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INTERNATIONAL NEWS

Trade set to plunge as COVID-19 pandemic upends global economy

MAIN POINTS

- World merchandise trade is set to plummet by between 13 and 32% in 2020 due to the COVID-19 pandemic.
- A 2021 recovery in trade is expected, but dependent on the duration of the outbreak and the effectiveness of the policy responses.
- Nearly all regions will suffer double-digit declines in trade volumes in 2020, with exports from North America and Asia hit hardest.
- Trade will likely fall steeper in sectors with complex value chains, particularly electronics and automotive products.
- Services trade may be most directly affected by COVID-19 through transport and travel restrictions.
- Merchandise trade volume already fell by 0.1% in 2019, weighed down by trade tensions and slowing economic growth. The dollar value of world merchandise exports in 2019 fell by 3% to US$ 18.89 trillion.
- The value of commercial services exports rose 2% to US$ 6.03 trillion in 2019.

Click here for more details

Source: wto.org - Apr 09, 2020

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Coronavirus: China's textile exporters brace for pain amid wave of cancelled overseas orders

The most frequent query that Jeremy Maclaurin has received from Chinese textile and apparel makers in recent days is: when are our next orders coming in?

MacLaurin runs China Textile Traders, which helps brands source from the southern Chinese manufacturing hub Guangdong province, as well as from other Asian countries like Vietnam.

Normally at this time of the year, brands are looking for new product samples to use for the winter season, he said.

But the coronavirus pandemic has disrupted the entire cycle of fashion sourcing and is threatening to slash orders in coming months, making the manufacturers' questions very tough to answer.

"At the moment, we are still catching up with post-Lunar New Year orders. We just anticipate that once these orders are fulfilled, we are going to have a very quiet three to four months – probably until August or September," MacLaurin said on the phone from his office in Vietnam.

The situation for Chinese exporters has changed dramatically over the past two months. In February, they were unable to work on overseas orders due to draconian lockdowns imposed by the Chinese government.

By March, most were able to resume operations, but they were then forced to stop or cut back on production after the pandemic turned into a full-blown crisis in the United States and Europe, closing retail outlets and leading brands to cancel orders.

This put significant stress on one of China's largest industries – textile and apparel manufacturing – which in recent years has slowly been losing market share to Vietnam and Bangladesh where labour is cheaper.

Last year the value of the country's textile and apparel exports fell 1.85 per cent from a year earlier to US$271 billion, according to China Customs Administration data.

Shipments dropped an additional 20 per cent to US$29 billion in the first two months of this year, as China's economy was battered by the coronavirus.

Some 86 per cent of large and small manufacturers in 28 textile industrial estates across China had resumed work by the end of March, according to the China National Textile and Apparel Council, an industry group supervised by the State Council, China's government cabinet.

But in a survey conducted among 190 firms in the last week of March, more than 60 per cent said their current export orders were less than half of normal levels, with just over 50 per cent of respondents saying their production had reached 80 per cent of capacity.

The entire export-oriented supply chain is facing pressure, so production capacity has started falling

China National Textile and Apparel Council

"The entire export-oriented supply chain is facing pressure, so production capacity has started falling," the council said.

In Keqiao, a textile manufacturing and distribution hub in eastern China's Zhejiang province, a lack of new orders from abroad and the delay in normal spring trade fairs due to the coronavirus outbreak have put manufacturers and traders in limbo.

James Wang, a sales manager for Puhong Textile, which mainly supplies fabrics to manufacturers in Vietnam and Bangladesh, said he had been furloughed for nearly two weeks after just coming back to the office in early March.
It was a similar story for export department staff at some large textile firms in the area, he said, adding there was not much he could do about it at the moment.

"If we develop new products for clients now, the cost could be high considering expensive delivery costs because of the virus. And if buyers don't place orders, then our efforts would be in vain," Wang said.

Export-oriented textile firms are also finding it difficult to shift to produce for the domestic market because it would require major changes in the way they do business. Many do not have large warehouses to store finished goods and would have to adjust to longer invoice payment periods common in the domestic trade.

Some manufacturers had turned to live streaming to sell their products to domestic consumers, although not everyone agreed it was a winning strategy.

“It’s hard to sell a piece of fabric via live streaming, because it’s not a finished product like a garment,” said Cherry Song, general manager of Keqaio-based Shuangsuo Textile, whose primary market for textile products was Bangladesh.

“Clients still want to see the actual product to decide whether they want to place orders. So the benefit from live streaming is minimal.”

Source: sg.news.yahoo.com- Apr 09, 2020

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Gap canceled its orders for the next 2 seasons, and experts say it could be the start of a downward spiral for mall brands

The coronavirus is rapidly becoming a time of reckoning for the retail industry's most beleaguered brands.

In March, nearly 100 retailers opted to close their doors in an effort to prevent the spread of the coronavirus. Though e-commerce has allowed apparel brands to retain at least one revenue stream, many are hemorrhaging money as the US economy remains at a virtual standstill, prompting executives to resort to drastic cost-cutting measures.

One such retailer is Gap Inc., which made an unprecedented move to halt orders of its summer and fall collections, effectively telling manufacturers and suppliers not to send products for stores. The effort comes on the heels of companywide furloughs that left most employees of Gap and its sister brands jobless around the nation.

"A lot of retailers are now in survival mode and that means they are doing everything they can to conserve cash and keep expenses as low as possible," Neil Saunders, managing director at GlobalData Retail, wrote in an email to

Business Insider. "That includes canceling future orders which, along with staffing, are one of the major cost centers."

We spoke to several retail experts who said to expect other fashion brands to follow Gap's lead in nixing future orders and scaling back inventory as the coronavirus wages on.

The curse of seasonality

Apparel companies -particularly fashion brands predicated on seasonal trends - are now faced the nearly impossible task of identifying ways to to prevail against shuttered stores and decreased demand for anything that's not athleisure.

"The dilemma is that retailers don't know when this will be over or when consumer demand might pick back up again, so they are erring on the side of caution," Saunders wrote in his email. "All of this underlines the issues that are particular to fashion - unlike other categories like home furnishings or electronics, they have to deal with seasonality and that poses some unique problems and issues."

In an email to manufacturers obtained by the Business of Fashion, Gap's executive vice president for global sourcing wrote that "stores are the lifeblood of our business" and noted that e-commerce "simply cannot make up for having our stores closed."

A Gap spokesperson told Business Insider the company is "acting quickly and prudently to responsibly reduce expenses."

"We are making decisions based on the best interest of our employees, customers and partners, as well as the long-term health of our business," the spokesperson said in a statement. "We are committed to working closely with our long-standing suppliers to best assess how we can work together through this crisis."

Saunders said that while scaling back on orders may help brands like Gap in the near term, it may eventually cause challenges down the road when commerce resumes some sense of normalcy.

"Given that apparel retailers are already stuck with a glut of stock that's not selling, many are reviewing what they need for upcoming seasons," Saunders said. "However, cutting orders completely could create future problems as when retailers reopen and go into new seasons they will find themselves with products that are unsuited to weather conditions and are out of sync with what consumers want."

Unlike H&M, which also canceled orders though publicly promised to pay out vendors, it was not immediately clear whether Gap suppliers would still receive payments.

According to Katrin Zimmermann, managing director of the Americas at TLGG Consulting, Gap's decision to enter into "hibernation mode" highlights the dangers of vertical integration, a business method in which a company owns and oversees all aspects of its supply chain.

"The current situation exposes the weaknesses of a centralized supply chain that creates too much dependency on a single market," she said. "Hopefully, COVID-19 will inspire a general discussion around the resilience of supply chains. A decentralized value chain would help a company like Gap to be more responsive to local demand."

An uncertain future for apparel brands

In addition to Gap, experts said that mall brands at large - which have already struggled in recent years in the face of the so-called retail apocalypse, as shoppers increasingly shy away from physical retail in favor of e-commerce - will be among the hardest hit from the coronavirus outbreak.

Do you have a personal experience with the coronavirus you'd like to share? Or a tip Erik Rosenstrauch, CEO of retail marketing agency FUEL Partnerships, said he anticipates that Americans will not only be timid to flood public spaces like malls once stay-at-home mandates and mass quarantines lift, but that many will also have little spending money for superfluous items like seasonal fashions.

"The economic reality for over 10 million Americans who just filed for unemployment is they will only be able to focus their spending on key items for life: Dwelling, food, and transportation," Rosenstrauch wrote in an email to Business Insider. "I can see a change back to simplicity and focusing on what truly matters in life that could have a wide ranging change in perspective once life enters the 'new normal.'"

Mark Zamuner, CEO of the growth consultancy Two Nil, provided a slightly more optimistic view for retailers like Gap and said that such shifts build upon existing efforts for retailers that have invested in digital and scaled back on brick-and-mortar.

"A crisis has always been an opportunity to redefine categories and to accelerate and capitalize on areas that were happening before," he said. "It can create new industry behavior. Gap's decision, while driven by near-term factors, is indicative of a digital transformation."

Zimmermann, the managing director at TLGG Consulting, said another silver lining for fashion retailers canceling orders could be a positive impact on sustainability efforts, namely in curbing overstock and excess inventory. Still, she said the impact to supply chains and manufacturers will be significant, as fashion companies are likely to continue canceling orders for the foreseeable future.

Source: businessinsider.in- Apr 09, 2020

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New Data Shows U.S. Companies Are Definitely Leaving China

U.S. companies are leaving China thanks to the trade war. They'll leave even more thanks to the pandemic.

Global manufacturing consulting firm Kearney released its seventh annual Reshoring Index on Tuesday, showing what it called a "dramatic reversal" of a five-year trend as domestic U.S. manufacturing in 2019 commanded a significantly greater share versus 14 Asian exporters tracked in the study. Manufacturing imports from China were the hardest hit.

Last year saw companies actively rethinking their supply chain, either convincing their Chinese partners to relocate to southeast Asia to avoid tariffs, or by opting out of sourcing from China altogether.

"Three decades ago, U.S. producers began manufacturing and sourcing in China for one reason: costs. The trade war brought a second dimension more fully into the equation—risk—as tariffs and the threat of disrupted China imports prompted companies to weigh surety of supply more fully alongside costs. COVID-19 brings a third dimension more fully into the mix¬, and arguably to the fore: resilience—the ability to foresee and adapt to unforeseen systemic shocks," says Patrick Van den Bossche, Kearney partner and co-author of the 19-page report.

The main beneficiaries of this are the smaller southeast Asian nations, led by Vietnam. And thanks to the passing of the U.S. Mexico Canada Agreement, Mexico, for all its problems with drug cartels, has become a favorite spot for sourcing. U.S. companies are leaving China thanks to the trade war. They'll leave even more thanks to the pandemic.

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Specifically, the Kearney report's authors wrote that they expect companies will be increasingly inclined to spread their risks, as opposed to relying solely on China as this pandemic has exposed them.

China is the go-to source for ibuprofen, hazmat suits, rubber gloves, surgical masks, ventilators. Probably toilet paper, for all we know. How this is not a national security issue is something being raised by senators including Josh Hawley (R-MO) and Tom Cotton (R-AK).

The threat going forward of political anger toward China, not to mention future pandemics stemming from China (the first SARS came from there in 2002-03), means that companies will want to hedge their supply chain strategy by spreading their risks.

That doesn't mean a full abandonment of China. It does mean China's days as the go-to manufacturing hub for the Western world are over.

The Index Explained

The Reshoring Index compares U.S. manufacturing gross output to import data from 14 Asian low-cost countries.

To gauge the U.S. Reshoring Index, Kearney first looks at the import of manufactured goods from China, Taiwan, Malaysia, India, Vietnam, Thailand, Indonesia, Singapore, Philippines, Bangladesh, Pakistan, Hong Kong, Sri Lanka, and Cambodia; and secondly looks at U.S. domestic gross output of manufactured goods.

They then calculate the manufacturing import ratio (MIR) — the result of dividing the first number by the second. The U.S. Reshoring Index is the year-over-year change in the MIR, expressed in basis points (1 percent change = 100 basis points).

The numerator of the MIR is the sum of the value of all manufactured imports from those 14 Asian countries— which decreased from $816 billion in 2018 to $757 billion in 2019, a contraction of 7% at a time of solid American economic growth.

According to Kearney, the contraction is almost exclusively driven by the decline in imports from China, which fell the most at 17% due to tariff costs. The only way for the U.S. to make itself attractive to corporate investment is to get its costs on par with China. While it cannot compete with China on labor costs, the U.S. can compete on corporate taxes, an abundant and qualified blue collar labor force, and by implementing environmental regulations that don't force companies to overspend on technologies and consultants that just end up eating into their bottom line.

President Trump likes to say that his tariffs are being paid for by the Chinese. It is U.S. importers, of course, that pay the duties at the ports. But the Chinese partners of the U.S. company suffers because the U.S. importer is now paying more for Made in China. That reduces the cost benefit of using China as an export hub.

The resulting 98-basis-point jump in the Kearney Reshoring Index is by far the biggest annualized change in favor of U.S. companies in five years.

Vietnam Wins Asia. Mexico Winning Americas.

The Kearney China Diversification Index (CDI) tracks the shift in U.S. manufacturing imports away from China and to other Asian countries on the list. China is still the leader, but she is increasingly losing share in the Trump years.

In 2013, the base year for the CDI, China held 67% of all U.S.-bound Asian-sourced manufactured goods. By the second quarter 2019, its share collapsed 56%, a decrease of more than 1,000 basis points.

Of the $31 billion in U.S. imports that shifted away from China, some 46% was absorbed by Vietnam, sometimes by the same Chinese suppliers who left the mainland. Vietnam exported an additional $14 billion worth of manufactured goods to the U.S. in 2019 versus 2018 as a result of that shift. Mexico is the China of the Americas.

Kearney introduced its Near-to-Far Trade Ratio (NTFR) this year. It tracks the movement of U.S. imports toward nearshore production in Mexico. The NTFR is calculated as a ratio of the annual total dollar value of Mexican manufactured goods to the U.S., divided by the dollar value of manufactured imports from the Asian 14, including China.

Since 2013, the NTFR has hovered steadily between 36% and 38% — meaning for every dollar of U.S. manufacturing goods from Asia, there were approximately 37 cents worth of manufacturing imports coming from Mexico.

That changed with the USMCA.

Mexico has gone from 38% to 42%. On a dollar-value basis, total manufacturing imports from Mexico to the U.S. increased 10% between 2017 and 2018, from $278 billion to $307 billion, and by another 4%

between 2018 and 2019, to a total import value of $320 billion, based on the Kearney report.

"The door for these insurgents was clearly opened by ongoing U.S.–China trade disputes, as their gains were mainly in product categories impacted by tariffs," says Yuri Castano, Kearney manager and co-author of the study. "Apparently, the trade war jolted U.S. companies to start rethinking and reshaping their supply networks."

Source: forbes.com - Apr 08, 2020

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China vows to support foreign trade firms as virus hits global economy

China pledged continued support to aid its foreign trade firms and minimize the impacts of COVID-19 on the sector as the virus hit the global economy and international trade, the Ministry of Commerce (MOC) said Thursday.

The country's imports and exports improved in March, and work and production resumption of foreign trade firms has also been advancing in an orderly manner, said MOC spokesperson Gao Feng at an online press conference, noting that more than 76 percent of key firms in the sector recovered over 70 percent of their production capacity so far.

However, part of China's foreign trade enterprises, especially those in the textile industry, had to postpone or cancel orders as the virus spread around the world and weighed on the global economy and international trade, Gao noted.

Gao highlighted collaboration among governments, companies and business organizations to cope with the lack of production materials faced by foreign trade firms due to disrupted global industrial and supply chains.

China will strengthen macro-economic policy coordination with relevant countries and regions to facilitate customs clearance and logistics of important raw materials while encouraging foreign trade firms to avert risks by exploring new business opportunities and increasing spending on innovation.

Gao also said that the MOC will join hands with other related parties to ensure an open, stable and safe global supply chain.

Source: china.org.cn- Apr 09, 2020

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China Commerce Ministry Says Foreign Trade Improved in March

China's commerce ministry said on Thursday that the country's imports and exports improved in March, without elaborating.

But some foreign trade companies, especially textiles firms, have had existing orders delayed or cancelled and are having difficulties in receiving new orders, said ministry spokesman Gao Feng.

China's exports fell 17.2% in January-February from the same period a year earlier, customs data showed, marking the steepest fall since February 2019. Imports sank 4% from a year earlier.

Source: nytimes.com - Apr 09, 2020

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USA: Shoppers Can't Wait to Hit Your Stores—and Here's When They Want Them Re-Opened

Though COVID-19 is racking up record, single-day death tolls this week, a new survey shows shoppers are chomping at the bit to bust out of isolation and jumpstart the consumer economy.

Chalk it up to cabin fever or "quarantine crazy," but 60 percent of consumers believe stores—many of which have been shuttered since mid-March—should be open for business by the end of May, according to new First Insight data released Thursday.

Men and millennials, however, are even more hopeful that brick and mortar will be back in action earlier, with 39 percent apiece crossing their fingers for end-of-April or early-May unveilings. Those who reside in contagion hotspots like Detroit, Chicago, New Orleans, Los Angeles and San Francisco are also more likely to root for brick and mortar's resurgence even earlier, as 43 percent similarly want to see their local commercial strips bustling sooner rather than later.

"It's clear that people are getting antsy and ready to get back to some form of normalcy, including shopping in-store," said Greg Petro, CEO of the product decision platform.

Despite consumer enthusiasm to once again set foot in their favorite retail haunts, concern surrounding the coronavirus outbreak has climbed steadily in recent weeks, in tandem with increasingly alarming headlines, government interventions and stay-at-home orders aimed at curbing the historic pandemic. Nearly 1.5 million coronavirus infections have been confirmed worldwide, according to data Thursday from Johns Hopkins University, which tallied the global death toll as approaching 92,000.

Eighty-seven percent of those questioned for First Insight's most recent April 3 survey expressed anxieties over the pandemic's impact, up from 71 percent halfway through March, when the virus hijacked the U.S. economy in short order.

The growing number of consumers troubled by the coronavirus crisis "points to the true reality of the situation," Petro said, adding, "We may still have a way to go."

There's been much talk, and little clarity, around what the state of the consumer psyche will be when the pandemic eventually fades into memory, and whether people pent up for weeks will be primed to purchase new goods. For now, though, data gathered in a CGS survey published Thursday shows consumers are still scooping up fashion online.

Nearly half of shoppers (49 percent) are turning to e-commerce to purchase clothing for everyday use, a figure that rises to almost 60 percent among those who are employed full time.

The generationally inclusive survey of more than 500 consumers offers some clues as to what retailers can expect when their store doors swing open after the health emergency is under control, though skyrocketing furloughs and jobless claims could put a damper on the state of consumer confidence.

In preparation for in-store shopping's inevitable return, Petro urged brands and retailers to "continue planning by ensuring they have the right product and price when the time comes, even if it's just being offered online for now."

Striking a "delicate balance" with the right goods at the right cost can be difficult, "but those who are connected closest with their customers will be best aligned should they be given the green light to reopen their doors," he added.

Source: sourcingjournal.com - Apr 09, 2020

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Cotton Highlights from April WASDE Report

The April 2020 World Agricultural Supply and Demand Estimates (WASDE) report has been released by USDA. Here's the monthly cotton summary:

The 2019/20 U.S. cotton supply and demand forecasts show sharply lower exports, lower consumption and higher ending stocks compared with last month.

A developing global economic slowdown with little precedent is expected to significantly reduce global cotton demand and trade, resulting in one of the largest one-month reductions in projected U.S. cotton exports ever: down 1.5 million bales to 15.0 million.

Consumption is 100,000 bales lower, and ending stocks are 1.6 million bales higher. Ending stocks are now expected to reach 6.7 million bales, equivalent to 37% of total disappearance, compared with March's expected 26%. The projected marketing year average price received by upland producers of 59.0 cents per pound is down 1 cent from last month.

Lower world consumption this month results in lower projected trade and higher projected 2019/20 ending stocks. Consumption is lower for every major country, with total world consumption down 7.6 million bales or 6.4% from March.

At 110.6 million bales, world consumption in 2019/20 is now projected to be 8.1% lower than in 2018/19. This would be one of the largest annual declines on record. World trade in 2019/20 is down 3.0 million bales from the March estimate.

With relatively small increases in beginning stocks and production this month, 2019/20 expected ending stocks are 7.9 million bales higher than estimated in March, and 11.0 million bales higher than the year before.

Source: cottongrower.com - Apr 09, 2020

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Bangladesh announces $ 8.6 b package for industries amidst COVID-19 pandemic

The Prime Minister of Bangladesh has announced relief packages to help industries in continuing their business smoothly. The total value of the package is BDT 727.5 billion ($ 8.6 billion) which is 2.52% of the GDP of Bangladesh.

The breakdown of the packages is mentioned below:

- BDT 50 billion ($ 588 million) to pay the salaries of the employees and workers of export-oriented sectors (minimum 80% of production must be exported). The fund will be loaned to the companies by the commercial banks at 2% one-time service charge. The fund will be mobilised through Mobile Financial Services e.g. bKash, Rocket etc. The loan must be paid within 2 years with 6 months grace period.

- BDT 300 billion ($ 3.53 billion) for affected large industries and service sectors. The amount will be provided only as a revolving working capital loan at 9% interest. The companies have to pay 4.5% interest; the remaining 4.5% will be subsidised by the government
- BDT 200 billion ($ 2.35 billion) for small, medium, and cottage industries at 9% interest. The companies have to pay 4.0% interest; the remaining 5.0% will be subsidised by the government
- The size of the Export Development Fund (EDF) which is used to facilitate raw materials import under back-to-back LC has been increased from $ 3.5 billion to $ 5.0 billion. The EDF rate has been reduced from Libor+1.5% (~2.73%) to flat 2.0%

- BDT 50 billion ($ 588 million) as a new credit facility called "Pre-shipment Credit Refinance Scheme" at 7% interest rate

  - The central bank also has taken a few initiatives to help fight COVID-19. The steps are mentioned below:
  - 25bps reduction in Repo rate (from 6% to 5.75%) 50bps reduction in CRR (from 5.5% to 5%); will inject about $ 750mn in the economy
  - No change in SLR
  - No bank or NBFI loan could be downgraded to defaulted until June 30 if borrowers fail to repay instalment
  - The banks which have rescheduled loans according to the new rescheduling policy will be allowed to keep 50% of the provision required
  - The monthly transition limit using mobile financial services (MFS) has been increased to BDT 200,000 from BDT 75,000 and no charge will be applied for P2P transfer
  - Clients will not fork out any charge for cashing out BDT 1,000 per day
  - Merchants will not be charged for settling transactions of BDT 15,000 daily and BDT 100,000 monthly while selling medicines and other essential goods if clients use debit or credit cards for payment
  - Transaction limit using contactless debit and credit cards rose to BDT 5,000 per day from BDT 3,000 previously
  - The central bank instructed banks to extend the tenure of realising export proceeds from four months to six months. Similarly, Bangladeshi importers have been given more time to make import payments. The tenure was extended to six months from existing four months. The BB also increased the repayment tenure of loans, which were given out from the central bank›s Export Development Fund, from three months to six months. The period of back to back letters of credit opened under suppliers and buyers› credit has been extended up to a year from six months currently.

The central bank will inject fresh fund through purchasing government securities directly from the banks to avert any unwanted liquidity satiation stemming from the coronavirus pandemic. As per the latest decision of the Bangladesh Bank (BB), interested commercial banks, as well as non-banking financial institutions (NBFIs) may sell their excess securities after complying with the statutory liquidity ratio (SLR). Banks can accept advance payments of up to $ 500,000 (previously set at $ 10,000) from businesses seeking to import COVID-19-related life-saving drugs and essential medical items, including kits and equipment.

The usance period for industrial raw materials can be increased up to 360 days from 180 days and the usance period for live saving drugs can be increased up to 180 days from 90 days. Foreign nationals can now remit 75% of their bonus at one go. Previously, the bonus amount needed to be spread over 12 months.

Moreover, Bangladesh is expecting $ 2.6 billion in loans as emergency budget support from five development partners to tackle the COVID-19 situation. The details of the support are as follows:

- World Bank: $ 850 million
- International Monetary Fund (IMF): $ 750 million
- Asian Development Bank (ADB): $ 600 million
- Asian Infrastructure Investment Bank (AIIB): $ 250 million
- Islamic Development Bank (IsDB): $ 150 million

The fund from the World Bank, AIIB, and IsDB are already approved. Discussions with IMF and ADB are underway and it is highly probable that Bangladesh will be able to obtain the requested amount from these two agencies, as both IMF and ADB have already declared packages of $ 50 billion and $ 6.5 billion respectively to fight COVID-19. Bangladesh is also in discussion with Japan International Cooperation Agency (JICA) for assistance in fighting the COVID-19 situation.

Source: ft.lk- Apr 08, 2020

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ILO update on Covid-19 industry impact spells doom and gloom

In an updated assessment of the social implications of the coronavirus, the International Labour Organisation (ILO) has described the pandemic as "the worst global crisis since World War 2" and estimates that its continuing effects could see 6.7 per cent of working hours globally – the equivalent of 195 million full-time workers – wiped out in the second quarter of the year.

The Garment Manufacturers Association in Cambodia (GMAC) has stated approximately 60 percent of its factories have been severely affected by cancelled orders of ready-made garment exports, due to the COVID-19 pandemic.

Ken Loo, secretary general of GMAC told Khmer Times that the majority of buyers of Cambodian garments and textiles have already cancelled their orders. However, the association could not put a specific monetary value on what the cancellations will cost.

The ILO, in re-evaluating the impacts the contagion has forced on global trade, in its report: ILO Monitor 2nd Edition: Covid-19 and the World of Work provides sector-specific detail on just how many jobs have been lost and provides hope by establishing pillars under which businesses can look to mitigate damage.

"This is the greatest test for international cooperation in more than 75 years," said ILO director-general, Guy Rider.

The ILO says that four out of five people in the global workforce of 3.3 billion will be facing either temporary or permananet closures due to the impact of the coronavirus. Education, human health and social work activities, utilities and agriculture are amongst the sectors to have gotten off light in the wake of the outbreak, manufacturing and retail on the other hand are amongst the hardest hit.

"Quarantine measures, closure of retail stores, cancelled orders and salary reductions are suppressing demand in key industries such as automobiles, textiles, clothing, leather and footwear," the report notes.

No region is unscathed, as is detailed in the ILO's report. Whilst the global average for declined working hours is 6.7 per cent, in Arab States it has reached 8.1 per cent and across Asia and the Pacific 7.2 per cent have had their working hours cut.

"Workers and businesses are facing catastrophe in both developed and developing countries" Ryder says. "We have to move fast, decisively and together. The right, urgent measures could make the difference between survival and collapse."

To this end, the ILO outlines four key pillars to fighting Covid-19 based on international Labour Standards. These are: stimulating the economy and employment; supporting enterprises, jobs and incomes; protecting workers in the workplace; and relying on social dialogue for solutions.

"If one country fails, then we all fail," concluded Ryder. "We must find solutions that help all segments of global society, particularly those that are most vulnerable or least able to help themselves."

Source: khmertimeskh.com - Apr 09, 2020

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NATIONAL NEWS

COVID-19 pandemic to hit MSME exporters more: Trade experts

Micro, small and medium enterprises (MSME) exporters will be impacted more by the current lockdown on account of COVID-19 pandemic as the sector accounts for over 45 per cent of the country's total outbound shipments, according to trade experts. They said the magnitude of the impact on MSME exporters can be gauged from the statement of the World Trade Organisation (WTO) which has projected that global trade in goods is set to decline steeply between 13 per cent and 32 per cent in 2020 as countries across the world are battling the pandemic.

The sector also contributes about 25 per cent to the country's GDP (Gross Domestic Product) from service activities and over 33 per cent to the manufacturing output of India.

Biswajit Dhar, a professor of economics at Jawaharlal Nehru University, said the government should immediately come out with an incentive package for exporters as the current crisis will 'severely' hit the MSME sector.

"India will suffer very badly and the biggest impact will be on the MSME exporters. They will also face issues in calling back their workers as several of them have migrated to their villages and towns," he said. He said several countries, including the US, Japan and Germany, have announced incentive packages, but India is yet to roll out support measures for exporters.

"Incentives will help exporters to resume the work immediately after things start getting normal, otherwise they will not be able to restore their global buyers," Dhar added. Rakesh Mohan Joshi, professor at Indian Institute of Foreign Trade (IIFT), said the outbreak of COVID-19 has put economies across the world on a virtual standstill.

"India's major export items such as petrochemicals, gems and jewellery, automobiles and auto components, cotton yarns and textiles, apparels, marine products, bovine meat among others are likely to receive a jolt primarily due to slump in demand in its major markets and disruption of supply chains which are integrated across countries," he said.

When asked about numbers, he said estimating any drop seems unrealistic as it would largely depend upon the virus rather than government incentives "as to how long — a quarter, six months, a year or still longer — it takes to emerge out of the virus and the damage it inflicts on human health and lives".

However, he added that the pandemic has opened up enormous opportunities in sectors such as pharmaceuticals wherein India had been the largest supplier of generic medicines which are highly competitive in European and American markets.

Besides, Joshi said the coronavirus, that emanated from China, has transformed the outlook of multinationals manufacturing in China and they are actively scouting for alternative destinations for investment to either shift their manufacturing or make new investments.

"This is the time India should transform this calamity into an unprecedented opportunity to make India the manufacturing hub and realize its 'Make in India' objective in real sense," he added. Assistant professor and expert on agriculture economics Chirala Shankar Rao said there is a need to give special focus to MSME exporters engaged in agri products as there is a surge in demand for food products in global markets due to coronavirus outbreak.

Sharing similar views, Trade Promotion Council of India (TPCI) Chairman Mohit Singla said more than 100 per cent spike has been registered in demand for essential commodities such as rice, wheat and pulses during the current crisis.

Global trade growth is expected to plummet by up to a third in 2020 due to the coronavirus pandemic, the WTO said on Wednesday while warning that the numbers would be 'ugly'.

"World trade is expected to fall by between 13 per cent and 32 per cent in 2020 as the COVID-19 pandemic disrupts normal economic activity and life around the world," the WTO said in a statement.

Source: financialexpress.com- Apr 09, 2020

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Lockdown: Government may soon allow courier, parcel services to function

In a relief to businesses, the government may soon allow operations of courier and parcel services in the country so that companies are able to send and receive documents at a time when the country is under coronavirus lockdown, sources said.

They said there must be a huge pile up of business related documents and other things which need to be shipped to different parts of the country.

"A decision on operations of courier and parcels will be taken soon. Document exchange is important for industry. An empowered group has already recommended for the same to the Home Ministry," sources said.

Further, the commerce ministry has recommended to the Home Ministry to allow operations of factories engaged in export activities with minimum workforce.

The issue was raised by all export promotion councils and the Federation of Indian Export Organisations (FIEO) in their discussions held through video conferencing with Commerce and Industry Minister Piyush Goyal.

The government will decide in the coming days about extending or ending the lockdown, which is concluding on April 14. The Centre will also discuss the issue with states for allowing partial operation of manufacturing units in the country.

"The government should allow opening up of factories with at least 50 per cent of workforce. We will follow all safety and health related norms. Our exports will be hit severely if we will continue to close our operations," FIEO President S Saraf said.

The government has constituted 11 empowered groups to suggest measures to ramp up healthcare, put the economy back on track and reduce misery of people as quickly as possible post the 21-day lockdown imposed to contain the coronavirus pandemic.

Source: financialexpress.com- Apr 09, 2020

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Exporters seek cheaper credit, more incentives

Units hit by cancellation of orders, says FIEO in a letter to PM

Exporters' body, the Federation of Indian Export Organisations (FIEO), has turned to Prime Minister Narendra Modi for financial help, including cheaper credit and increased incentives, to support distressed units facing cancellation of more than 50 per cent of orders due to Covid-19 disruptions worldwide.

FIEO President Sharad Saraf, in his letter to the Prime Minister on Thursday, said: "The worst-hit are the lifestyle products like leather, carpets, handicrafts and apparels which have over 75 per cent cancellations...We request immediate help through rapid policy decisions to mitigate the crisis and prevent further structural damage to both industry and economy."

Exporters made a case for interest-free working capital term loan and allotment of ₹30,000 crore to exporting companies to ease working capital liquidity issues. The loan amount should cover six months' gross salary and wages, rent and electricity charges and should not involve additional collateral or paperwork.

For labour-intensive units under immense pressure to pay wages in the absence of production, FIEO has proposed a three-month waiver on EPF and ESIC payment.

FIEO further proposed that on the lines of China, which has already provided 3 per cent additional export tax rebate on exports in March, all exporters should be given additional 2 per cent under the Merchandise Export from India Scheme (MEIS). Labour-intensive sectors should be provided additional 4 per cent MEIS on exports up to March 31, 2021.

India's exports in the April-February 2019-20 period was 1.5 per cent lower to $292.91 billion, although in February this year, it was marginally higher than the same month last year.

Source: thehindubusinessline.com- Apr 09, 2020

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VOC port cargo volume up at 36 million tonnes in 2019-20

In contrast, Chennai and Kamarajar ports see a decrease in cargo throughput

Among the three major ports in Tamil Nadu, the VO Chidambaranar port in Tuticorin witnessed a positive cargo growth in 2019-2020 while both Chennai and the Kamarajar port in Ennore posted a decline.

Interestingly, Tamil Nadu is the only State with three major ports that collectively handled 112 million tonnes (mt) out of the total 704 mt handled by all the major ports together.

According to Indian Ports Association (IPA) data, the VOC port saw a 5 per cent increase in cargo volume for year ended March 31, 2020, to 36 mt as against 34 mt in the previous year.

However, in contrast, the Chennai port's cargo volume dropped by 12 per cent — the highest among all major ports — to 47 mt (53 mt) and the Kamarajar port witnessed a drop by 7 per cent to 32 mt (34 mt).

TK Ramachandran, Chairman, VOC Port Trust, attributed the increase in cargo throughput to an overall positive performance in all cargo segments. Imports accounted for 26 mt and export was 10 mt.

The port registered its highest ever record throughput of 8.03 lakh Twenty Foot Equivalent Units (TEUs) in 2019-2020 clocking a growth of 9 per cent over previous year's container traffic of seven lakh TEUs, he said.

Cargoes that showed considerable increase in 2019-2020 were industrial coal at 30 per cent (60.12 lakh tonnes); cattle feed 225 per cent (three lakh tonnes); sulphuric acid 80 per cent (4.63 lakh tonnes) and rock phosphate 33 per cent (5.44 lakh tonnes), says a release from VOC Port Trust.

The Chennai port saw decline in handling of major cargoes like liquids and containers. Shift of containers from the Chennai port to the Katupalli port (operated by the Adani Group) near Ennore was one of the major reasons for the decline in cargo volume last year, P Raveendran, Chairman, Chennai Port Trust, told BusinessLine.

The Kamarajar port's cargo decline was mainly attributed to lesser volume of thermal coal handling. However, handling of liquids and containers witnessed an increase, according to IPA data.

Source: thehindubusinessline.com- Apr 09, 2020

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Chennai Customs to issue duty passes to ensure hassle-free movement of international cargo during lockdown

To ensure the hassle-free movement of international cargo during the lockdown, the Chennai Customs will issue duty passes to various stakeholders and vehicles. This was one of the demands at the meeting of the port users called by Chennai Port Trust chairman P Raveendran last Saturday, which senior officials from Tamil Nadu Police and Chennai Corporation also attended.

A circular issued by Chennai Customs said that multiple representations were received from various trade members regarding difficulty in movement of export and import cargo due to the lockdown.

'Essential Services Customs Pass during Covid-19' will be issued for all vehicles carrying import and export cargo for hassle-free movement of international cargo, says the circular issued today by V Pazhaniyandi, Joint Commissioner of Customs (Chennai-IV).

For movement of containers from port terminals to Container Freight Stations or factories, passes will be issued by the gate officers posted in the terminals. In case of movement of containers from CFS to terminals and factories, or from factory to CFS for stuffing, the officers posted in the CFS concerned will issue the Customs Vehicle pass, the circular said.

Further, to facilitate movement of self-sealed export containers with Direct Port Entry facility, an online Customs Vehicle Pass will be issued. To avail this, exporters may send a request by email along with relevant details like shipping bill; container number; commodity name; address; date and time to the Docks Administration section at email ID chencusdocksoffice1@gmail.com. Based on the request, a scanned copy of the vehicle pass will be sent to exporters, the circular said.

Source: thehindubusinessline.com- Apr 09, 2020

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With survival at stake, MSMEs tell Piyush Goyal three key issues hurting them most amid Covid-19

Ease of Doing Business for MSMEs: National MSME body, Federation of Indian Micro and Small & Medium Enterprises (FISME) in a meeting with the Commerce Minister Piyush Goyal on Thursday raised three key concerns risking the survival of micro and small enterprises in the country. In the video conference, also attended by industry associations such as CII, FICCI, Nasscom, ACMA, SIAM etc. to assess the current situation in different industries impacted by the Covid-19 outbreak, FISME highlighted the acute financial crisis faced by the MSME sector amid lockdown and overall situation in the country. MoS Som Parkash, and officers of the ministry were also present in the e-meeting.

"The first problem we raised was around MSMEs' inability to give salaries to their employees. They were somehow able to pay for March but since April is affected due to the lockdown, paying salaries to employees is a serious concern. The second problem we discussed was about the fixed electricity charges to be paid by businesses every month over and above the energy charges.

MSMEs' factories are shut under lockdown but they are forced to pay the amount. In some industries, the amount is crippling," Anil Bhardwaj, Secretary-General, FISME told Financial Express Online. For instance, in Delhi as per FY20 tariff, the fixed charges set by the Delhi Electricity Regulatory Commission for industrial and non-domestic connections are Rs 250 per kilo volts-amperes per month while energy charges are Rs 6-7.75 per kilo volts-amperes hours.

"Third concern we raised was monthly bank loan EMIs. The three-month moratorium is not of much help as it simply extends the period. In fact, it has increased concern for MSMEs," added Bhardwaj. The Reserve Bank of India had recently prescribed three-month moratorium by banks on loan repayment. MSMEs suggested that while this might be a breather for them but this would remain a burden for them as they would have to pay the three-month EMI later as their loan tenure would extend by three months.

Bhardwaj said the minister assured the industries including MSMEs of solving the existing challenges and conveying the same to the group of ministers. However, according to a statement by the Commerce Ministry on Thursday said that the minister called upon the industry to have a calibrated and rational approach to the problem by evolving protocols and procedures which will help them in improving their productivity and efficiency, without compromising on the health security of their employees and other stakeholders. “I think we should start talking more practical instead of making wish lists,” the statement added citing Goyal as saying.

Source: financialexpress.com- Apr 09, 2020

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CBIC orders customs refunds & drawbacks

The "Special Refund and Drawback Disposal Drive" will go on till April 30. Issuing the pending GST and Custom refunds will benefit around 1 lakh business entities, including MSMEs.

The Central Board of Indirect Taxes and Customs (CBIC) has begun a country-wide special drive to expedite customs refunds and drawback claims, which are pending as of April 7. The Board issued a directive to all chief commissioners and principal chief commissioners on Thursday.

The directive to field offices follows the finance ministry’s Wednesday order of immediately releasing Rs 18,000 crore in pending income tax, goods and service tax (GST) and customs refunds to individuals and businesses. About 50% of the amount is estimated to be for GST and customs refunds, officials said.

"The focus on refunds and drawback is aimed at providing immediate relief to the business entities, especially MSMEs, which makes it an imperative to ensure that there are no delays," CBIC said to field offices. Central officers will monitor the refund claim settlement on a daily basis.

"For facilitation of exporters, all communication should be done over e-mail wherever email id of the applicant is available," the CBIC said, adding due diligence will be done before sanctioning any refund claims.

The "Special Refund and Drawback Disposal Drive" will go on till April 30. Issuing the pending GST and Custom refunds will benefit around 1 lakh business entities, including MSMEs.

Source: economictimes.com- Apr 10, 2020

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D P World defers rate increase at Vallarpadam box transhipment terminal by a month

The rate hike was earlier planned to take effect from Friday

India Gateway Terminal Pvt Ltd (IGTPL), the international container transshipment terminal run by Dubai's D P World Pvt Ltd at Vallarpadam in Cochin Port Trust has "deferred" a planned rate hike by a month, the global port operator said on Thursday.

The rate hike was in "very low double digits ranging from 5 to 12 per cent," according to shipping industry sources.

The rate increase approved by the Tariff Authority for Major Ports (TAMP) on March 3 was slated to take effect from Friday, April 10, for a three-year period. India Gateway Terminal had even sent out trade notices to the export-import (EXIM) fraternity in Kochi informing them about the implementation of the rate hikes.

"We have a tariff increase for IGTPL approved by TAMP in the normal course. The application of this increase has been deferred by a month in view of the ongoing COVID-19 crisis.

We will review the same after a month," a Mumbai-based spokesperson for D P World said. The rate increase was approved by TAMP after a two-year gap.

The rate increases were opposed by the export-import (EXIM) trade. They have also urged the terminal operator to defer the rate increases in view of the lockdown imposed by the government to slow the spread of coronavirus that has roiled trade.

"Implementing the rate increase approved by TAMP without discussing it with the trade will put our efforts to bring more volumes to ICTT in vain," said a trade source.

The EXIM trade has also urged the India Gateway Terminal to waive the ground rent charges on EXIM, empty and coastal containers during the lockdown period as directed by the Shipping Ministry at all the major port trusts to ease the difficulties faced by the trade.

In FY20, ICTT handled 620,000 twenty-foot equivalent units (TEUs), 4.28 per cent more than the 595,000 TEUs it handled in FY19, despite a challenging year marked by global and local economic slowdown and trade disruptions due to the outbreak of coronavirus.

A TEU is the standard size of a container and a common measure of capacity in the container business.

The terminal, built with an investment of about Rs 3,200 crore, shared by the government and the Dubai-government-owned entity, was opened in February 2011, with a capacity to load 1 million TEUs a year.

A container transshipment terminal such as the one developed at Vallarpadam acts like a hub, into which smaller feeder vessels bring cargo which then gets loaded onto larger ships for transportation to final destinations. Larger vessels bring about economies of scale, and lower the cost of operations for shipping lines, which then translates into lower freight rates for exporters and importers.

Vallarpadam was designed to cut India's dependence on neighboring hub ports such as Colombo in Sri Lanka, Singapore, Salalah and Jebel Ali in Dubai, Tanjung Pelepas and Port Klang in Malaysia to send and receive container cargo, thus saving time and cost for exporters and importers.

About 2 million TEUs originating in and destined for India gets transshipped at Sri Lanka's Colombo port every year, entailing extra cost and time for exporters and importers.

Source: thehindubusinessline.com- Apr 09, 2020

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India needs a better Covid-19 relief package

Rather than focussing on economic revival post-crisis, the govt should find 'new money' for better healthcare and livelihood support now

These are not normal times for any country. In one swoop, Covid-19 has proved how fast it can globalise and integrate all countries and people, albeit in a disastrous way.

While the Western countries are paying a very high price for their initial lackadaisical attitude, one shudders to think what price India will have to pay should the situation assume the pace and proportions of those in some other countries.

India's neglect of the public healthcare system ought to be nothing less than proverbial. With two-thirds of its 1.34 billion people having to make do with a hand-to-mouth existence, the Covid-19-induced health crisis could easily transform itself into a hunger crisis for this huge mass of people.

With 90 per cent of its workforce without employment or social security, a lockdown means no work and hence no wages, and thus no means to support the family, unless the state steps in decisively and in full measure.

A rough calculation of 'no work no wages' for the 90 per cent of the workforce translates itself into a wage/earnings loss of at least ₹3.5 lakh crore per month for these insecure, or informal, workers. We are already witnessing this with the current lockdown, that is set to go beyond one month. That also represents a sudden demand compression adding to the other dimensions like fall in exports.

A lockdown in economic terms means a simultaneous demand and supply compression that has already halted this large economy, consisting of many small units of production and services. Strangely enough, the expenditure for keeping the health system in an overworking mode and the attendant support system and minimal exchange of food and medicine are the segments that are contributing to the maintenance of a part, albeit small, of the national income.

The biggest crisis India is now facing is: how to avert mass deaths and probable social unrest due to starvation and fear of death in its quest for halting the Covid-19?

Little relief

Extraordinary times call for extraordinary measures. Despite the neoliberal rhetoric of the government and the blatant sale of the ‘family silver’ to the big private corporate sector, it is the state — both its national and regional manifestations — that is called upon to save the people, their livelihood, the economy and, in sum, the country at large. While the State governments struggle to respond to both the health and livelihood crises, the initiatives from the national government are minimal at best, and scandalous at worst.

An economic relief package equivalent to less than 1 per cent of the national income has now been revealed to be a mere 0.5 per cent or so, if one were to adjust for existing budgetary allocations. The financial allocation of a mere ₹1.7 lakh crore for fighting the spread of Covid-19 sounds like a cruel joke, given the enormity of the battle that is slowly but surely emerging in one state after another.

Despite having a President known for his open and extreme bias towards business interests, the state system in the US has managed to announce an economic relief package close to 10 per cent of its national income. A similar conservative, populist regime in the UK did not prevent it from announcing a relief package of £375 million, equal to around 17 per cent of its national income. Similar responses have already emerged from a number of countries.

The Indian government’s relatively timid response is nothing but a political tragedy that the people — ever patient as they are — don’t deserve. Is this because there are no options for the Indian government to mobilise the required resources?

Mobilisation of funds

A sovereign national government has an enormous number of options to raise resources, including creating new money and spending it in such a way that it meets the effective demand of the working people, which will be least import-intensive given the fact that it would be mostly spent on wage goods that would support the local economy from collapsing. It also has the option to cut down on non-essential expenditure.

Budget reallocation would be a much needed exercise in times of national crisis. States are reeling under financial pressure and should be immediately taken care of by transferring money to them. Here are a few more examples which could be discussed: An amount close to at least 10 per cent of the national income should be treated as the target for fighting the twin crises of Covid-19 and the loss of livelihood that constitutes the effective demand for the economy.

That gives a target of ₹20.1 lakh crore. If the fiscal deficit is doubled, it should give an additional amount of ₹10.9 lakh crore (another 2.2 per cent of national income for the Government of India and 3 per cent for the States). This will be new money.

To this, the Government of India should add the ₹1.44 lakh crore that was gifted to the private corporate sector. That would be a small acknowledgement of its primary obligation of protecting the lives of the vast masses of working poor and their families in this hour of crisis. And then there is the oil bonanza. Reports suggest that the profit of the Government of India as a result of declining oil prices since 2014 has been a staggering ₹20 lakh crore. The latest decline is expected to net around ₹3.5 lakh crore this year. And at least this much could be diverted for meeting the current crisis.

Budget rejig

As for Budget reallocation, there should be a closer re-examination to reduce non-essential expenditure as well as reallocation of priorities. Do we realise that it is the Ministry of Home Affairs with its large and several contingents of paramilitary forces which gets the second-highest priority in the Union Budget?

The Budget allocation of ₹1.39 lakh crore in 2019-20 was hiked by 41 per cent to ₹1.67 lakh crore in 2020-21. This hike can, and should, be rescinded and given over to the Ministry of Health that gets a sum equal to a mere 41 per cent of the Budget allocation of the MHA! Policing the people seems to trump over their health security, no doubt.

Similarly, the luxury of re-building the central vista in and around the Indian Parliament can wait and the allocation of ₹20,000 crore can easily be added to the economic package. So can the frequent travel of the Council of Ministers and bureaucrats. Shaving off a 15 per cent from the Budget allocation of all Ministries except Health, especially when no worthwhile expenditure is incurred in times of lockdown, should not be a pain at all. A sum of ₹4.5 lakh could thus be diverted to protect the lives of people and the demand and supply systems of the economy at the same time.

An amount of ₹20.34 lakh crore thus mobilised will be equal to 10 per cent of the national income, with 2.1 per cent coming out of Budget reallocation, thus lessening the effective mobilisation to around 8 per cent. This would set an example, hopefully, for the big private sector to pitch in with contributions in money and/or in kind that will ultimately turn out to be in their self-interest.

Civil society organisations, numerous as they are across the breadth and length of this country, have already come in with their meagre resources but enormous empathy and labour to provide some succour to the suffering people. That needs more encouragement, recognition and elevation to a higher order of politics of humanism in these troubling times, in more sense than one.

Source: thehindubusinessline.com- Apr 09, 2020

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India Seen as Emerging Hub

It is often said that “India has a bright future and always will.” Now it looks like the ‘future’ will be arriving soon - much sooner than most industry watchers had expected.

Despite its massive workforce, a legacy of textile and apparel manufacturing, domestic raw materials and strong creative skills, India has only a 4 percent share of the global apparel market, compared with China (36 percent market share) and other Asian nations.

One of the key sticking points has been logistics. Unlike China, which has state-of-the-art infrastructure thanks to massive government backed investment, India has been thwarted by a lack of progress, particularly in logistics.

For example, by 2019 China had 510 airports with paved runways, while India had only 253 (CIA World Factbook).

However that's finally changing. India has been making strides to modernize its logistics. A National Logistics Policy that would create a single window e-logistics market is under discussion. Consolidation of warehousing is leading to greater efficiency and more value-added services.

In addition, the nation has actively introduced business reforms.

Source: insidefashionlive.net- Apr 08, 2020

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Risks, and some rewards, as India does business in the times of coronavirus

More than 106,000 people have been infected by the coronavirus across the world and at least 3,600 have died as the disease upturns a modest growth in the world economy since mid-2019 and threatens key sectors of India's economy where some see a “silver lining” in China practically shutting down.

Multilateral lending agencies, like the World Bank and the International Monetary Fund (IMF), estimate that the coronavirus will have a long-term impact on global economic growth.

The Asian Development Bank (ADB) estimates that the world's gross domestic product (GDP) could reduce by 0.1%-0.4%, noting that financial losses could range from $77 billion to $347 billion. Growth in China could reduce by 0.3% to 1.7% and in developing Asia, excluding China, by 0.2% to 0.5%, the ADB said in an analysis outlining best- and worst-case scenarios.

The Organisation for Economic Cooperation and Development (OECD), the influential think tank, reckons this year world economy may grow at its slowest rate since 2009 because of the coronavirus.

The OECD has forecast a 2.4% growth for the world economy in 2020, down from 2.9% in November. A longer "more intensive" outbreak could halve growth to 1.5%, it said.

The IMF has promised $50 billion and World Bank $12 billion to fight the disease and its impact.

India: risks a lot, gains some

India's economy hasn't caught the bug but if the coronavirus crisis persists worldwide its plans to revive growth could be disturbed.

India's gross domestic product (GDP) growth fell to an unprecedented 27-quarter low of 4.7% in the quarter ended December 2019 (with the previous quarter's growth having been corrected) due to contraction in investment and manufacturing output for two successive quarters. GDP growth is set to stagnate at 4.7% in the March quarter (Q4) too, according to the annual estimate by the National Statistical Office (NSO).

According to the United Nations Conference on Trade and Development (UNCTAD), India could lose $348 million in trade because of the coronavirus. India figures among UNCTAD's top 15 economies most affected by the slowdown in manufacturing in China.

India's chemicals sector could lose $129 million, textiles and apparel $64 million, automotive $34 million, metals and metal products $27 million--to list just some businesses.

The sharp drop in oil prices, partly caused by the coronavirus crisis, will help India, which imports almost 88% of its requirement. A $20 per barrel fall in oil prices saves India a sum of almost $30 billion per annum.

Monday morning, brent crude oil prices were quoted at $33 per barrel, a fall of almost 28% from previous close.

Indian rating agency ICRA estimates that a reduction in $1/mmbtu in the pooled gas price for the fertiliser sector could lead to a Rs 1500-Rs 1600/tonne fall in production cost for urea manufacturing units, helping the government's subsidy outgo and lower working capital borrowings for companies.

"A silver lining for the Indian urea industry in this crisis is on the natural gas pricing front. R-LNG, which now meets around 57% of the natural gas consumption for the domestic urea industry, has been witnessing a downtrend in prices," said K Ravichandran, group head and senior vice president at ICRA.

"With the decline in the term LNG prices and the weak spot gas prices, pooled price for the urea players will moderate leading to a lower cost of production and a lower subsidy outgo for the government," said Ravichandran.

The gains could be for companies making and shops selling such anodyne items hand sanitizers and facemasks. V-Medicos, a medicine shop in Uttar Pradesh's Noida city, is clocking high sales of the two products as people resort to panic buying.

"When there is so much demand, what else do we do?" a sales executive at the shop told news agency PTI about selling Rs 150-masks for Rs 300.

Studies show that the coronavirus crisis could help leather, ceramics, plastics, paper, steel, textile sectors in India. A report by rating agency CRISIL said the domestic ceramics might gain briefly as some marginal business shifts to India from China. The leather and leather-goods industry--operating at 60 per cent capacity--can take up orders the United States and the European Union place in China.

The paper industry may gain, especially in the paperboard segment, and so could plastics when cheap imports from China dry up, said the CRISIL report.

The report said that India's steel industry might benefit from import substitution and textile if low cost manufacturing shifts from China.

Risk to safety net

The gains will be futile if the coronavirus isn't controlled. Growth across Asia-Pacific will slow to 4.0% in 2020, the lowest since the 2008 global financial crisis. A U-shaped recovery was expected later in 2020 but by then overall economic damage could hit $211 billion if the disease persists, according to an article by S&P Global Ratings.

The article said emerging Asian markets, like Indonesia, Malaysia, the Philippines, and India, are insulated because their exposure to Chinese and global supply chains is relatively limited.

That safety net could vanish quickly for two reasons: the coronavirus overwhelming countries' healthcare infrastructure and financial conditions tightening quickly.

"If investors ask for a much higher risk premium for emerging market assets, policymakers will have much less space to cut interest rates and boost public spending," said Professor Stephen Roache of Yale University. This could add to downward pressures on growth.

In India, the coronavirus has upset plans and pockets. Vistara cancelled 20 flights between Delhi and Bangkok, 26 between Mumbai and Singapore and eight between Delhi and Singapore in March. GoAir has suspended operations to Dammam in Saudi Arabia and some flights to Bangkok and Phuket in Thailand.

Business Standard reported on March 5 Indian airlines have asked the government to waive off landing and parking charges and more time to pay oil-marketing firms.

Consumers chicken out

Poultry prices in India have declined by a third since February as consumers avoid meat despite government and farmers saying that the Coronavirus doesn't spread through chicken and eggs. Broiler chicken in the benchmark Bengaluru wholesale market was quoted at Rs 61.76 a kg in February on an average, as against Rs 91.58 a kg in January.

Broiler chicken in the Hyderabad and Muzaffarpur in Bihar markets sold at Rs 61.28 a kg and Rs 78.66 a kg in February, compared to Rs 86.28 a kg and Rs 90.13 a kg in January. Egg prices have plunged too.

Data compiled by the Poultry Federation of India shows that the Rs 1-trillion poultry sector employs 20 million people, directly and indirectly. Similarly, India's buffalo meat exports halved to 50,000 tonnes in February, leading to a nearly Rs 1,500 crore loss in revenue, according to an exporters' association.

"As an industry, we have lost a business of close to Rs 1,500 crore, with exports to Vietnam, which largely caters to the Chinese market, not moving," said Fauzan Alavi, spokesperson for All-India Meat & Livestock Exporters Association. "China market access remains extremely crucial for us."
There is hardly any sector in the world that will remain insulated from the impact of the Coronavirus. Indian business hasn't called in sick—that's an opportunity but it must brace for the bug.

Source: business-standard.com- Apr 09, 2020

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Apparel retailers likely to offer huge discounts after lifting of lockdown

Benetton India Managing Director and CEO Sundeep Chugh told PTI that although "there is certainly no specific discounting strategy post lockdown, as a brand we would want to uplift the sentiments of our consumers through a welcome-back strategy encapsulating season specific offers and engagements at our stores"

Apparel retailers are expected to offer large-scale discounts to clear old stocks and also perk up consumer sentiments once the lockdown is lifted, according to industry players. A series of lockdowns around the world has severely impacted the fashion retail ecosystem as stores all over the world shuttered, resulting in cancellations of late Summer and Autumn merchandise and a build-up of unsold Summer 2020 within the business, they said.

Benetton India Managing Director and CEO Sundeep Chugh told PTI that although "there is certainly no specific discounting strategy post lockdown, as a brand we would want to uplift the sentiments of our consumers through a welcome-back strategy encapsulating season specific offers and engagements at our stores". Chugh further said,"We anticipate the lockdown would be lifted by/during mid-season, and that's the time when generally mid-season offers prevail and we would mostly align with the same as per the market ecosystem."

Moreover, he said,"Benetton is trying to fully adhere to government regulations and we want to take all decisions in tandem with the government's instructions." Spykar Lifestyles CEO Sanjay Vakharia also said the situation would depend entirely on how long does the lockdown continue and when the restrictions would be eased.

"Also whether lifestyle businesses will be the last to open or they will open along with the rest is to be seen. But if the lockdown is lifted in this month we may be at the beginning of the Spring Summer season, not necessitating an early end of season sale. However, if opening is delayed, the Spring summer will be on discount then," he said. Giving a global perspective, Forever New Country Manager Dhruv Bogra said COVID-19 crisis seriously disrupted the global supply chain for fashion early this year.

Source: economictimes.com- Apr 09, 2020

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Covid-19 creates a massive $2 billion hole in India's apparel industry

The Indian apparel sector, the world's fourth largest producer of textile and garments, is not just a foreign exchange earner, but an employment oriented industry, employing 12.9 million people.

As the Covid-19 pandemic continues to batter global supply chains, choking international trade in the process, the very survival of Indian apparel export is at stake. With overseas buyers and buying houses either cancelling or postponing confirmed export orders, industry body Apparel Export Promotion Council (AEPC) says about 65% of apparel exporters payment amounting to at least $2 billion (about Rs 15,300 crore) is currently stuck with foreign buyers.

According to A Sakthivel, Chairman, AEPC, the sector's main traditional overseas markets are Europe and the US - regions severely hit by the pandemic.

"With lockdowns across markets, foreign buyers are postponing orders, and asking for hefty discounts. Goods in transit goods are also not moving. Those already dispatched are also finding no takers on various foreign ports. We never faced this kind of unprecedented situation," says Sakthivel. He adds that that unless the government comes out with a special export centric package, a big question mark now looms large on the fate of the sector.

Echoing similar views, KL Magu, Managing Director of Delhi-based Jyoti Apparels opines that most of the exporters' bank deposits today stand exhausted. Had they received the payment from overseas buyers, the same would have been used to pay for inputs such as fabrics and raw materials and, more importantly, to service their banks' obligations. An uninterrupted cash flow cycle would have facilitated businesses to look for more funding from institutions to help sustain their operations, holds Magu, who is also the Ex-Chairman of AEPC.

"Foreign buying houses have also not paid for the 2-3 months old shipment, leading a huge blow to cash flow," Magu adds. Calling the present situation "very grave with no light at the end of the tunnel", he flags that payments expected against goods shipped in December, with a payment due date in March, has not come. To add to their woes, all future orders have now been indefinitely deferred.

Cancellations and postponement - the new normal for the sector

Various manufacturers ET digital reached out to, disclose that foreign buyers and buying houses are not lifting deliveries, despite them having reached their ports.

Such cancellations and postponement of shipments have resulted in packing credits being eroded, adds AEPC's Sakhtivel, further underlining that apparel products are tailor made, design specific, and fashion specific and thus are 'perishable', and any cancellation would "make them redundant, with little or no salvage value next year".

The widespread cancellation is not just a global phenomenon, but domestically too manufacturers are increasingly being advised to not 'cut, stitch, sew any fresh item'. Rajendra Agarwal, Managing Director, Donear Industries Ltd informs that the firm has been servicing all the leading apparel brands from Blackberry, Madura Garments, ITC, etc., and each of them has postponed deliveries.

"We export 30% of our merchandise and I can say the outbreak's aftershocks will extend till next year, " remarks Agarwal, adding even if the company resumes production in June this year, any order execution may not materialise in the next 90-120 days. This is due to the cold responses of foreign buyers at this point in time.

Amid a slowing economy, the Indian apparel sector was already reeling under a liquidity crunch, besides many traditional bottlenecks. In Magu's view, people adjusted to demonetisation, and then GST, despite all its flaws because these were India-based events, but the impact of Covid-19 is unprecedented. "We need buyers to survive. If the supply chain is halted and retail outlets selling our merchandise are closed, how will we pay our workers?" he questions.

The Indian apparel sector, the world's fourth largest producer of textile and garments, is not just a foreign exchange earner, but an employment oriented industry, employing 12.9 million people. Industry experts are of the view that given the widespread interdependence of many sub-industries on the sector, any resultant job losses will have a domino effect across numerous ancillary industries, jeopardising their very survival.

“The ripples of any degrowth in this sector will likely affect millions of bread owners across the length and breadth of the country,” cautions Sakthiwal.

Source: economictimes.com- Apr 09, 2020

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Textile associations seek extended moratorium to repay loans

Textile associations have appealed to the government to extend the moratorium for repayment of term loans and support to pay wages. Chairman of Confederation of Indian Textile Industry, T. Rajkumar, said textile and clothing manufacturing units need one year moratorium to repay loans. In the case of interest repayment, the units need at least three months time.

The government should also disburse all the pending incentives under its schemes. It should also look at measures to support those who had taken loans in foreign currencies, face delays in LC payments, and those who have gone in for forward contract. Bangladesh has given a special loan package to textile sector. Banks in India should also have a similar package for the sector.

Apparel Export Promotion Council chairman A. Sakthivel said China has opened industrial operations and Indian garment exporters need permission to at least start making samples. The units can start operating only with the workers who are staying in hostels. The exporters also need relief under ESI scheme and support to pay wages. The Commerce and Textile ministry officials have been constantly in touch with the stakeholders through video calls, he said.

Source: thehindu.com- Apr 10, 2020

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