add to the buffer, it also helps to keep the rupee weak, making it competitive in the export market in relation to its peers; the Indian currency is down 4.5 per cent so far this year. Other countries have also witnessed an increase in their forex reserves in the last two months, highlighting the fact that India too needs to be ready to face future turbulence.

Source: thehindubusinessline.com– Jul 08, 2020

HOME

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India cuts China imports by half in a year; needs measured approach to further lower dependence: SBI

While anti-China sentiments gain prevalence in the country, India has already cut its import dependence on China by half in the last financial year. However, it must avoid sudden decisions and must take a measured approach to slash import dependence further as Prime Minister Narendra Modi raises pitch for Make in India and 'Vocal for Local'. As compared to FY19, there has been a drastic decline in the value of imports from China in FY20, a report authored by Soumya Kanti Ghosh, Group Chief Economic Adviser, State Bank of India, said on Wednesday. The value of import from China halved in FY20 compared to the previous financial year. In FY19, India's import dependence on China was between 50-60%. The country imports 823 products from China worth $3.9 billion. Most of these imports are organic chemicals, tools and products made from base metals, toys, furniture etc.

The government recently banned 59 Chinese apps such as TikTok, ShareIt, Shein, etc citing "sovereignty and security" concerns. However, the government must take a gauged response to reduce imports from China and must avoid knee-jerk reactions. "Clearly, China has slowly and steadily build a solid base in both high and low-value imports into India. We thus have to clearly take a calibrated call in reducing our import dependence from China and not through sudden stops," the report said, adding that restrictions must be placed on certain products where India has a competitive advantage.

Historically, India's dependence on Chinese imports has only risen up. While China's exports accounted for 1.9% of the total Indian imports in FY1997, it rose to 13.8% in FY2020. However, there are many sectors where India has an advantage over China as its exports are more than the Dragon country in those sectors. This includes telecommunications, computer, and information services. "India, with its huge IT base can thus focus more on services while building capabilities in goods exports will take more time to improve its overall trade balance," the report said.

Source: financialexpress.com– Jul 08, 2020

HOME

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Myntra, Flipkart, Snapdeal, others begin showing country of origin even as DPIIT suggests Aug 1 deadline

Nearly two weeks after online retail marketplaces such as Amazon, Flipkart, Snapdeal etc. in a meeting with the Department for Promotion of Industry & Internal Trade (DPIIT) agreed to display country of origin for products sold online, the latter on Wednesday sought August 1 as the deadline to update the same for new product listings.

On the other hand, for existing listings, DPIIT has suggested marketplaces to enable country of origin details by September, according to Ravinder, Joint Secretary, DPIIT. However the timelines are not fixed yet and "these deadlines may change either side," Ravinder told Financial Express Online.

Among existing players, Walmart-owned Myntra is already showing the country of origin information under 'View Supplier Information' on the product page. Similarly, many listings on Snapdeal showed the information wherever sellers had updated the details.

Flipkart has also provided the country of origin details for many products under product specifications/details section on the product page. Moreover, Pepperfry has mentioned 'manufacturer country' details under merchant info section on the product page while BigBasket has provided the country of origin details for some non-food products along with a 'country of origin' filter for certain product categories.

However, online retailers, on their part, have sought a three-four month time period from DPIIT to complete the entire process as "asking lakhs of sellers on each of these portals to update information for millions of products listed won't happen in just a few weeks. It is a very manual work for them to do. After all, it will be sellers' compliance to do this," a source aware of the development told Financial Express Online.

This was the second meeting held between DPIIT and online retailers after the first meeting held late last month. Financial Express Online had reported that the companies had agreed to display the information about where the product has been manufactured. The marketplaces had told DPIIT of discussing the change required with their respective technology teams and time required to implement the necessary update.

Last month, the government had also directed sellers on its public procurement portal Government e-Marketplace (GeM) to mention the country of origin details for products listed. Focus on providing consumers with the details of the manufacturing country echoed PM Modi's call for 'Vocal for Local' and Make in India goods. This also came amid growing chorus to boycott import and use of Chinese goods following the recent border clash between the armed forces of India and China.

The government had also recently banned 59 Chinese apps such as TikTok, Helo, WeChat, Club Factory, Shareit, UC Browser, Cam Scanner and more "in view of the information available they are engaged in activities which is prejudicial to sovereignty and integrity of India, defence of India, the security of the state and public order," it had said in a statement.

Moreover, in April, the FDI policy was tweaked to scan every Chinese investment coming into India to ensure there are no opportunistic takeovers of Indian companies amid Covid crisis. The move followed China's central bank — People's Bank of China raising equity stake in HDFC above 1 per cent.

Source: financialexpress.com– Jul 08, 2020

HOME

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'Galwan'-ising Indian manufacturing

It is possible to take on China. But all stakeholders need to ante up

India's immediate and most visible response after China's incursion across the Line of Actual Control in Ladakh's Galwan Valley has been to ban Chinese apps, This time around, the apps have not just been removed from popular app stores but internet service providers have been told to block them so they do not run. But is banning Chinese apps — even 59 of them — enough to send a message to China?

If India's objective was to simply send a message to its expansionist neighbour about its displeasure at the latest developments, perhaps the app ban might work. Particularly since other, and even more lucrative markets (for China) like the US are showing some worrying signs of wanting to follow suit.

But banning apps is not likely to even dent the over $48 billion trade deficit India is currently running with China. The reality is that despite the rhetoric, the average imports from China on a month-on-month basis have doubled since the BJP first came to power in 2014.

Nor will it help reduce India's critical dependence on China for everything from electronic components and mobile phones to advanced pharmaceutical ingredients, automotive components, power generation equipment and the like.

On the other hand, close to half of India's exports to China consist of raw material and intermediary goods. In other words, we are in no position yet to tell China to take a walk. But if China tells us to take a walk, we have no option but to walk.

How do we fix this? Rhetoric and chest thumping calls to patriotically boycott Chinese goods will have limited impact, if any. And the other response, urged by the trade lobby, of either outright import bans or stiff import duties (the pro-BJP Confederation of All India Traders has come up with a ready list of 3,000 Chinese products to be boycotted and several hundred on which it wants import duties imposed) is almost certainly going to run afoul of WTO regulations.

Rhetoric and short-cuts are simply not going to work. And if we as a nation are to be serious about taking on China in our own home market, then all of us — manufacturers, importers, retailers, consumers and the government — need to commit to this. And more importantly, be prepared for both the consequences and costs of such a move.

Govt initiatives

So far, it has been only the government which has been putting its money where its mouth is. In fact, the recent production-linked incentive scheme for large scale manufacturing of mobile phones and select electronic components, and a similar scheme for the domestic manufacture of key starting materials, advanced pharmaceutical ingredients and drug intermediaries are possibly the best conceived and clearly articulated schemes to have emerged from the government in recent times.

Under the schemes, the Centre is committing ₹40,000 crore in electronics and ₹10,000 crore in pharma towards direct incentive to be given to manufacturers in India over the next five years, provided certain milestones in terms of investments and sales are achieved.

These schemes address the single biggest stumbling block that previous attempts to wean Indians off their Chinese fix have hit — the overwhelming price difference that Chinese manufacturers are able to come up with. Of course, quality, ability to offer goods at scale and in many areas, even technology, are definitely factors which play a part too. But while Indian manufacturers can, potentially, cope with Chinese competition on quality, technology and eventually, quantity, price has so far proved a bridge too far.

The PLI scheme addresses precisely that problem with a simple solution — make in India and we will compensate your "loss" incurred by not importing from China. And by giving clear milestone targets and an exit window (hopefully, the scheme will not get evergreened on some pretext or the other as has happened in the past), it provides a clear playing field for domestic manufacturers willing to pick up the gauntlet.

Unfortunately, this cannot be a universal solution across all the sectors of manufactured imports. The government simply does not have enough money.

So does that mean that India will be perennially linked to Chinese imports? Not necessarily. The Department for Promotion of Industry and Internal Trade has drawn up a list of over 1,000 low value and low technology items that India need not import from China.

Bust such a list is pretty much pointless as long as the Indian consumer, aided and abetted by an importer-distributor-retailer network that feeds it, is hooked on to cheap Chinese imports. In 2018-19, for instance, India, despite being one of the world's largest producers of plastic, imported over ₹19,000 crore worth of plastic goods from China, up to and including cheap tiffin boxes and replicas of Indian gods and goddesses.

Those who have been doing business with China say that while Chinese firms typically use "shock and awe" tactics — offering prices lower by 20-30 per cent to start with — the real difference in costs alone works out, in most cases, to not more than 8 per cent.

This is an easily bridgeable gap. Unfortunately, India Inc has so far (other than making patriotic noises) expected the government to bridge this entire gap. That is neither practical nor feasible. The only way this can work is if everybody chips in with a contribution to the larger cause.

All must chip in

The government can kick things off with a 2 per cent contribution. This can come either directly by way of a tax rebate, or indirectly through a combination of incentives, subsidy and tax rationalisation.

The manufacturing sector will have to cough up too. It must be prepared to take a 2-3 per cent hit on its real margins. This means that it absorbs the higher cost of localisation of its inputs and does not — as it has been wont to so far — pass it on to the end consumer and then howl about cheaper Chinese imports. This is actually an investment as far as manufacturing is concerned since this is creating a stable, large and growing market in the long term, and one which is in its own backyard.

Another 1 per cent has to come from the intermediary sector — like logistics — and the retail/distribution sector. One per cent may not sound like much, but when you are competing with a giant like China, the margins are very thin. But one per cent for country is not a big ask.

And finally, the balance of one-odd per cent will have to be paid by us, the consumers. If you think this is too small an ask, think again — as any online retailer or airline can tell you, a price difference of a few rupees is enough to shift consumer "loyalties". But yes, we can, and should pay a bit more.

Yes, we can defeat the dragon. But that victory will come at a price. A price all of us will have to pay.

Source: thehindubusinessline.com– Jul 08, 2020

HOME

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